

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 1993 through 1999 are shown in Table 12.

TABLE 12
CITY OF PHILADELPHIA
GENERAL FUND EMPLOYEE BENEFIT EXPENDITURES
FISCAL YEARS 1993-1999
(Amounts in Millions)

	Actual					Adopted Budget	Adopted Budget
	1993	1994	1995	1996	1997	1998	1999
Pension Contribution	\$186.2	\$207.7	\$187.3	\$195.8	\$207.2	\$218.5	\$230.3
Health-Medical-Dental	136.9	136.2	140.7	142.1	149.6	156.8	171.7
Social Security	42.7	42.3	43.5	46.4	46.2	46.5	47.5
Other	52.4	64.3	55.2	46.7	54.1	53.0	53.6
Total	\$418.2	\$450.5	\$426.7	\$431.0	\$457.1	\$474.8	\$502.5

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 normal costs. Accrued normal costs for any year are actuarially computed amounts necessary to be contributed to the pension funds to provide, in the future, the pension and survivor benefits earned by the work force during such year.
- (b) Amortization in level installments (which include interest) over a period of 40 years of certain unfunded prior service costs as ordered by the Court of Common Pleas of Philadelphia County in a class action suit brought by pension fund beneficiaries.
- (c) Interest on the unfunded accrued liability of the pension plans.

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

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

Based on an actuarial schedule providing payments increasing at 5.5% per annum, the unfunded accrued liability should be fully amortized by 2019.

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

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

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

The following table is a comprehensive statement of operations of the City Municipal Pension Fund for Fiscal Years 1993 through 1997.

TABLE 13
CITY OF PHILADELPHIA
CITY MUNICIPAL PENSION FUND
COMPARATIVE SCHEDULE OF OPERATIONS
FOR THE FISCAL YEARS 1993 THROUGH 1997
(Amounts in Millions of Dollars)

	1993		1994		1995		1996		1997	
	Amount	%								
REVENUE:										
Contributions:										
Employees':										
Members' Contributions	\$ 45.0	\$ 10.7	\$ 44.3	\$ 9.6	\$ 44.2	\$ 10.1	\$ 45.6	\$ 7.2	\$ 47.0	\$ 4.9
Less: Refunds to Members	4.9	1.2	4.3	0.9	3.7	0.8	3.8	0.6	3.8	0.4
Net Members' Contributions	<u>40.1</u>	<u>9.5</u>	<u>40.0</u>	<u>8.6</u>	<u>40.5</u>	<u>9.2</u>	<u>41.8</u>	<u>6.6</u>	<u>43.2</u>	<u>4.5</u>
Employer's:										
City of Philadelphia	174.3	41.3	233.7	50.5	212.8	48.5	222.5	35.3	237.0	24.8
Commonwealth of Pennsylvania Through City of Philadelphia	35.1	-	-	-	-	-	-	-	-	-
Quasi Governmental Agencies	<u>3.6</u>	<u>0.9</u>	<u>2.8</u>	<u>0.6</u>	<u>4.6</u>	<u>1.0</u>	<u>4.8</u>	<u>0.8</u>	<u>5.2</u>	<u>0.5</u>
Total Employer's Contributions	213.0	42.2	236.5	51.1	217.4	49.5	227.3	36.0	242.2	25.3
Commonwealth of Pennsylvania	<u>6.5</u>	<u>1.5</u>	<u>2.7</u>	<u>0.6</u>	<u>1.3</u>	<u>0.3</u>	<u>4.5</u>	<u>0.7</u>	-	-
Total Contributions	259.6	61.6	279.2	60.4	259.2	59.0	273.6	43.4	285.4	29.8
Investment Earnings	161.6	38.3	182.9	39.5	178.9	40.8	356.4	56.5	669.9	70.1
Other	<u>0.5</u>	<u>0.1</u>	<u>0.5</u>	<u>0.1</u>	<u>0.9</u>	<u>0.2</u>	<u>0.8</u>	<u>0.1</u>	<u>0.3</u>	<u>0.1</u>
Total Revenues	<u>421.7</u>	<u>100.0</u>	<u>462.6</u>	<u>100.0</u>	<u>439.0</u>	<u>100.0</u>	<u>630.8</u>	<u>100.0</u>	<u>955.6</u>	<u>100.0</u>
DISBURSEMENTS: (1)										
For Pension Benefits	312.5		326.2		338.6		353.4		372.0	
For Other Purposes, Excluding Refunds	<u>43.2 (1)</u>		<u>26.8 (1)</u>		<u>28.1 (1)</u>		<u>21.4 (1)</u>		<u>13.6</u>	
Total Disbursements	<u>355.7</u>		<u>353.0</u>		<u>366.7</u>		<u>374.8</u>		<u>385.6</u>	
Excess of Revenue Over Disbursements	<u>\$ 66.0</u>		<u>\$ 109.6</u>		<u>\$ 72.3</u>		<u>\$ 256.0</u>		<u>\$ 570.0</u>	
Net Assets										
Opening	\$ 1,847.1		\$ 1,913.1		\$ 2,022.7		\$ 2,095.0		\$ 2,351.0	
Closing	<u>1,913.1</u>		<u>2,022.7</u>		<u>2,095.0</u>		<u>2,351.0</u>		<u>2,921.0</u>	
Increase During the Year	<u>\$ 66.0</u>		<u>\$ 109.6</u>		<u>\$ 72.3</u>		<u>\$ 256.0</u>		<u>\$ 570.0</u>	
EXHIBIT										
1. Pension Benefits Paid as a Percent of										
A. Net Contributions of Members	779.3		815.5		836.0		845.5		861.1	
B. Revenue	74.1		70.5		77.1		56.0		38.9	
C. Closing Net Assets	16.3		16.1		16.2		15.0		12.7	
2. The Closing Net Assets as a Percent of										
Total Disbursements	537.8		573.0		571.3		627.3		757.5	
3. Revenues as a Percent of Disbursements										
	118.6		131.0		119.7		168.3		247.5	
4. Investment Earnings as a Percent of										
Pension Benefits	51.7		56.1		52.8		100.8		180.1	

(1) Disbursements for Other Purposes include \$34.2 million in losses due to the permanent decline in market value of some investments. These losses amounted to \$34.2 million in Fiscal Year 1993, \$14.4 million in Fiscal Year 1994 and \$15.3 million in Fiscal Year 1995.

FIGURES MAY NOT ADD DUE TO ROUNDING

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 1993 through 1999.

TABLE 14
CITY OF PHILADELPHIA
PURCHASE OF SERVICES IN THE GENERAL FUND
FISCAL YEARS 1993-1999
(Amounts in Millions)

	Actual					Adopted Budget	Adopted Budget
	1993	1994	1995	1996	1997	1998	1999
Human Services (a)	\$200.3	\$215.1	\$232.4	\$240.2	\$249.4	\$278.4	\$318.3
Public Health (b)	155.4	136.9	64.2	51.0	54.2	64.0	63.1
Public Property (c)	132.1	141.7	146.8	145.7	135.9	142.0	144.3
Streets (d)	84.2	84.8	66.3	72.7	65.1	60.9	52.3
Sinking Fund-Leased Debt (e)	11.5	36.9	37.8	38.6	38.5	39.5	39.4
Legal Services (f)	18.8	20.0	20.4	21.0	22.6	23.0	24.1
First Judicial District	27.7	27.2	26.6	26.5	29.9	11.7	0.0
Licenses & Inspections (g)	9.2	10.5	13.0	11.8	12.5	11.4	11.8
Emergency Services (h)	10.5	11.6	14.1	16.7	12.3	11.1	9.5
All Other	40.2	69.8	78.1	85.7	115.6	115.8	173.1
Total	\$689.9	\$754.5	\$699.7	\$709.9	\$736.0	\$757.8	\$835.9

(a) Includes payments for care of dependent and delinquent children.

(b) Prior to FY 1995, the purchased service category for the Department of Public Health included MH/MR payments. The FY 1995 Budget transfers these obligations to the Grants Revenue Fund.

(c) Includes payments for SEPTA, space rentals, utilities, and telecommunications.

(d) Includes solid waste disposal costs.

(e) Includes Justice Center lease debt.

(f) Includes payments to the Defender Association to provide legal representation for indigents.

(g) Includes payments for demolition.

(h) Includes homeless shelter and boarding home payments. Formerly named O.S.H.A.

FIGURES MAY NOT ADD DUE TO ROUNDING

City Payments to SEPTA

In recent years, SEPTA has faced increased operating costs. The City's Fiscal Year 1998 operating subsidy payment to SEPTA was \$56.8 million. The Fiscal Year 1999 budget projects an annual operating subsidy payment to SEPTA of \$59.3 million. The Seventh Five-Year Plan provides that the City's contribution to SEPTA will grow to \$66.8 million by Fiscal Year 2003.

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

As of February 16, 1997, the Constitutional debt limitation for tax-supported general obligation debt was approximately \$1.2 billion. After legally authorized deductions, approximately \$694.1 million of tax-supported general obligation debt was authorized as of this date, leaving a balance of \$504.1 million available for future authorization. On May 20, 1997, the voters of the City authorized an increase in tax-supported general obligation debt of \$121,956,000. The City is also authorized to issue revenue bonds pursuant to The First Class City Revenue Bond Act of 1974. Bonds so issued are excluded for purposes of the calculation of the Constitutional debt limit.

Short-Term Debt

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

The City issued \$300 million of Tax and Revenue Anticipation Notes in July 1997. These notes are due on June 30, 1998.

Long-Term Debt

Table 15 presents a synopsis of the bonded debt of the City and its component units at the close of Fiscal Year 1997. Table 16 sets forth a ten year historical summary of tax-supported debt of the City and School District. Table 17 sets forth the debt service requirements to maturity of the City's outstanding bonded indebtedness. As of June 30, 1997, the City's tax-supported general obligation debt, less sinking fund assets, equaled \$486.1 million.

Of the total balance of City tax-supported general obligation bonds outstanding at June 30, 1997, 34% is scheduled to mature within 5 years and 54% is scheduled to mature within 10 years.

Other Long -Term Debt Related Obligations

The City has entered into other contracts, leases and guarantees to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations. These obligations include guarantees or the payment of debt service on certain bonds of the Philadelphia Municipal Authority, the Philadelphia Authority for Industrial Development, the Philadelphia Parking Authority, the Philadelphia Redevelopment Authority, the Philadelphia Hospitals and Higher Education Authority and the Pennsylvania Convention Center Authority. The principal amount of the City's obligation with regard to each of these authorities as of June 30, 1997 was as follows:

Philadelphia Municipal Authority	\$415,000,000
Philadelphia Authority for Industrial Development	76,300,000
Philadelphia Parking Authority	10,850,000
Philadelphia Redevelopment Authority	5,210,000
Philadelphia Hospitals and Higher Education Authority	14,143,669
Pennsylvania Convention Center Authority	285,670,000

The Hospitals & Higher Education Facilities Authority of Philadelphia has issued bonds on behalf of the Community College of Philadelphia ("CCP"). These bonds are secured by, among other things, payments to be made by the City as the local sponsor pursuant to the enabling legislation that authorized the creation of CCP. As the local sponsor, the City is obligated to pay up to 50% of the debt service on bonds issued on behalf of CCP. The principal amount of bonds for which the City is obligated to make such payments was \$14,143,669 as of June 30, 1997; this amount represents 50% of the \$28,287,338 principal amount of bonds issued and outstanding for this purpose.

TABLE 15
CITY OF PHILADELPHIA
CITY RELATED BOND INDEBTEDNESS
JUNE 30, 1997
(Amounts in Millions)

	General Fund Types				Enterprise Funds				Totals
	City General Fund	Municipal Authority Fund	PICA	Totals	Water Fund	Aviation Fund	Gas Works Fund	Totals	
Bonded Debt Outstanding, July 1, 1996	\$ 553.6	\$ 434.0	\$ 1,146.2	\$ 2,133.8	\$ 1,603.1	\$ 527.1	\$ 775.4	\$ 2,905.6	\$ 5,039.4
Bonds Issued:									
General Obligation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Bonds Issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds Matured/Refunded:									
General Obligation	41.6	19.0	43.8	104.4	4.2	6.9	0.0	11.1	115.5
General Obligation-Refunded	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue	0.0	0.0	0.0	0.0	37.8	8.7	33.8	80.3	80.3
Total Bonds Matured/Refunded:	41.6	19.0	43.8	104.4	42.0	15.6	33.8	91.5	195.9
Bonded Debt Outstanding, June 30, 1997									
General Obligation	512.0	415.0	1,102.4	2,029.4	24.7	50.0	0.0	74.7	2,104.1
Revenue	0.0	0.0	0.0	0.0	0.0	461.4	741.6	2,739.4	2,739.4
Total Bonded Debt Outstanding, June 30, 1997	512.0	415.0	1,102.4	2,029.4	1,561.1	511.4	741.6	2,814.1	4,843.5
Sinking Fund Assets Available for Payment of Principal	0.0	12.0	86.8	99.4	126.6	44.9	75.5	247.0	347.9
Net Debt	\$ 512.0	\$ 402.4	\$ 1,015.6	\$ 1,930.0	\$ 1,435.5	\$ 466.5	\$ 666.1	\$ 2,567.1	\$ 4,495.6

Source: Consolidated Annual Financial Report for FY 1997
 FIGURES MAY NOT ADD DUE TO ROUNDING

TABLE 16
CITY OF PHILADELPHIA
CITY AND SCHOOL DISTRICT NET TAX SUPPORTED DEBT AND DEBT SERVICE RATIOS
FOR THE FISCAL YEARS 1988 THROUGH 1997
(Amounts in Millions of Dollars)

Line No.	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	
Net Tax Supported Debt (Millions)											
City											
1	Bonded Debt	\$ 751.2	\$ 721.6	\$ 841.1	\$ 855.4	\$ 823.9	\$ 792.6	\$ 480.2	\$ 451.4	\$ 522.6	\$ 486.1
2	Other Long-Term Obligations (1)	918.6	1,061.4	1,238.0	1,386.8	1,682.0	1,817.3	1,754.1	1,796.3	1,799.8	1,836.2
3	Total City	1,669.8	1,783.0	2,079.1	2,182.2	2,505.9	2,609.9	2,234.3	2,247.7	2,322.4	2,322.3
Overlapping School District:											
4	Bonded Debt	357.1	377.2	350.7	400.5	411.4	400.7	533.1	498.7	628.2	704.1
5	Other Long-Term Obligations (2)	308.2	328.5	342.7	369.8	392.0	381.3	403.3	420.6	436.5	436.2
6	Total School District	665.3	705.7	693.4	770.3	803.4	782.0	936.4	919.3	1,064.7	1,140.3
7	Overlapping PICA Bonded Debt	0	0	0	0	0	0	1,156.7	1,237.5	1,146.2	1,102.2
8	Total Debt	\$2,335.1	\$2,488.7	\$2,772.5	\$2,952.5	\$3,309.3	\$3,391.9	\$ 4,337.4	\$ 4,414.5	\$ 4,533.3	\$ 4,565.1
9	Estimated Population (Thousands) (3)	1,647	1,543	1,586	1,573	1,553	1,539	1,524	1,499	1,478	1,471
10	Assessed Valuation (Millions) (4)	7,538	7,573	8,417	8,796	8,929	8,872	9,020	8,917	8,954	9,101
11	Estimated Market Value (Millions) (4)	31,025	30,292	35,380	35,814	35,475	35,318	33,101	32,989	33,126	N/A
City Net Tax Supported Annual Debt Service:											
12	Bonded Debt	117.2	118.7	116.4	124.8	225.4	176.4	168.0	69.1	67.6	68
13	Other Long-Term Obligations	47.6	46.4	53.4	88.1	97.9	96.1	132.2	115.0	87.2	104
14	Total (Line 11 and Line 12)	164.8	165.1	169.8	212.9	323.3	272.5	300.2	184.1	154.8	172
15	City General Governmental Obligations (5)	2,071.6	2,225.9	2,250.0	2,379.1	2,552.7	2,623.3	2,785.2	2,832.4	2,952.5	3,155
Net Tax Supported Debt per Capita:											
16	City Bonded Debt (Line 1/Line 9)	456.1	467.7	530.3	543.8	530.5	515.0	321.7	301.1	353.6	328
17	City Total Long-Term Debt (Line 3/Line 9)	1,013.8	1,155.5	1,310.9	1,387.3	1,613.6	1,695.8	1,472.6	1,499.5	1,571.3	1,571
18	School District Total (Line 6/Line 9)	403.9	457.4	437.2	489.7	517.3	508.1	614.4	613.3	720.4	771
19	PICA Bonded Debt (Line 7/Line 9)	0	0	0	0	0	0	759.0	825.6	775.5	745
20	Total (Line 6/Line 9)	1,417.8	1,612.9	1,748.1	1,877.0	2,130.9	2,204.0	2,846.1	2,938.3	3,067.2	3,088
Net Tax Supported Debt as a Percentage of Assessed Valuation:											
21	City Bonded Debt (Line 1/Line 10)	9.97	9.52	9.99	9.72	9.23	8.93	5.43	5.06	5.84	5.7
22	City Total Long-Term Debt (Line 3/Line 10)	22.16	23.54	24.70	24.81	28.06	29.42	24.88	23.21	25.94	25.1
23	School District Total (Line 6/Line 10)	5.83	9.32	8.24	8.76	9.00	8.81	10.38	10.31	11.89	12
24	Total (Lines 3&6/Line 10)	30.99	32.86	32.94	33.57	37.06	38.23	33.26	35.52	37.83	38
Net Tax Supported Debt as a Percentage of Estimated Market Value:											
25	City Bonded Debt (Line 1/Line 11)	2.42	2.38	2.38	2.39	2.32	2.24	1.48	1.37	1.58	N
26	City Total Long-Term Debt (Line 3/Line 11)	5.38	5.89	5.88	5.88	7.05	7.39	6.78	6.51	7.01	N
27	School District Total (Line 6/Line 11)	2.14	2.33	1.96	2.15	2.26	2.21	2.83	2.79	3.21	N
28	Total (Lines 3&6/Line 11)	7.53	8.22	7.84	8.24	9.33	9.60	9.61	9.60	10.22	N
City Net Tax Supported Debt Service as a Percentage of City General Governmental Obligations:											
29	City Bonded Debt (Line 12/Line 15)	5.66	5.33	5.17	5.25	8.83	6.72	6.03	2.44	2.29	2
30	City Total Long-Term Obligations (Line 13/Line 14)	7.96	7.42	7.55	8.95	12.67	10.39	10.78	6.50	5.24	5

- (1) Consists of leasing obligations and payments on contingent liabilities and accrued compensated absences.
(2) Consists of amounts due the Commonwealth of Pennsylvania for vocational education, the State Public Building Authority and leasing obligations, and accrued Terminal and Severance Pays.
(3) Source: U.S. Department of Commerce, Bureau of the Census and Wharton Econometric Forecasting Associates.
(4) See Table 6
(5) Consists of General Fund and Special Revenue Funds, all of which account for general governmental functions.

Source: Consolidated Annual Financial Report Fiscal Year Ended June 30, 1997

CITY OF PHILADELPHIA
TABLE 17
CITY RELATED ANNUAL DEBT SERVICE ON LONG-TERM DEBT
AS OF JUNE 30, 1997
(Amounts in Millions of Dollars)

Fiscal Year	General Obligation Bonds									Revenue Bonds								
	Tax Supported			Self-Supporting			Total GO			Water and Sewer			Gas Works			Aviation Fund		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1998	32.5	28.9	61.4	19.2	5.0	24.1	51.7	33.9	85.5	45.7	80.8	126.5	35.9	38.1	74.0	9.9	32.4	42.3
1999	35.7	26.9	62.6	15.6	4.0	19.6	51.3	30.9	82.2	48.3	78.3	126.6	32.9	36.2	69.1	10.6	31.7	42.3
2000	31.1	24.3	55.4	18.7	2.7	21.4	49.8	27.0	76.8	51.0	75.6	126.6	33.9	34.5	68.4	11.4	30.9	42.3
2001	31.8	22.1	53.9	17.6	1.6	19.2	49.4	23.7	73.0	53.2	73.3	126.5	36.5	33.2	69.7	14.8	30.1	44.9
2002	31.8	20.6	52.4	8.3	0.8	9.1	40.1	21.4	61.4	55.3	71.3	126.6	33.2	31.8	65.0	15.8	29.0	44.8
2003	31.1	19.0	50.1	4.6	0.6	5.2	35.7	19.6	55.3	57.4	69.2	126.6	39.0	30.4	69.4	17.0	27.9	44.9
2004	32.8	17.3	50.1	4.7	0.4	5.1	37.5	17.7	55.2	59.8	66.8	126.6	35.4	28.9	64.3	18.1	26.7	44.8
2005	19.1	15.5	34.6	3.6	0.2	3.8	22.7	15.7	38.4	62.2	64.4	126.6	34.4	27.7	62.1	19.4	25.5	44.9
2006	8.1	14.4	22.5	1.3	0.1	1.4	9.4	14.5	23.8	67.2	59.4	126.6	34.0	26.0	60.0	20.8	24.1	44.9
2007	8.9	13.9	22.8	1.2	0.1	1.3	10.1	14.0	24.0	70.8	55.7	126.5	31.3	24.2	55.5	14.4	22.6	37.0
2008	9.7	13.3	23.0	1.2	0.1	1.3	10.9	13.1	24.2	74.1	52.5	126.6	31.0	22.3	53.3	15.4	21.5	36.9
2009	10.6	12.7	23.3	1.2	--	1.2	11.8	12.7	24.4	77.0	49.6	126.6	30.4	20.3	50.7	16.6	20.4	37.0
2010	11.4	12.0	23.4	1.2	--	1.2	12.6	12.0	24.5	80.1	46.5	126.6	20.2	18.4	38.6	17.8	19.1	36.9
2011	12.3	11.3	23.6	1.2	--	1.2	13.5	11.3	24.7	85.6	40.9	126.5	39.0	17.0	56.0	19.1	17.8	36.9
2012	13.2	10.4	23.6	1.2	--	1.0	14.2	10.4	24.7	91.6	35.0	126.6	27.9	15.7	43.6	20.6	16.4	37.0
2013	14.2	9.5	23.7	1.0	--	--	14.2	9.5	24.8	96.8	29.8	126.6	16.0	14.9	30.9	22.1	14.8	36.9
2014	15.2	8.6	23.8	--	--	--	15.2	8.6	23.8	102.4	24.2	126.6	25.4	13.6	39.0	23.8	13.2	37.0
2015	16.3	7.6	23.9	--	--	--	16.3	7.6	23.9	108.1	18.5	126.6	20.1	12.0	32.1	25.6	11.4	37.0
2016	13.2	6.7	19.9	--	--	--	13.2	6.7	19.9	114.0	12.5	126.5	19.8	10.7	30.5	18.2	9.3	27.6
2017	14.0	5.8	19.8	--	--	--	14.0	5.8	19.8	28.1	6.7	34.8	21.4	9.5	30.9	19.5	8.2	27.7
2018	14.9	4.9	19.8	--	--	--	14.9	4.9	19.8	29.6	5.2	34.8	20.4	8.2	28.6	20.8	6.9	27.7
2019	16.1	3.9	20.0	--	--	--	16.1	3.9	20.0	21.9	3.8	25.7	19.4	6.9	26.3	10.7	5.5	16.2
2020	17.4	2.8	20.2	--	--	--	17.4	2.8	20.2	13.0	3.0	16.0	18.4	5.8	24.2	11.3	4.8	16.1
2021	18.8	1.7	20.5	--	--	--	18.8	1.7	20.5	13.7	2.3	16.0	17.2	4.7	21.9	12.0	4.1	16.1
2022	6.0	1.3	7.3	--	--	--	6.0	1.3	7.3	14.1	1.5	15.9	16.0	3.7	19.7	12.7	3.4	16.1
2023	6.3	1.0	7.3	--	--	--	6.3	1.0	7.3	15.1	0.8	15.9	15.3	2.7	18.0	13.5	2.6	16.1
2024	6.6	0.7	7.3	--	--	--	6.6	0.7	7.3	--	--	--	14.0	1.8	15.8	14.3	1.8	16.1
2025	7.0	0.3	7.3	--	--	--	7.0	0.3	7.3	--	--	--	12.5	1.0	13.6	16.2	0.9	16.1
2026	--	--	--	--	--	--	--	--	--	--	--	--	5.5	0.5	6.0	--	--	--
2027	--	--	--	--	--	--	--	--	--	--	--	--	5.2	0.2	5.4	--	--	--
Total	\$486.1 (a)	\$317.4 (b)	\$803.5	\$101.8 (c)	\$15.6	\$116.1	\$586.7	\$333.0	\$920.0	\$1,536.4	\$1,027.6	\$2,564.0	\$741.6	\$500.9	\$1,242.6	\$461.4	\$463.1	\$924.5
Sinking Fund Assets Held by																		
Fiscal Agent	0.0	3.0	3.0	0.0	0.0	0.0	0.0	3.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Available City Sinking Fund Assets																		
0.0	0.6	0.6	0.0	0.0	0.0	0.0	0.6	0.6	126.6	0.0	126.6 (d)	75.5	0.0	75.5	44.9	27.4	72.3 (e)	
Net Debt	\$486.1	\$313.8	\$799.9	\$101.8	\$15.6	\$116.1	\$586.7	\$329.4	\$916.4	\$1,409.8	\$1,027.6	\$2,437.4	\$666.1	\$500.9	\$1,167.1	\$416.5	\$435.7	\$852.2

- (a) Included in this amount is \$21.2 million issued for Port purposes which has been reclassified as Tax-Supported due to the sale of the Port Corporation.
- (b) On March 22, 1990, \$148.0 million was issued as 30 year variable rate bonds. The variable rate bonds were hedged with a ten year 6.85% interest rate swap transaction. A 6.85% interest-rate was assumed for the remaining term of the Bonds.
- (c) Of this amount, Bonds have been issued for the following major purposes: Water and Sewer, \$24.7 million; Airport, \$50.0 million; Veterans Stadium, \$8.4 million and Subways, \$15.5 million. Issues for five other purposes account for the balance of \$2.0 million.
- (d) In addition to the \$126.6 million available in Sinking Fund Assets, \$163.6 million has been reserved in the Water and Sewer Rate Stabilization Fund in accordance with the Seventh Supplemental Amendment to the General, Water and Sewer Revenue Bond Ordinance of 1974 as amended by Bill No. 544 dated June 24, 1993.
- (e) In addition to the \$72.3 million available on Sinking Fund Assets, \$2.5 million has been reserved in a Renewal, Replacement and Contingency Fund, which has been funded by the proceeds of the Series 1978 Aviation Revenue Bonds.

ROUNDING DIFFERENCES ACCOUNT FOR MINOR DEVIATIONS FROM FY 97 CAFR

TABLE 17 (continued)
 CITY OF PHILADELPHIA
 CITY RELATED ANNUAL DEBT SERVICE ON LONG-TERM DEBT
 AS OF JUNE 30, 1997
 (Amounts in Millions of Dollars)

Fiscal Year	Total Revenue Bonds			Total General Obligation and Revenue Bonds			Other Long Term Obligation			Total Long Term Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1998	91.5	151.3	242.8	143.1	185.2	328.3	87.1	21.0	108.1	230.3	206.2	436.5
1999	91.8	146.2	238.0	143.1	177.1	320.2	94.0	19.7	113.7	237.1	196.8	433.9
2000	96.3	141.0	237.3	146.0	168.1	314.1	103.7	18.7	122.4	249.8	186.8	436.5
2001	104.5	136.6	241.1	153.8	160.3	314.1	104.0	17.8	121.8	257.9	178.1	436.0
2002	104.3	132.1	236.4	144.2	153.6	297.8	114.7	16.8	131.5	259.1	170.3	429.4
2003	113.4	127.5	240.9	149.1	147.1	296.2	138.7	15.7	154.4	287.8	162.8	450.6
2004	113.3	122.4	235.7	150.8	140.1	290.9	147.5	14.6	162.1	298.3	154.7	453.0
2005	116.0	117.6	233.6	138.7	133.3	272.0	145.9	13.6	159.5	284.6	146.9	431.5
2006	122.0	109.5	231.5	131.3	124.0	255.3	156.9	12.6	169.5	288.3	136.6	424.9
2007	116.5	102.5	219.0	126.5	116.5	243.0	168.8	11.5	180.3	295.4	128.0	423.4
2008	120.5	96.3	216.8	131.3	109.7	241.0	177.2	10.4	187.6	308.6	120.1	428.7
2009	124.0	90.3	214.3	135.7	103.0	238.7	140.0	9.8	149.8	275.8	112.8	388.6
2010	118.1	84.0	202.1	130.6	96.0	226.6	68.9	9.0	77.9	199.6	105.0	304.6
2011	143.7	75.7	219.4	157.1	87.0	244.1	22.5	8.3	30.8	179.7	95.3	275.0
2012	140.1	67.1	207.2	154.4	77.5	231.9	22.7	7.4	30.1	177.0	84.9	261.9
2013	134.9	59.5	194.4	150.2	69.0	219.2	23.2	6.6	29.8	172.3	75.6	247.9
2014	151.6	51.0	202.6	166.8	59.6	226.4	24.0	5.6	29.6	190.8	65.2	256.0
2015	153.8	41.9	195.7	170.1	49.5	219.6	24.3	4.7	29.0	194.4	54.2	248.6
2016	152.0	32.6	184.6	165.2	39.3	204.5	17.9	3.6	21.5	183.1	42.9	226.0
2017	69.0	24.4	93.4	83.0	30.2	113.2	19.0	2.5	21.5	102.0	32.7	134.7
2018	70.8	20.3	91.1	85.7	25.2	110.9	24.8	1.5	26.3	110.5	26.7	137.2
2019	52.0	16.2	68.2	68.1	20.1	88.2	10.5	0.3	10.8	78.6	20.4	99.0
2020	42.7	13.6	56.3	60.1	16.4	76.5	--	--	--	60.1	16.4	76.5
2021	42.9	11.1	54.0	61.7	12.8	74.5	--	--	--	61.7	12.8	74.5
2022	43.1	8.6	51.7	49.1	9.9	59.0	--	--	--	49.1	9.9	59.0
2023	43.9	6.1	50.0	50.2	7.1	57.3	--	--	--	50.2	7.1	57.3
2024	28.3	3.6	31.9	34.9	4.3	39.2	--	--	--	34.9	4.3	39.2
2025	27.7	2.0	29.7	34.7	2.2	36.9	--	--	--	34.7	2.3	37.0
2026	5.5	0.5	6.0	5.5	0.5	6.0	--	--	--	5.5	0.5	6.0
2027	5.2	0.2	5.4	5.2	0.2	5.4	--	--	--	5.2	0.2	5.4
Total	\$ 2,739.4	\$ 1,991.7	\$ 4,731.1	\$ 3,326.1	\$ 2,324.7	\$ 5,650.8	\$ 1,836.3	\$ 231.7	\$ 2,068.0	\$ 5,162.4	\$ 2,556.4	\$ 7,718.8
Sinking Fund Assets Held by Fiscal Agent	0.0	0.0	0.0	0.0	2.7	2.7	--	--	--	--	3.0	3.0
Available City Sinking Fund Assets	247.0	27.4	274.4	247.0	28.0	275.0	--	--	--	247.0	28.0	275.0
Net Debt	\$ 2,492.4	\$ 1,964.3	\$ 4,456.7	\$ 3,079.1	\$ 2,293.7	\$ 5,372.8	\$ 1,836.3	\$ 231.7	\$ 2,068.0	\$ 4,915.4	\$ 2,525.4	\$ 7,440.8

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program approved by the Mayor on April 2, 1998 for Fiscal Years 1999-2004 contemplates a total expenditure of \$4.132 billion, of which \$1.832 billion is to be provided from Federal, Commonwealth, and other sources and \$2.300 billion is to be provided for through City funding. The following table shows the amounts anticipated to be spent each year from various sources of funds for capital projects.

TABLE 18
CITY OF PHILADELPHIA
FISCAL YEARS 1999-2004
CAPITAL IMPROVEMENT PROGRAM
 (Amounts in Thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Total</u>
City Funds - Tax Supported							
New Loans	\$ 127,514	\$ 108,422	\$ 112,036	\$ 110,892	\$ 106,763	\$ 77,590	\$ 643,217
Operating Revenue	39,664	2,000	2,000	2,000	2,000	2,000	49,664
Carry Forward	186,286	-	-	-	-	-	186,286
Prefinanced Loans	7,300	-	-	-	-	-	7,300
Tax-Supported Total	<u>360,764</u>	<u>110,422</u>	<u>114,036</u>	<u>112,892</u>	<u>108,763</u>	<u>79,590</u>	<u>886,467</u>
City Funds - Self-Sustaining							
New Loans	215,831	190,816	121,946	112,306	109,351	113,741	863,991
Operating Revenue	34,694	15,160	15,310	15,460	15,570	15,570	111,764
Carry Over	336,969	-	-	-	-	-	336,969
Self-Sustaining Total	<u>587,494</u>	<u>205,976</u>	<u>137,256</u>	<u>127,766</u>	<u>124,921</u>	<u>129,311</u>	<u>1,312,724</u>
Other City Funds							
PICA-Prefinanced Loans	78,399	-	-	-	-	-	78,399
Revolving Funds	7,500	3,000	3,000	3,000	3,000	3,000	22,500
Other City Funds Total	<u>85,899</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>100,899</u>
Total City Funds	<u>1,034,157</u>	<u>319,398</u>	<u>254,292</u>	<u>243,658</u>	<u>236,684</u>	<u>211,901</u>	<u>2,300,090</u>
Other Than City Funds							
Federal	166,598	31,398	35,848	84,092	24,885	48,189	391,010
Federal Off Budget	93,273	175,747	145,275	136,355	139,811	23,200	713,661
State	51,582	4,719	3,919	12,225	3,591	7,490	83,526
State Off Budget	46,542	71,268	70,416	48,190	29,127	4,832	270,375
Private	206,706	61,351	1,204	1,565	1,216	66	272,108
Private Off-Budget	7,200	2,250	1,200	250	350	350	11,600
Other Governments & Agencies	86,844	-	-	-	-	-	86,844
Other Governments & Agencies Off-Budget	565	929	547	363	265	155	2,824
Total Other Than City Funds	<u>659,310</u>	<u>347,662</u>	<u>258,409</u>	<u>283,040</u>	<u>199,245</u>	<u>84,282</u>	<u>1,831,948</u>
TOTAL ALL FUNDS	<u>\$ 1,693,467</u>	<u>\$ 667,060</u>	<u>\$ 512,701</u>	<u>\$ 526,698</u>	<u>\$ 435,929</u>	<u>\$ 296,183</u>	<u>\$ 4,132,038</u>

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

LITIGATION

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

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

The aggregate loss for Fiscal Year 1997, which resulted from general and special litigation claims and was paid by June 30, 1997, was \$43.9 million. The City's current Five-Year Plan includes estimates of settlements and judgments of \$34.6 million, \$34.7 million, \$34.8 million, \$36.4 million and \$36.5 million for the Fiscal Years 1998 through 2002, respectively. In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each Five-Year Plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. Actual claims paid out for settlements and judgments have averaged \$44.0 million over the past five years, excluding payments through the Special Indemnities Fund (\$11.1 million in Fiscal Year 1994 and \$11.9 million in Fiscal Year 1995) used for settlements and judgments in connection with the Court of Common Pleas' "Day Backward" inventory reduction program.

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 adverse outcomes of such litigation could have a substantial or long-term adverse effect on the City's General Fund. These proceedings involve: (i) consent decrees and/or ordered prescribed relief in Federal and State Court relating to prison conditions, subjecting the City to fines for non-compliance; (ii) environmental-related actions against the City for damages and the possible imposition of fines against the City arising out of allegations that the City disposed of certain hazardous substances and is, in whole or in part, responsible to conduct or pay for the clean-up of certain contaminated sites and should be responsible for personal and economic injuries resulting from such actions; (iii) a class action seeking the provision of various child welfare services; (iv) several consolidated appeals from determinations of the Board of Revision of Taxes concerning the commencement and termination dates of commercial real estate tax abatements granted by the Board during the period from 1986 through 1991; (v) possible contempt of a consent decree in Federal Court relating to mentally retarded individuals formerly residing in Pennhurst State School, subjecting the City to fines for non-compliance; (vi) the 26-year old desegregation lawsuit against the Philadelphia School District, in which the Commonwealth of Pennsylvania and the City of Philadelphia have been joined as additional defendants; (vii) possible contempt of a consent decree in Federal Court relating to conditions at the Youth Study Center; (viii) a tax refund appeal based on a claimed exemption, seeking refund of

business privilege taxes paid by a beer distributor; (ix) refund claims based on the asserted unconstitutionality of the Philadelphia County Personal Property Tax; (x) a state court mandamus action in which the City was ordered to restore "automatic flex benefit credits" to non-union represented City civil service employees to the January 1993 level and to make payments to the subject employees to make them whole for the lost credits; (xi) a civil rights claim alleging damages sustained as a result of a decline in market value of commercial real estate when the motion picture theater erected on the real estate was designated historic by the Philadelphia Historical Commission; (xii) a class action suit alleging that the City failed to properly oversee management of funds in the deferred compensation plan of City employees; (xiii) a class action suit alleging that the application of the Philadelphia Code § 17-500, concerning goals for minority, female and handicapped disadvantaged businesses, had damaged members of the class by denying their right to equal protection in the award of City contracts; and (xiv) an action by the First Judicial District seeking an Order in Mandamus to compel the City to appropriate and disburse funds for Court operations during Fiscal Year 1999.

The ultimate outcome and fiscal impact, if any, on the City's General Fund of the claims and proceedings described in the preceding paragraph are not currently predictable.

Various claims in addition to the lawsuits described above have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The aggregate loss for Fiscal Year 1977 which resulted from these claims and lawsuits, and which were paid out by June 30, 1997, was \$4.8 million. The estimated loss for Fiscal Year 1998 is \$6.5 million. The Water Department's budget for Fiscal Year 1998 contains a reserve for Water Department claims in the amount of \$6.5 million. The Water Fund is the first source of payment for any of these claims.

CITY SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.5 million people. 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 terms of total retail sales and disposable income with approximately one-half of the population of the United States living within an overnight drive.

Quality of Life

The City is a very livable city with relatively low housing costs. Philadelphia is the most affordable of the nation's 27 housing markets. According to Federal government statistics, the City is among the safest large cities in the country.

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

The City is a center for health, education, and science facilities with more than 45 hospitals, seven medical schools, two dental schools, two pharmacy schools, as well as schools of optometry and 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 most of the nation's largest pharmaceutical companies are located in the Philadelphia area.

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

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

Demographics

During the ten year period between 1980 and 1990, the population of the City decreased from 1,688,210 to 1,585,577. This 6% loss of population was less than half of the 13% loss experienced during the 1970's.

**TABLE 19
POPULATION
CITY, PMSA & NATION**

	<u>1980</u>	<u>1990</u>	<u>% Change 1980-1990</u>
Philadelphia	1,688,210	1,585,577	(6.1)%
Philadelphia PMSA*	4,716,818	4,856,881	3.0%
United States	226,500,000	249,632,692	10.2%

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

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

**TABLE 20
POPULATION AGE DISTRIBUTION**

<u>Age</u>	<u>1984</u>	<u>Philadelphia</u>		<u>Pennsylvania</u>		<u>% of Total</u>		
		<u>% of Total</u>	<u>1990</u>	<u>% of Total</u>	<u>1980</u>		<u>1990</u>	
0-24	633,899	38.4	563,816	35.6	4,623,651	38.9	4,021,585	33.8
25-44	435,458	26.4	490,224	30.9	3,068,618	25.9	3,657,323	30.8
45-64	340,744	20.6	290,803	18.3	2,641,397	22.3	2,373,629	20.0
65-84	219,272	13.3	217,913	13.7	1,404,884	11.8	1,657,270	13.9
85 & up	20,966	1.3	22,801	1.4	125,345	1.1	171,836	1.4
Total	1,650,339	100.0	1,585,577	100.0	11,863,895	100.0	11,881,643	100.0

<u>United States</u>					
<u>Age</u>	<u>1980</u>	<u>% of Total</u>	<u>1990</u>	<u>% of Total</u>	
0-24	93,756,684	41.4	90,342,198	36.2	
25-44	62,706,876	27.7	80,754,835	32.3	
45-64	44,497,132	19.7	46,371,009	18.6	
65-84	23,304,412	10.3	28,161,666	11.3	
85 & up	2,239,721	1.0	3,080,165	1.2	
Total	226,504,825	100.0	248,709,873	100.0	

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

The Economy

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

The cost of living in Philadelphia is relatively moderate compared to other major metropolitan areas. The City, as one of the country's education centers, offers the business community a large, diverse, and industrious labor pool. Office occupancy rates are among the highest in the United States while the average cost per square foot for office space in the City also compares favorably with costs in other cities.

TABLE 21
RENTAL RATES FOR
CENTRAL BUSINESS DISTRICT OFFICE SPACE
IN \$ PER SQUARE FOOT

Average Rates as of June 1997

Atlanta	22
Boston	37
Chicago	26
Dallas	18
Houston	16
Los Angeles	21
Miami	25
New York City (midtown)	33
Philadelphia	20
Phoenix	21
San Francisco	34
Washington, D.C.	37

Source: Jackson Cross/Oncor International.
Adjusted to include electric costs and operation costs.

Employment

Employment data for City residents is reflected in the table below. In 1997, City residents represented 27% of all employed residents of the PMSA. The employment and unemployment rates and the total number of jobs within the City are reflected in Table 23 and 24 respectively. The Philadelphia PMSA gained a net of 19,800 jobs in 1994, 7,200 jobs in 1995, 41,600 jobs in 1996 and 1,400 jobs in 1997.

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

In accordance with the federal government's plans to close military facilities, the Philadelphia Navy Base and Shipyard (the "Shipyard") has been closed. The Shipyard had over 15,000 employees in 1991, at the time of the closure decision.

Since the closing, the City has obtained over \$3.3 million in grant funds to support planning and study efforts related to converting the shipyard to alternative uses, and has obtained an \$82 million grant to provide financing and retraining assistance to business and workers. In 1997, Kvaerner ASA, a Norwegian firm, which is one of the largest shipbuilders in the world, signed an agreement to renovate a portion of the Shipyard and create a state-of-the-art commercial shipbuilding facility. Kvaerner also agreed to locate its North American headquarters in Philadelphia. The total project cost is \$429 million, which will result in infrastructure and other capital improvements, extensive employment training and jobs creation for 1,000 workers.

In addition, nearly 550,000 square feet of space had been leased by mid-1998 to firms relocating all or part of their companies' operations to the Shipyard. Activity is expected to increase even more when the City takes title to the land which is expected to occur in late 1998.

TABLE 22
LABOR FORCE DATA ANNUAL AVERAGE
BASED ON RESIDENCY

	<u>1988</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994(1)</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Philadelphia (000)*									
Labor Force	728.9	699.1	689.4	695.1	672.8	657.0	644.4	652.1	652.6
Employment	686.6	655.1	631.0	634.1	608.7	604.6	594.5	606.9	617.1
Unemployment	42.3	43.9	58.4	61.0	64.1	52.5	49.9	45.2	35.5
Unemployment Rate (%)	5.8	6.3	8.5	8.6	9.5	8.0	7.7	6.9	5.4
Philadelphia PMSA (000)*									
Labor Force	2,420.0	2,470.0	2,465.5	2,457.4	2,434.9	2,428.5	2,430.0	2,459.2	2,460.7
Employment	2,320.2	2,353.6	2,304.5	2,276.8	2,261.0	2,280.5	2,287.7	2,329.3	2,330.7
Unemployment	99.8	116.3	161.0	180.5	173.9	148.0	142.3	130.0	130.0
Unemployment Rate (%)	4.1	4.7	6.5	7.3	7.1	6.1	5.9	5.3	5.3
United States (000,000)									
Labor Force	121.7	125.8	126.3	128.1	129.2	131.1	132.3	135.0	137.5
Employment	115.0	118.8	117.7	118.5	120.3	123.1	124.9	127.7	131.1
Unemployment	6.7	7.0	8.6	9.6	8.9	8.0	7.4	7.3	6.4
Unemployment Rate (%)	5.5	5.6	6.8	7.5	6.9	6.1	5.6	5.3	4.7

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

*All data are on the latest available benchmark.

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

TABLE 23
PHILADELPHIA
TOTAL MONTHLY EMPLOYMENT AND MONTHLY UNEMPLOYMENT RATES
BASED ON RESIDENCY
January 1992 - December 1997

<u>Month</u>	<u>Total Employment</u>					<u>Unemployment Rate %</u>				
	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
January	601.5	592.9	582.7	586.6	606.1	9.4	8.3	7.8	7.4	6.2
February	600.9	590.8	582.6	591.6	608.7	9.2	8.0	7.5	7.1	6.2
March	601.3	594.0	586.5	597.5	610.6	9.2	7.8	7.5	7.0	6.3
April	602.2	596.5	588.2	602.1	611.4	9.5	7.8	7.6	6.9	6.6
May	604.7	597.6	589.4	604.2	615.9	10.1	8.3	8.2	7.3	7.0
June	612.6	606.4	599.0	614.7	625.5	10.1	8.0	7.6	6.8	6.8
July	612.7	609.0	601.8	618.9	629.3	10.3	8.2	7.9	7.1	7.0
August	611.5	608.0	601.3	616.7	615.5	9.9	7.9	7.7	6.8	6.8
September	608.6	598.1	594.2	606.1	605.6	10.0	8.4	8.2	7.4	7.5
October	615.9	605.9	601.3	613.6	611.9	9.5	8.3	8.1	7.1	6.8
November	615.4	604.4	602.3	614.3	614.9	9.3	8.1	7.8	6.6	6.6
December	616.5	604.9	605.5	617.1	617.1	7.9	7.1	7.0	5.7	5.4

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

TABLE 24
PHILADELPHIA CITY
NON-FARM PAYROLL EMPLOYMENT*
(Amounts in Thousands)

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Total Employment	760.3	772.3	775.9	761.6	746.7	718.4	696.1	687.0	690.3	676.4	676.2	670.3
Manufacturing	99.8	96.0	92.2	87.0	81.6	74.8	68.9	66.0	64.5	61.1	60.4	60.2
Non-Manufacturing	660.5	676.3	683.7	674.6	665.1	643.8	627.2	621.0	614.0	604.8	615.8	616.2
Construction & Mining	17.2	17.3	17.5	17.0	16.0	13.4	11.4	10.7	11.8	10.5	10.2	10.1
Transportation & Public Utilities	44.3	45.0	44.4	40.9	39.9	89.5	37.4	37.9	38.0	33.4	32.6	33.1
Wholesale & Retail Trade	148.1	148.1	149.3	144.3	136.3	126.5	119.9	117.0	114.3	114.8	113.9	117.2
Finance, Insurance & Real Estate	69.5	72.8	71.5	68.6	64.7	61.3	59.8	57.7	58.0	56.0	53.9	55.2
Services	242.5	250.3	257.2	262.1	265.2	264.4	263.5	265.8	271.6	272.1	278.0	279.5
Government	138.9	142.8	143.8	141.7	143.0	139.5	135.1	131.8	132.1	128.5	127.2	125.9

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

* Includes persons employed within the City, without regard to residency.

TABLE 25
LARGEST NON-GOVERNMENTAL EMPLOYERS
IN PHILADELPHIA COUNTY
1997

<u>Employer (a)</u>	<u>No. of Local Employees</u>
University of Pennsylvania	27,088
Allegheny Health, Education and Research Foundation	9,550
Jefferson Health System	9,023
Lockheed Martin Corp.	8,260
Bell Atlantic-Pennsylvania	6,593
SmithKline Beecham	6,500
Peco Energy Co.	6,013
Prudential Insurance Co. of America	6,000
Merck & Co., Inc.	5,800
Boeing Defense & Space Group, Helicopters Division	5,700
Aramark Corp.	4,560
United Parcel Service of America	4,355
Worth-Ayerst Laboratories, Inc.	4,314
PNC Bank, NA	4,168
Crozer-Keystone Health System	4,039
Albert Einstein Healthcare Network	3,990
Cigna Corporation	3,762
Vanguard Group of Investment Cos. Inc.	3,719
Sun Co., Inc.	3,700
Thomas Jefferson University	3,645
Aetna U.S. Healthcare	3,643
Rohm and Haas Co.	3,614
Independence Blue Cross	3,595
Unisys Corp.	3,500
CoreStates Financial Corporation	3,445
Pennsylvania Hospital	3,240
USAir, Inc.	3,019

Source: Philadelphia Business Journal, *1998 Book of Business Lists*.
(a) Excludes government or government-related institutions

TABLE 26
FORTUNE 500
LARGEST INDUSTRIAL CORPORATIONS
WITH HEADQUARTERS IN PHILADELPHIA PMSA
1997

<u>Corporation</u>	<u>Type of Industry</u>	<u>Ranking</u>	<u>Assets (\$ Millions)</u>
CIGNA	Life Insurance	59	20,038.0
Sun Company	Petroleum Refining	173	8,986.0
Crown Cork & Seal	Metal Products	187	8,49.6
Aramark	Food Services	261	6,310.4
Comcast	Telecommunications	314	4,912.6

Source: Fortune Magazine, April 28, 1998.

TABLE 27
FORTUNE 500
LARGEST SERVICE CORPORATIONS
WITH HEADQUARTERS IN PHILADELPHIA PMSA
1997

<u>Corporation</u>	<u>Type of Industry</u>	<u>Ranking/Industry</u>	<u>Assets (\$ Millions)</u>
CIGNA	Insurance	2/Insurance	20,030.0
Aramark	Food Service	3/Food Service	6,310.4
Comcast	Telecommunications	14/Telecommunications	4,617.9
Peco Energy	Utility	17/Utilities	4,378.7
CoreStates Financial Corporation	Banking	19/Banking	4,912.6

Source: Fortune Magazine, April 28, 1998.

TABLE 28
TOTAL INDUSTRY EMPLOYMENT BY ESTABLISHMENT
ANNUAL AVERAGES
(Amounts In Thousands)
PHILADELPHIA PMSA

ESTABLISHMENT DATA

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Non-Agricultural Employment	2,203.1	2,126.6	2,095.5	2,129.3	2,169.1	2,178.9	2,214.4
Goods Producing	446.6	405.8	386.7	390.9	392.7	386.0	384.9
Construction & Mining	97.3	79.0	73.7	77.0	79.2	77.9	79.1
Manufacturing	349.3	326.8	313.0	313.8	313.5	308.1	305.8
Durable Goods	177.4	160.4	149.9	148.5	149.0	148.9	146.6
Nondurable Goods	171.9	166.4	163.1	165.3	164.5	159.2	159.3
Service Producing	1,756.5	1,720.8	1,708.8	1,738.4	1,776.4	1,792.9	1,829.5
Transp. & Public Utilities	101.5	100.7	97.8	102.3	105.4	103.6	104.6
Wholesale & Retail Trade	502.1	481.1	486.9	468.8	479.5	487.2	793.3
Fin., Insurance & Real Estate	160.9	156.3	157.4	156.3	158.0	153.9	154.4
Services	687.4	681.6	685.0	708.9	729.1	744.1	774.8
Government	304.7	301.1	299.7	302.1	304.4	304.1	302.3
Federal Government	80.4	78.8	75.0	73.1	73.6	69.0	65.0
State & Local Government	224.3	222.3	224.7	229.0	230.8	235.1	237.4

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

Income

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

TABLE 29
CONSUMER PRICES PERSONAL INCOMES

	<u>1985</u>	<u>1990</u>	<u>1991</u>	<u>% change</u> <u>1985-1991</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
CPI-U United States (a)	107.6	130.7	136.2	26.6%	153.5	155.1	160.5
CPI-U Philadelphia PMSA (a)	108.8	135.8	142.2	30.7%	158.7	164.3	166.5
Personal Income Per Capita (b)							
Philadelphia	\$12,410	\$16,721	\$17,430	40.5%	\$19,633	\$20,199	N/A
Philadelphia PMSA	\$15,253	\$21,347	\$18,383	20.5%	\$24,397	\$25,220	\$25,257 ^(c)
United States	\$13,899	\$18,696	\$19,091	37.4%	\$21,699	\$23,208	\$24,776 ^(c)

Source:

(a) Consumer Price Index - All Urban Consumers. U.S. Bureau of Labor Statistics.

(b) U.S. Department of Commerce, Bureau of Economic Analysis. Regional Economic Information System.

(c) Woods and Poole Economics

TABLE 30
NUMBER OF HOUSEHOLDS BY INCOME RANGE IN PHILADELPHIA COUNTY

<u>Income</u>	<u>Number of Households*</u>			<u>Percentage of Households*</u>		
	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
Under \$5,000	59,823	127,401	N/A	9.9%	20.5%	N/A
\$5,000-9,999	76,512	116,931	N/A	12.7	18.8	N/A
\$10,000-14,999	59,331	98,540	N/A	9.9	15.9	N/A
\$15,000-24,999	108,405	150,851	N/A	18.1	24.3	N/A
\$25,000-49,999	190,237	112,508	N/A	31.7	18.1	N/A
\$50,000 and over	<u>106,432</u>	<u>14,408</u>	<u>N/A</u>	<u>17.7</u>	<u>2.3</u>	<u>N/A</u>
Total	600,740	620,639	N/A	100.0%	100.0%	N/A

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

*A household includes all the persons who occupy a housing unit.

TABLE 30 (Continued)
NUMBER OF HOUSEHOLDS BY INCOME RANGE IN UNITED STATES

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

Source: U.S. Department of Commerce, Economics and Statistics Administration, 1990 Census of Population

*In 1970 the highest income range was \$25,000 and over.

Retail Sales

Philadelphia is the nation's 4th largest metropolitan area in terms of total retail sales. The following table reflects taxable sales for Philadelphia from fiscal years 1992 to 1997.

TABLE 31
PHILADELPHIA
TAXABLE RETAIL SALES 1992-1997
(S000's)

<u>Fiscal Year</u>	<u>Taxable Sales</u>
1992	7,451,387
1993	8,447,600
1994	8,366,567
1995	8,636,921
1996	10,249,166
1997	9,637,833

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

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

TABLE 32
RETAIL SALES BY STORE GROUP (\$000)*
1996

	<u>Philadelphia</u>	<u>PMSA</u>	<u>Pennsylvania</u>	<u>United States</u>
Total Retail Sales*	9,361,208	47,088,399	113,491,907	2,465,147,126
Food	1,823,488	7,496,914	19,215,814	424,090,654
Eating & Drinking	1,182,592	3,757,309	9,215,517	243,842,859
Gen. Merchandise	825,799	4,487,086	12,319,797	309,403,914
Furniture, Furnishings	459,364	2,238,894	5,030,331	134,370,229
Automotive	1,634,617	12,165,585	29,266,631	605,127,843

Source: Sales and Marketing Management, "1997 Survey of Buying Power"

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

Effective Buying Income and Household Income

The median household effective buying income for the City in 1996 was \$28,551, 82.5% of the Commonwealth median household effective buying income, and 85.3% of the U.S. median household effective buying income. The Philadelphia metropolitan area has the nation's 5th largest total effective buying income. Effective buying income ("EBI") is defined as all personal income less personal taxes, non-tax payments (fines, fees and penalties), and contributions to social insurance. EBI is also commonly referred to as disposable or after-tax income.

TABLE 33
CITY AND PMSA EFFECTIVE BUYING INCOME
1996

	Total EBI (000)	Median Household EBI	% of Households by EBI		
			\$20,000- 34,999	\$35,000- 49,999	\$50,000 and over
Philadelphia(City)	\$20,512,973	28,551	22.3%	16.8%	24.3%
Bucks Co.	11,934,911	50,550	16.8	19.0	50.7
Chester Co.	10,465,980	58,438	14.5	15.5	58.5
Delaware Co.	10,769,092	44,122	19.1	18.7	43.0
Montgomery Co.	17,194,668	49,784	17.6	18.4	49.7
Burlington Co., N.J.	7,793,644	46,719	19.1	20.5	45.6
Camden Co., N.J.	8,301,782	39,005	20.8	19.6	35.9
Gloucester Co., N.J.	3,967,932	54,944	14.5	18.9	57.3
Salem Co., N.J.	1,063,206	39,930	19.6	19.4	37.0
Pennsylvania	199,187,320	34,616	22.9	18.7	30.8
United States	4,161,512,384	33,482	----	----	----

Source: Sales and Marketing Management, "1997 Survey of Buying Power"

Transportation

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

Amtrak, SEPTA, Conrail, CSX Transportation, 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 the completion of I-95 in the vicinity of Philadelphia International Airport; the Vine Street Expressway (I-676), running east-to-west through the Central Business District between I-76 and I-95; and the "Blue Route" (I-476) in suburban Delaware and Montgomery Counties which connects the Pennsylvania Turnpike and I-95 and thereby feeds into the Schuylkill Expressway (I-76) and thus into Center City Philadelphia.

The City owns Philadelphia International Airport (PHL) located eight miles southwest of center city and a smaller reliever airport in Northeast Philadelphia. PHL is accessible by major highways within the City and from surrounding communities and SEPTA's high speed train line. PHL provides its passengers with service on eleven domestic carriers and eleven regional and commuter carriers, while four foreign flag carriers and one U.S. carrier provide international service. In addition, there are eight all-cargo carriers. PHL serves as a key connecting hub for USAir. Terminal A, PHL's newest passenger terminal, which opened in 1991, accommodates both domestic and international flights plus all charter operations.

In 1997, PHL ranked 21st in the nation in terms of total passengers, up from 24th in 1996 according to data reported by Airports Council International. From 1996 to 1997, total passenger traffic at PHL increased 16.2%, making PHL the fastest growing airport among the top 100 U.S. airports.

PHL is currently planning a major expansion which will include a new international terminal, a new commuter terminal, ramp and roadway development and two new parking garages to be owned by the Philadelphia Parking Authority.

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

Water and Wastewater Systems

The water and wastewater systems of Philadelphia are owned by the City and operated by the City's Water Department. The water system provides water to the City (130 square mile service area) and to the Bucks County Water and Sewer Authority. The City obtains approximately 55.3 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 487,500 households through 3,270 miles of mains and provides fire protection through more than 27,700 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 population served is approximately 2,286,000, according to the 1990 census. The wastewater system contains three water pollution control plants, a biosolids processing facility, 16 pumping stations and approximately 2,955 miles of sewers. By order of the Delaware River Basin Commission, the City is required to achieve effluent limitations that are considered more stringent than those required to achieve secondary treatment levels as defined in the Federal Water Pollution Control Act, as amended.

Municipal Solid Waste Disposal

The City is responsible for collecting solid wastes from sources other than industrial or commercial institutions. Approximately 3,000 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of at various landfills operated outside of the City limits. The City has entered into contracts with several private contractors for landfill space. The primary disposal contract began in January 1994 and has a term of up to seven years.

Housing

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

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

TABLE 34
HOUSING AFFORDABILITY IN MAJOR MARKETS

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

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

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

***AHS data as of year of survey.

Source: Housing and Unit Development Office of Policy Development and Research

**TABLE 35
CHARACTERISTICS OF HOUSING UNITS**

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
Total Housing Units				
City of Philadelphia	649,033	673,524	685,629	674,899
Philadelphia PMSA	1,333,962	1,536,872	1,554,651	1,491,310
Pennsylvania	3,581,877	3,924,757	4,597,412	4,938,140
Percent Owner Occupied				
City of Philadelphia	61.9%	59.7%	61.0%	62.0%
Philadelphia PMSA	70.0%	67.1%	63.4%	68.5%
Pennsylvania	68.3%	68.0%	64.2%	70.6%
Median Value of Owner Occupied Housing				
City of Philadelphia	\$7,000	\$10,600	N/A	\$48,400
Philadelphia PMSA	7,100	14,900	\$41,700	96,700
Pennsylvania	7,100	13,600	39,100	67,900
Number of Persons per Housing Unit				
City of Philadelphia	3.00	2.50	2.66	2.63

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

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

**TABLE 36
CONSTRUCTION AUTHORIZED BY BUILDING PERMIT
DECLARED VALUATION
(Millions of Dollars)**

	<u>Residential</u>	<u>Commercial</u>	<u>Other *</u>	<u>Total</u>	<u>New Housing Units</u>
1983	56.6	40.2	125.8	322.6	1,152
1984	66.7	213.3	261.7	541.7	1,498
1985	147.7	352.1	91.7	591.5	3,027
1986	113.6	252.6	264.6	630.8	2,569
1987	98.0	427.0	118.3	643.3	1,561
1988	163.4	765.8	98.5	1,027.7	2,981
1989	104.9	434.9	118.7	658.5	1,496
1990	84.9	469.9	108.0	662.8	1,213
1991	55.1	391.0	41.7	487.8	614
1992	47.7	371.7	97.4	516.7	361
1993	81.8	319.5	54.3	455.6	307
1994	89.7	304.9	54.3	448.9	N/A
1995	82.5	298.6	53.7	434.8	N/A
1996	82.5	298.6	53.7	434.8	N/A

Source: City of Philadelphia, Department of Licenses and Inspections.

*Includes construction by government, industrial, medical and educational units.

Economic Development

Philadelphia is in the midst of the biggest wave of development since the development of the Center City office towers in the mid-1980's. The policy decision to emphasize the hospitality industry, including tourism and entertainment, as a sector for economic growth has yielded significant results. In 1996, tourism accounted for \$2.8 billion in revenue; \$50 million in local taxes; and 43,000 jobs with a total payroll of \$1 billion. While much of this development has been concentrated in Center City, projects are occurring all over the city.

Philadelphia as a Corporate Location - Since 1995, several major corporations have either moved into the City, built corporate headquarters here, expanded an existing headquarters presence, or built a major back office operation.

This trend began when Crown Cork and Seal, the largest container corporation in the world and a Fortune 500 firm broke ground in 1995 on a \$23 million corporate headquarters on a 40 acre site in Northeast Philadelphia at which it employs approximately 600 employees. The same year, Colonial Penn Life Insurance Company and Day & Zimmerman, Inc., two veteran Center City corporate presence, decided to remain and expand in Philadelphia.

In 1996, PNC opened a new \$70 million, 280,000 square-foot Bank Operations Center near Philadelphia International Airport as the first of a multi-phase development that is scheduled to bring 1,100 jobs to the area by the year 2000. Phase II began in 1998. Also in 1997, Smithkline Beecham announced plans to remain in the city and build a headquarters addition at 16th and Vine Streets that will result in the retention of 2,000 employees and add 500 jobs to the City. In addition, Philadelphia won out over a number of other locations as the site of one of Amtrak's three national Reservation Sales Call Centers that is expected to bring 545 new jobs to the City when it opens in 1999.

The Pennsylvania Convention Center Spurs New Development of Market East - The Pennsylvania Convention Center, completed in June 1993, is the keystone of the City's emphasis on the hospitality industry as a tool of economic revitalization. The \$523 million Center offers 440,000 square feet of meeting and exhibit space and significantly boosts the demand for hotel and retail services in Center City. The Center connects directly to the Reading Terminal Market and the 1,200 room Convention Center Marriott Hotel, which opened in January 1995. According to a Pennsylvania Economy League report on the Center's economic and revenue impact, during the first three years of its operations, 661,000 people came to Philadelphia to attend conventions and meetings. Attendees generated \$363 million in direct spending, and an additional \$315 million in indirect spending. Plans to expand the Center by as much as 300,000 square feet are under discussion.

Center City Hotel Development - To realize the City's goal of having 2000 additional hotel rooms within walking distance of the Convention Center by the year 2000, new hotel development in the Center City core reached an all-time high in 1998. In addition to the Marriott Convention Center Hotel, four new Center City hotels were under construction at the beginning of 1998, and two others have been announced. Five of the hotels are in spaces that had been vacant, one for as long as a decade.

The hotels under construction are a \$23 million 294-suite Hawthorne Suites at 11th and Vine Streets being built in what had been an abandoned multi-story loft building. It is scheduled to open in summer 1998. Scheduled to open in summer 1999 is the \$71 million 350-room Grand Bay Hotel at Broad and Chestnut Streets in the vacant Two Mellon Tower and adjacent Mellon Dome. Scheduled to open in fall 1999 is the \$76 million, 499-room Courtyard by Marriott Hotel, in the former City Hall Annex, directly across from the Philadelphia City Hall. Construction began in late 1997, on a \$41 million Philadelphia Convention Marriott Hotel expansion at 11th and Market Streets. The 215-room all-suites hotel will

connect to the Convention Center. Plans to convert the abandoned, historic PSFS building into a \$110 million, 590-room first class Loews/PSFS were announced in 1997 as were plans to construct a \$23 million, 282-room Hilton Garden above the Gallery Garage in Market East. In addition, in mid-1998, 536 hotel rooms were either open or under construction at Philadelphia International Airport.

The Central Waterfront - Development will also focus on Philadelphia Central Waterfront. A \$180 million entertainment complex to be developed by Simon DeBartolo was announced in 1998, and plans for a \$64 million, 350-room, full service Hyatt Regency Hotel at Penn's Landing are moving ahead. These planned developments follow public investments of more than \$50 million in infrastructure improvements that have been made to the Central Waterfront District over the last seven years. The investment, much of which is designed to enhance access to the Waterfront, includes pedestrian bridges at Walnut and South Streets, better vehicular connections, a renovated Christopher Columbus Boulevard, and a landscaping program. River Link, the ferry service between Penn's Landing and the New Jersey State Aquarium and the Blockbuster Sony Music Entertainment Center at the Waterfront, transported more than 307,000 passengers in 1997, its first year of operation.

Farther south, extensive renovation of a Cruise Ship Terminal at the base of Broad Street within the Philadelphia Naval Business Center began in 1997, with the first cruise ship expected in late spring 1998.

Adding to a growing restaurant and night life scene are specialty restaurants including: The Liberty Belle II, a new \$5 million dinner cruise ship which now docks in the Penn's Landing Marina, a restored 1904 square rigged ship, the Moshulu, which has been renovated into a floating restaurant; and the Spirit of Philadelphia a restaurant/cruise ship.

Avenue of the Arts - The Avenue of the Arts is a multi-million dollar effort to convert the area along Broad Street in Center City north and south of City Hall into a concentrated district of performing arts and culture. Avenue of the Arts South consists of 14 different projects ranging from the \$3 million Clef Club of Jazz and the Performing Arts to the \$8 million Wilma Theater, the first new theater to be built in Center City in 67 years to the \$31 million High School for the Creative and Performing Arts, which opened in September, 1997 in the long-shuttered Ridgway Library building at Broad and Christian Streets. All of the projects on Avenue of the Arts South have been completed except for a \$40 million planned renovation of the Academy of Music, the current home of the Philadelphia Orchestra, and the Regional Performing Arts Center (RPAC), the orchestra's proposed home.

RPAC is the keystone of Avenue of the Arts South. It is a \$245 million performing arts center to be built at Broad and Spruce Streets which will include a 2,500 orchestra hall that will be home to the Philadelphia Orchestra and a smaller performance theater to be shared by a number of area arts groups. Groundbreaking has been scheduled for late 1998.

Avenue of the Arts North includes a variety of renovation and new construction projects north of City Hall on Broad Street, with concentration around Temple University. Projects include The Apollo of Temple, the \$85 million multi-purpose convocation and recreation complex that opened in December 1997, Rock Hall/Temple University Esther Boyer College of Music, a 325-seat recital hall, and Freedom Theater, Pennsylvania's oldest African American theater. The \$10 million multi-phase project broke ground on the second phase, a 299-seat theater in October 1997.

Empowerment Zone - When the Cities of Philadelphia and Camden were awarded the nation's only bi-state Empowerment Zone designation by the U.S. Department of Housing and Urban Development in December 1994, the neighborhoods of the Philadelphia Empowerment Zone had among them the highest rates of poverty and the lowest educational attainment. They also had the fewest viable businesses and the highest unemployment. By the end of 1997, however, the Zone began seeing some positive changes.

Thirty-six businesses have received financial assistance to move into the zone or expand at their current locations within the zone, and 38 additional businesses are operating in the zone. Through October, 1997, the total of all sources of public support for business development within the Zone exceeded \$21.5 million. This investment has helped leverage more than \$10 million in private capital. One of the more visible signs of improvement in North Philadelphia on American Street is the clean up of the 3.2 acre Sovereign Oil Brownfields site at American and Berks Streets. In West Philadelphia, an 80,000 square foot commercial and retail shopping center has been situated along 52nd Street just off Parkside Avenue.

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

**TABLE 37
CITY OF PHILADELPHIA
HOSPITALS AND MEDICAL CENTERS**

<u>Institution</u>	<u>Beds</u>	<u>Full-Time Employees</u>
Albert Einstein Medical Center	767	N/A
Belmont Center For Treatment	145	378
Charter Fairmount Institute	146	N/A
Chestnut Hill Hospital	169	821
Children's Hospital of Philadelphia	304	3,073
Children's Seashore House	77	445
Episcopal Hospital	173	1,165
Fox Chase Cancer Center	100	525
Frankford Hospital	333	1,879
Franklin Hospital of the Home for the Jewish Aged	566	722
Friends Hospital	192	590
Germantown Hospital & Medical Center	177	830
Graduate Hospital, main campus (1)	222	1,564
Hahnemann University Hospital (2)	618	N/A
Graduate Hospital, City Avenue (1)	190	N/A
Graduate Hospital, Parkview (1)	146	510
University of Pennsylvania Medical Center	649	5,408
Jeanes Hospital	188	1,011
John F. Kennedy Memorial Hospital	141	516
Kensington Hospital	45	N/A
Magee Rehabilitation Hospital	96	472
Medical College Hospitals, main campus (2)	374	N/A
Methodist Hospital	279	1,096
Mt. Sinai Hospital (1)(3)	170	377
Nazareth Hospital	235	1,053
Neumann Medical Center	166	N/A
North Philadelphia Health System	315	N/A
Northeastern Hospital of Philadelphia	148	N/A
Pennsylvania Hospital	471	N/A
Presbyterian Medical Center of Philadelphia	325	1,644
Roxborough Memorial Hospital	129	659
Saint Agnes Medical Center	182	621
Shriners Hospital for Crippled Children	80	N/A
St. Christopher's Hospital (2)	178	1,341
Temple University Hospital	450	2,580
Thomas Jefferson University Hospital	647	N/A
Veterans Affairs Medical Center	656	N/A
Wills Eye Hospital	115	596
	<u>10,364</u>	<u>29,876</u>

Source: AHA Guide to Hospital Statistics, 1996/97 Edition.

(1) Purchased by Allegheny Health, Education, and Research Foundation in December 1996.

(2) Wholly-owned affiliate of the Medical College of Pennsylvania division of the Allegheny Health, Education, and Research Foundation.

(3) No longer renders services.

Philadelphia Industrial Development Corporation - The City's efforts to retain and attract industry are directed by PIDC. Established in 1958, PIDC is a non-profit partnership between the City of Philadelphia and the Greater Philadelphia Chamber of Commerce. The many programs provided by PIDC include (i) direct mortgage funding in a subordinate position at reduced interest rates for fixed asset improvement to companies who intend to build or expand in Philadelphia; (ii) tax-exempt bond funding to eligible borrowers such as non-profit institutions through PAID; (iii) funding through the PIDC/Penn Venture Fund for start-up companies or those in the early stage of development as well as to those established firms which seek to expand by introducing a new product or technology; (iv) offering of fully improved parcels of land for sale in more than a dozen designated industrial parks and districts across the City; and (v) offering of development assistance and project management to a range of Philadelphia's development and non-profit corporations.

Recent Construction - The following table lists projects under construction in the City. Completion dates vary, but all projects are expected to be completed by 2000.

**TABLE 38
PROJECTS UNDER CONSTRUCTION**

<u>Project</u>	<u>Estimated Cost</u>
Frankford Elevated Reconstruction	\$733,000,000
Philadelphia International Airport Runway	221,000,000
City Hall Tower Restoration	200,000,000
Grays Ferry Cogeneration Project	167,000,000
Walt Whitman Bridge Corridor Improvement Project	150,000,000
Hospital of the University of Pennsylvania Renovations	135,000,000
Children's Hospital of Philadelphia Renovations	100,000,000
QVC Studio Park	100,000,000
Appollo of Temple	75,000,000
Bell of Pennsylvania Building for City of Philadelphia	60,000,000
Route 295 reconstruction	52,000,000
Six Penn Center	51,000,000
Sound Buffer on 295	35,600,000
Okidata North American Headquarters	35,000,000

Source: Philadelphia Business Journal. *Book of Business Lists, 1998 Edition.*

Appendix E
Form of
Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

City of Philadelphia, Pennsylvania
\$287,185,000 Gas Works Revenue Bonds, First Series
consisting of
\$161,640,000 First Series A Bonds
\$103,550,000 First Series B Bonds
\$21,995,000 First Series C Bonds (Subordinate)

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement") is executed and delivered as of this ____ day of June, 1998 by and between the City of Philadelphia, Pennsylvania (the "City") and First Union National Bank, a national banking association having a corporate trust office in Philadelphia, Pennsylvania, as dissemination agent, in connection with the issuance by the City of \$287,185,000 aggregate principal amount of its Gas Works Revenue Bonds, First Series (the "First Series Bonds"). The First Series Bonds are issued in three subseries: Series A (the "First Series A Bonds") in the aggregate principal amount of \$ 161,640,000, Series B (the "First Series B Bonds") in the aggregate principal amount of \$103,550,000, and Series C (Subordinate) (the "First Series C Bonds") in the aggregate principal amount of \$21,995,000.

The First Series Bonds shall be as described in the Official Statement, and shall be 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") and an ordinance adopted by the City Council of the City of Philadelphia on April 30, 1998, and signed by the Mayor on May 8, 1998, Bill No. 980232 (the "1998 General Ordinance").

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. Definitions.

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:

"Annual Financial Information" means the financial information or operating data with respect to PGW, delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in Appendix A of the Official Statement. Annual financial Information may be provided in any format deemed convenient by the City.

“Business Day” or “Business Days” shall mean 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” shall mean 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.

“Dissemination Agent” shall mean First Union National Bank, acting in its capacity as Dissemination Agent hereunder or any successor Dissemination Agent designated in writing by the City and which has filed with First Union National Bank a written acceptance of such designation.

“Fiscal Agent” shall mean First Union National Bank, as Fiscal Agent under the Fiscal Agent Agreement.

“Fiscal Agent Agreement” shall mean the Fiscal Agent Agreement dated as of June 1, 1998 between the City and First Union National Bank, as fiscal agent.

“Material Event” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement, if material within the meaning of the Rule.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“NRMSIR” or “NRMSIRs” shall mean each nationally recognized municipal securities information repository designated by the Securities and Exchange Commission in accordance with the Rule.

“Obligated Person” means (i) the City, for and on behalf of PGW, and (ii) any other entity for which annual financial information is required under the Rule and as to which the Representative has notified the City in writing, accompanied by an opinion of counsel, that such entity is an Obligated Person within the meaning of the Rule.

“Official Statement” means the City's Official Statement dated June 3, 1998 relating to the First Series Bonds.

“Participating Underwriters” shall mean any of the original underwriters of the First Series Bonds required to comply with the Rule in connection with the purchase and reoffering of the First Series Bonds.

“PGW” means the Philadelphia Gas Works of the City of Philadelphia.

“Registered Owner or Owners” shall mean the person or persons in whose name a Bond is registered on the books of the City maintained by the Dissemination Agent in accordance with the General Ordinance. For so long as the First Series 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 First Series Bonds. Owners of book-entry credits may file their names and addresses with the Dissemination Agent for the purpose of receiving notices or giving direction under this Disclosure Agreement.

“Rule” shall mean 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” shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the General Ordinance.

“State Information Depository” shall mean 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.

“Representative” shall mean collectively, Merrill Lynch & Co., on behalf of itself and First Union Capital Markets, a division of Wheat First Securities, Inc., Legg Mason Wood Walker, Inc., Pryor, McClendon, Counts & Co., Inc., Janney Montgomery Scott Inc., PaineWebber Incorporated, Dain Rauscher, Inc., The Chapman Company, M.R. Beal & Company and A.G. Edwards & Sons, Inc.

Section 2. Authorization and Purpose of Agreement.

This Disclosure Agreement is authorized to be executed and delivered by the City pursuant to the 1998 General Ordinance in order to enable the Participating Underwriters to comply with the requirements of the Rule.

Section 3. Provision of Annual Financial Information.

The City hereby agrees, in accordance with the provisions of the Rule, to provide through the Dissemination Agent to each NRMSIR and to the State Information Depository, if any, within 240 days of the end of each fiscal year, the following annual financial information and operating data:

(a) commencing with the fiscal year ending June 30, 1998, 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

(b) commencing with the fiscal year ending August 31, 1999, to the extent such information is not contained in the CAFR, an update of the information in the Official Statement

contained in "APPENDIX A - FINANCIAL STATEMENTS FOR PGW FOR FISCAL YEARS ENDED AUGUST 31, 1997 AND 1996".

The City agrees to use its reasonable best efforts to cause any other Obligated Person (to the extent such entity is not otherwise required under federal law to do so) to make annual financial information available as contemplated by this Section 3. The City takes no responsibility for the accuracy or completeness of such filings by any Obligated Person.

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 the obligation of Section 3(a) 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.

Section 4. Material Events.

(a) The City agrees that it shall provide through the Dissemination Agent, in a timely manner, to the MSRB, and to the State Information Depository, if any, notice of the occurrence of any of the following events with respect to the First Series 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 reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) modifications to the rights of the holders of the security holders;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the securities;
and
- (11) rating changes.

The foregoing eleven (11) events are quoted from the Rule.

(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 the MSRB and the State Information Depository, if any. Upon receipt, the Dissemination Agent shall promptly file such notice with the MSRB and the State Information Depository, if any.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a)(1) or (a)(9) of this Section 4, notify the Disclosure Representative of the occurrence of such event and shall, within five (5) Business Days after giving notice to the Disclosure Representative, file notice of such occurrence with the MSRB and the State Information Depository, if any, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice.

(d) The City agrees that it shall provide through the Dissemination Agent, in the manner provided in subsection (b) of this Section 4, in a timely manner, to the MSRB and to the State Information Depository, if any, notice of any failure by the City to provide any information required pursuant to Section 3 hereof on or before the dates specified therein.

Section 5. Amendment; Waiver.

(a) The City and the Dissemination Agent may amend this Disclosure Agreement or waive any of the provisions hereof only in a manner which is consistent with the Rule and by a writing executed by each of the parties hereto. The City and the Dissemination Agent shall be entitled to receive a favorable opinion from bond counsel or other counsel before agreeing to any amendment.

(b) 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 each NRMSIR, the MSRB 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, including the Philadelphia Gas Works, or the First Series 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 Fiscal Agent Agreement.

(c) Nothing in this Disclosure Agreement is intended to modify or limit the right of First Union National Bank, in its capacity as Fiscal Agent, to provide notices and other information to Registered Owners and such other parties as it deems necessary or appropriate in the performance of its duties as Fiscal Agent under the Fiscal Agent Agreement.

Section 7. Default.

(a) In the event that the City or the Dissemination Agent fails to comply with any provisions of this Disclosure Agreement, any Registered Owner of the First Series 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 First Series 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 First Series Bonds or the Fiscal Agent Agreement 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. To the extent that the duties of First Union National Bank, as Dissemination Agent under this Disclosure Agreement, conflict with its duties as Fiscal Agent under the Fiscal Agent Agreement, the duties of First Union National Bank, as Fiscal Agent, shall take precedence. 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, 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.

(c) *The Dissemination Agent shall be protected and shall incur no liability for acting 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 proceeding 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. Term of Disclosure Agreement.

This Disclosure Agreement shall terminate upon (1) payment or provision for payment in full of the First Series 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. Beneficiaries.

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 First Series Bonds and nothing herein contained shall confer any right upon any other person.

Section 11. Notices.

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:

(a) To the Dissemination Agent at:

First Union National Bank
123 South Broad Street
Philadelphia, PA 19109-1199
Attention: Corporate Trust Administration
Telecopy No.: (215) 985-7290

(b) To the City or the Disclosure Representative at:

City of Philadelphia
Office of the Director of Finance
1330 Municipal Services Building
1401 J.F.K. Boulevard
Philadelphia, PA 19102
Attention: Director of Finance
Telecopy No.: (215) 568-1947

(c) To the MSRB at:

Municipal Securities Rulemaking Board
1640 King Street, Suite 300
Alexandria, VA 22314-2719
Attention: CDI
Telecopy No.: (703) 683-1930

or such other addresses as may be designated in writing to all parties hereto.

Section 12. Addresses of NRMSIRs.

Any information to be provided to the NRMSIRs pursuant to this Disclosure Agreement shall be sent via United States mail, first class postage prepaid, or a recognized form of overnight mail to each of the NRMSIRs. The names and addresses of the NRMSIRs designated as such as of the date hereof are as follows:

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
Phone: (609) 279-3200
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10004
Phone: (212) 807-5001
or (800) 689-2078
Fax: (212) 989-2078
E-mail: Disclosure@Muller.com

Kenny Information Systems, Inc.
65 Broadway - 16th Floor
New York, NY 10006
Attn: Kenny Repository Service
Phone: (212) 770-4595

DPC Data, Inc.
One Executive Drive
Fort Lee, 0702
Phone: (201) 346-0701
Fax: (201) 947-0107

Section 13. 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 14. Controlling Law.

The laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Disclosure Agreement.

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.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA has caused this Disclosure Agreement to be executed by the Director of Finance and its corporate seal to be hereunto affixed and FIRST UNION NATIONAL BANK, as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its duly authorized officers and its seal to be hereunto affixed and attested by one of its duly authorized officers, all as of the day and year first above written.

**THE CITY OF PHILADELPHIA,
PENNSYLVANIA**

[SEAL]

By: _____
Director of Finance

**FIRST UNION NATIONAL BANK, as
Dissemination Agent**

[SEAL]

By: _____

Attest:

Authorized Officer

MUNICIPAL SECONDARY MARKET DISCLOSURE
INFORMATION COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12 or any analogous state statute.

Issuer's and/or Other Obligated Person's Name _____

CUSIP Numbers (attach additional sheet if necessary)

Nine-Digit CUSIP Number(s) to which this material event notice relates: _____

Information relates to all securities issued by issuer having the following six-digit numbers: _____

Number of pages of attached material event notice: _____

Description of Material Events Notice (Check One):

- 1. _____ Principal and interest payment delinquencies
- 2. _____ Non-Payment related defaults
- 3. _____ Unscheduled draws on debt service reserves reflecting financial difficulties
- 4. _____ Unscheduled draws on credit enhancements reflecting financial difficulties
- 5. _____ Substitution of credit or liquidity providers, or their failure to perform
- 6. _____ Adverse tax opinions or events affecting the tax-exempt status of the security
- 7. _____ Modifications to rights of security holders
- 8. _____ Bond calls
- 9. _____ Defeasances
- 10. _____ Release, substitution, or sale of property securing repayment of the security
- 11. _____ Rating changes
- 12. _____ Failure to provide annual financial information as required
- 13. _____ Other material event notice (specify) _____
- * 14. _____ Financial information: Please check all appropriate boxes:
 - CAFR (a) includes does not include Annual Financial Information
 - (b) Audited? Yes No
 - Annual Financial Information: Audited? Yes No
 - Operating Data
 - Fiscal Period Covered: _____

* Financial information should not be filed with the MSRB.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Employer: _____

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: (____) _____

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MUNICIPAL SECONDARY MARKET DISCLOSURE
INFORMATION COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12 or any analogous state statute.

Issuer's and/or Other Obligated Person's Name _____

CUSIP Numbers (attach additional sheet if necessary)

Nine-Digit CUSIP Number(s) to which this material event notice relates: _____

Information relates to all securities issued by issuer having the following six-digit numbers: _____

Number of pages of attached material event notice: _____

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- 1. _____ Principal and interest payment delinquencies
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- 5. _____ Substitution of credit or liquidity providers, or their failure to perform
- 6. _____ Adverse tax opinions or events affecting the tax-exempt status of the security
- 7. _____ Modifications to rights of security holders
- 8. _____ Bond calls
- 9. _____ Defeasances
- 10. _____ Release, substitution, or sale of property securing repayment of the security
- 11. _____ Rating changes
- 12. _____ Failure to provide annual financial information as required
- 13. _____ Other material event notice (specify) _____
- * 14. _____ Financial information: Please check all appropriate boxes:
 - CAFR (a) includes does not include Annual Financial Information
 - (b) Audited? Yes No
 - Annual Financial Information: Audited? Yes No
 - Operating Data
 - Fiscal Period Covered: _____

* Financial information should not be filed with the MSRB.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Employer: _____

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: (____) _____

Appendix F

Form of Text of Opinion of Co-Bond Counsel

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June __, 1998

The City of Philadelphia, Pennsylvania
640 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Re: \$287,185,000 City of Philadelphia Gas Works Revenue
Bonds, First Series

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to The City of Philadelphia, Pennsylvania (the "City") in connection with the issuance and sale by the City of \$287,185,000 aggregate principal amount of its Gas Works Revenue Bonds, First Series (the "First Series Bonds") pursuant to The First Class City Revenue Bonds Act of the Commonwealth of Pennsylvania, Act No. 234, approved October 18, 1972 (P.L. 955) (the "Act"), the City's General Gas Works Revenue Bond Ordinance of 1998, approved May 8, 1998 (the "1998 General Ordinance"), and the First Supplemental Ordinance to the 1998 General Ordinance, approved May 8, 1998 (the "First Supplemental Ordinance").

The proceeds from the sale of the First Series Bonds will be used to (i) pay the costs of capital projects of the Philadelphia Gas Works (the "Gas Works"), (ii) refund certain revenue bonds issued under the City's General Gas Works Revenue Bond Ordinance of 1975, (iii) acquire a building currently being leased by the City for the Gas Works by making a prepayment of rent under the lease for such building, (iv) make a deposit to the Sinking Fund Reserve under the 1998 General Ordinance, and (v) pay the costs of issuance of the First Series Bonds.

In our capacity as Co-Bond Counsel to the City, we have examined such statutes of the Commonwealth of Pennsylvania and such ordinances of the City and proceedings relating thereto as we have deemed necessary to enable us to render the opinion set forth below. We have also examined and relied upon the proceedings authorizing the issuance of the First Series Bonds and certain certifications, agreements (including a Tax Compliance Agreement intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the

"Code"), and applicable Treasury Regulations), affidavits, receipts and other documents, including specimen First Series Bonds, which we have considered relevant. We have also relied on the Trustee's Certificate as to its authentication of the First Series Bonds.

In rendering the opinion set forth below, we have relied upon the genuineness, authenticity, truthfulness and completeness of all documents, records and other instruments we have examined and the genuineness of all signatures. We have not undertaken to verify the factual matters set forth therein by independent investigation. Except as set forth in paragraphs 4 and 5 below, our opinion is given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof.

On the basis of the foregoing and subject to the qualifications hereinafter stated, we are of the opinion, under existing law, that:

1. The City has the power to perform its obligations under the 1998 General Ordinance and the First Supplemental Ordinance and to issue and sell the First Series Bonds.
2. All conditions precedent to the issuance of the First Series Bonds pursuant to the Act, the 1998 General Ordinance and the First Supplemental Ordinance have been satisfied, and the purposes for which the First Series Bonds have been issued are permitted purposes under the Act and the 1998 General Ordinance.
3. The First Series Bonds have been duly authorized, executed, issued and delivered by the City and are the legal, valid and binding limited obligations of the City; enforceable in accordance with their terms.
4. Interest on the First Series Bonds is excluded from gross income for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the First Series Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the First Series Bonds to be so included in gross income retroactive to the date of issuance of the First Series Bonds. The City has covenanted to comply with all such requirements.

5. Interest on the First Series Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to certain corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

6. Under the laws of the Commonwealth of Pennsylvania, the interest on the First Series Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax, and the First Series Bonds are exempt from personal property taxes in Pennsylvania.

With respect to the foregoing, it is to be understood that the rights of the holders of the First Series Bonds and the enforceability of the First Series Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally or equitable principles, whether considered in a proceeding at law or in equity.

We express no opinion as to any matter not set forth herein, including federal or state tax consequences arising with respect to the First Series Bonds other than as expressed in paragraphs 4, 5 and 6 above, or as to the accuracy, adequacy or completeness of the Official Statement prepared with respect to the First Series Bonds, and we make no representation that we have independently verified the contents of such Official Statement.

We call to your attention that the First Series Bonds are limited obligations of the City, payable only out of the Gas Works Revenues (as defined in the 1998 General Ordinance) and moneys which may be available therefor in the Sinking Fund, including the Sinking Fund Reserve therein (as such terms are defined in the 1998 General Ordinance), and that neither the credit nor taxing power of the City is pledged for the payment of the principal of or interest on the First Series Bonds. The First Series Bonds do not create a charge against the tax or general revenues of the City or any property of the City other than the Gas Works Revenues and amounts available therefor in the Sinking Fund.

The City of Philadelphia, Pennsylvania
June __, 1998
Page 4

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

Very truly yours,

RONALD A. WHITE, A PROFESSIONAL
CORPORATION

WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

Appendix G

Specimen Municipal Bond Insurance Policy

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FINANCIAL SECURITY ASSURANCE.

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.:

BONDS:

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), 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 Financial Security, 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 Financial Security shall have received Notice of Nonpayment, Financial Security 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 Financial Security, 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 Financial Security. 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 Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security 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, Financial Security 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 Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security 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 prohibited 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 Financial Security 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 Financial Security 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 thereon, 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.

Financial Security 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 Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security 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 Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security 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 Financial Security 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 Financial Security, 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 provided 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 26 OF THE NEW YORK INSURANCE LAW.**

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

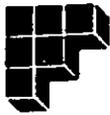
FINANCIAL SECURITY ASSURANCE INC.

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form S0014 (Rev. 1/80)



**FINANCIAL
SECURITY
ASSURANCE**

MUNICIPAL BOND INSURANCE POLICY

ISSUER: City of Philadelphia, Pennsylvania

Policy No.: 23672-N

BONDS: \$265,190,000 in aggregate principal amount of Gas Works Revenue Bonds, First Series (1998 General Ordinance) \$161,640,000 in aggregate principal amount of First Series A Bonds and \$103,550,000 First Series B Bonds

Effective Date: June 24, 1998

Premium: \$2,439,343.61

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), 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 Financial Security, 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 Financial Security shall have received Notice of Nonpayment, Financial Security 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 Financial Security, 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 Financial Security. 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 Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security 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, Financial Security 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 Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security 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 Financial Security 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 Financial Security 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.

Financial Security 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 Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security 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 Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security 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 Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

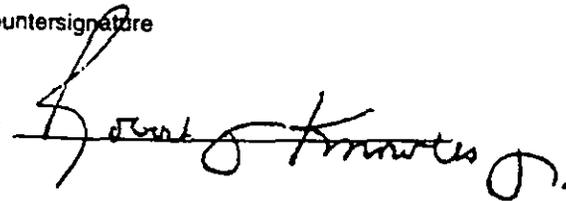
This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect 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, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

Countersignature

FINANCIAL SECURITY ASSURANCE INC.

By



By


Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)



**FINANCIAL
SECURITY
ASSURANCE**

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: City of Philadelphia, Pennsylvania

Policy No.: 23673-N

BONDS: \$21,995,000 in aggregate principal amount of
Gas Works Revenue Bonds, First Series (1998
General Ordinance) First Series C Bonds
(Subordinated)

Effective Date: June 24, 1998

Premium: \$219,833.60

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), 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 Financial Security, 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 Financial Security shall have received Notice of Nonpayment, Financial Security 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 Financial Security, 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 Financial Security. 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 Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security 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, Financial Security 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 Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security 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 Financial Security 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 Financial Security 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.

Financial Security 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 Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security 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 Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security 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 Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

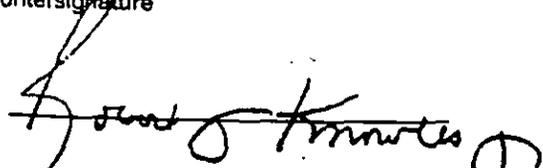
This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect 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, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

Countersignature

FINANCIAL SECURITY ASSURANCE INC.

By



By


Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

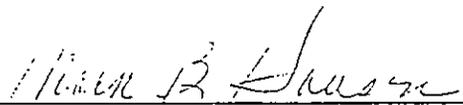
CERTIFICATE OF CHIEF CLERK
OF THE COUNCIL OF THE
CITY OF PHILADELPHIA

I, Marie B. Hauser, Chief Clerk of the Council of the City of Philadelphia ("Council"), do hereby certify that:

(a) The copies of the Ordinances attached hereto (identified as Bill Nos. 1871, 2068, 274, 1316, 534, 379 and 693) (collectively referred to as the "Ordinances") are true and correct copies of the original Ordinances on file in the office of the Chief Clerk of the Council;

(b) Each of the Ordinances has been duly adopted by the Council; and

(c) None of the Ordinances have been repealed and all are in full force and effect on the date of this certificate.



Chief Clerk of the Council
of the City of Philadelphia

(SEAL)

Date: December 23, 1993

Approved for the City of Philadelphia as to correctness and form:

By
City Solicitor

Explanation:
(Brackets) indicate matter deleted.
Italics indicate new matter added.

Approved the thirtieth day of May, A.D. 1975.

FRANK L. RIZZO,
Mayor of Philadelphia.

* Bill No. 1870

AN ORDINANCE

Authorizing, generally, the issuance and sale by the City of Gas Works Revenue Bonds of the City of Philadelphia, prescribing the form of bonds, their execution, transfer, exchange, payment and redemption, prescribing the conditions precedent to the issue of specific series of bonds, including a supplemental authorizing ordinance, pledging the revenues of the Gas Works of the City as security, adopting a rate covenant, and directing the Gas Commission to impose rates sufficient to comply therewith, designating a fiscal agent and sinking fund depository, establishing a Sinking Fund, including a Sinking Fund Reserve, and providing for its management, providing remedies upon default, and for amendments and modifications.

The Council of the City of Philadelphia hereby ordains:

SECTION 1.

ARTICLE I
AUTHORIZATION, SCOPE AND PURPOSE—
SHORT TITLE

This Ordinance is enacted pursuant to the provisions of The First Class City Revenue Bond Act approved October 18, 1972 (Act No. 234, 53 P.S. §15901 to 15924) for the purpose of authorizing the issuance from time to time of

as to correctness

City Solicitor

A.D. 1975.

L. RIZZO,
of Philadelphia.

sale by the City of
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he hereby ordains:

PURPOSE—

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to 15924) for the
time to time of

gas works revenue Bonds of the City to be secured by a pledge of the revenues of the Gas Works of the City, in such principal amounts as shall from time to time be authorized by further ordinance of the Council as more particularly hereinafter set forth. This Ordinance shall be known as the General Gas Works Revenue Bond Ordinance of 1975.

SECTION 2.

ARTICLE II
DEFINITIONS AND OTHER PROVISIONS OF
GENERAL APPLICATION

SECTION 2.01. *Definitions.* For all purposes of this Ordinance and any ordinance supplemental hereto, except as otherwise expressly provided or unless the context otherwise requires:

Act means The First Class City Revenue Bond Act approved October 18, 1974 (Act No. 234, 53 P.S. §15901 to 15924) as from time to time amended. The words and phrases which are defined in the Act shall have such defined meaning when used in this Ordinance.

Bond or *Bonds* means any gas works revenue bond of the City issued and outstanding pursuant to the Act under this Ordinance and any supplemental ordinance and shall include installment bonds, temporary bonds and interim certificates.

Bondholder means the holder of any bearer bond and the registered owner of any registered bond and the term Holder, or Holders unless the context otherwise requires, shall be deemed to include the registered owners of any bond or bonds as well as the holders of bearer bonds.

City means the City of Philadelphia, Pennsylvania.

City Charges means the proportionate charges, if any, for services performed for the Gas Works of the City by all officers, departments, boards or commissions of the City which are contained in the computation of operating expenses of the Gas Works, including, without limitation, the

expenses of the Gas Commission, and also means the base payments to the City contained in the Agreement between the City and the Manager and all other payments made to the City from Project Revenues.

Director of Finance means the chief financial, accounting and budget officer of the City as established by the Philadelphia Home Rule Charter.

Fiscal Agent means the bank named as such in Section 6.02 or its successor.

Fiscal Year means the fiscal year of the City.

Gas Works means all property, real and personal, owned by the City and used in the acquisition or manufacture, storage and distribution of natural, liquified, synthetic or manufactured gas or in the maintenance, management or administration thereof, and also means, as the context may require, the business entity managed by the Manager.

Manager means The Philadelphia Facilities Management Corporation currently managing the Gas Works pursuant to an ordinance of City Council approved December 29, 1972, setting forth the Agreement between the City and The Philadelphia Facilities Management Corporation, or its successor or such other person, corporation, board, commission or department of the City, which may be designated by ordinance to manage the Gas Works.

Net Operating Expenses means Operating Expenses exclusive of City Charges.

Operating Expenses means all costs and expenses of the Gas Works necessary and appropriate to operate and maintain the Gas Works in good operable condition during each fiscal year of the City, and shall include, without limitation, the Manager's fee, salaries and wages, purchases of service by contract, costs of materials, supplies and expendable equipment, maintenance costs, costs of any property or the replacement thereof or for any work or project, related to the Gas Works, which does not have a probable useful life of at least five years, pension and welfare plan and work-

men's compensation requirements, provision for claims, refunds and uncollectible receivables and for City Charges, all in accordance with generally accepted municipal accounting principles consistently applied, but shall exclude depreciation and interest and sinking fund charges.

Project Revenues means the revenues pledged for the security and payment of the Bonds as set forth in Section 4.02.

Rate Covenant means the rate covenant contained in subsection (b) of Section 4.03.

Series when applied to Bonds means collectively all of the Bonds of a given issue authorized by Supplemental Ordinance as provided in Article IV thereof 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.

Sinking Fund means the Gas Works Revenue Bond Sinking Fund established by Section 6.01.

Sinking Fund Depositary means the bank named as such in Section 6.02 or its successor.

Sinking Fund Reserve means the Sinking Fund Reserve established by Section 6.04.

Supplemental Ordinance means an ordinance supplemental hereto enacted pursuant to the Act and this Ordinance by the Council of the City authorizing the issuance of a series of Bonds.

SECTION 2.02. *Interpretation.* All references in this Ordinance to articles, sections and other sub-divisions of the Ordinance are to the designated articles, sections or other sub-divisions of this Ordinance as originally enacted. The words "herein," "hereof," "hereby" and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular article, section or other sub-division.

SECTION 2.03. *Descriptive Headings.* The descriptive headings of the several articles and sections of this Ordinance

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nance are inserted for convenience only and shall not control or affect the meaning or construction of any of its provisions.

SECTION 2.04. *Severability.* In case any one or more of the provisions contained in this Ordinance or in any Bond or coupon issued pursuant hereto shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Ordinance or of said Bonds or coupons, and this Ordinance or said Bonds or coupons shall be construed and enforced as if such invalid, illegal or unenforceable provisions had never been contained therein.

SECTION 3.

ARTICLE III
CONCERNING THE BONDS

SECTION 3.01. *Forms Generally.* All Bonds, and the coupons, if any, appertaining thereto, shall be in substantially the forms set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Ordinance, and may be designated as of such Series by date, number, letter or otherwise and may also have such individual letters, identifying numbers or other marks, and such descriptive panels, registration panels, legends or endorsements placed thereon, as may, consistently with this Ordinance and the Act, be determined by the Director of Finance. The Bonds may also have printed thereon or on the reverse thereof the text of an approving legal opinion with respect thereto and an appropriate certificate as to its correspondence with an executed counterpart may be included on the face or on the reverse of the Bonds. Any portion of the text of any Bond may be set forth on the reverse thereof with an appropriate reference on the face of the bond.

SECTION 3.02. *Form of Fully Registered Bond.* Fully registered bonds shall be substantially in the following form:

(Form of Fully Registered Bond)
UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA
CITY OF PHILADELPHIA
GAS WORKS REVENUE BOND

[Numerical Designation] §

[Series Designation]

[Interest Rate: % Semi-annual Interest \$]

The City of Philadelphia, Pennsylvania (the City), for value received, hereby promises to pay in lawful money of the United States of America to

or registered assigns, on

, unless this Bond shall be redeemable

and shall have previously been called for redemption and payment of the redemption price made or provided for, from the rentals, revenues and moneys of the City pledged for the payment hereof pursuant to the General Gas Works Revenue Bond Ordinance of 1975 (Ordinance No.

approved , 1975) of the City (the 1975

Ordinance) but solely therefrom and not otherwise, upon surrender hereof, the principal sum of

Dollars (\$), and the pay interest on such principal amount in like money, but solely from said rentals, revenues and moneys aforesaid, to the registered owner by check or draft mailed to the registered owner at his address as it appears on the bond register, from the interest payment date next preceding the date hereof, unless the date hereof shall be an interest payment date, in which case from the date hereof, initially on

and thereafter on each subsequent and

until payment of such principal amount, or provisions therefor, shall have been made upon redemption

or at or after maturity, at the annual rate shown hereon. The principal of and interest on this bond and the premium, if any, payable upon redemption are payable at the principal Philadelphia office of

Fiscal Agent of the City, in Philadelphia, Pennsylvania, or

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Bond. Fully
the following

at the principal office of any successor Fiscal Agent appointed under the 1975 Ordinance.

This Bond is one of a duly authorized issue of bonds of the City designated as its Gas Works Revenue Bonds of the Series designated hereon (the Bonds), limited in aggregate principal amount to \$ issued or to be issued pursuant to The First Class City Revenue Bond Act (Act No. 234 of the Pennsylvania General Assembly approved October 18, 1972, 53 P.S. §15901) (the Act) under the 1975 Ordinance and supplemental ordinance dated.

The Bonds, together with all previous bonds of the City, if any, issued under the 1975 Ordinance and under previous supplemental ordinances and together with all bonds of the City hereafter issued under the 1975 Ordinance and all subsequent supplemental ordinances, are and will be equally and ratably secured under the 1975 Ordinance by a pledge of all the rents, rates and charges imposed or charged by the City for the use of or services rendered by the Gas Works of the City and of certain other moneys derived from the Gas Works and from the investment of such revenue. The 1975 Ordinance requires such revenues to be applied in order of priority to net operating expenses, sinking fund payments required by the 1975 Ordinance, payment of general obligation bonds of the City adjudged to be self-liquidating from Gas Works revenues, debt service on other general obligation bonds issued for the Gas Works, City charges and any other proper purpose of the City.

The City covenants, so long as this Bond shall remain outstanding, to make payments of interest on the indebtedness represented by this Bond, out of its Gas Works Revenue Bond Sinking Fund, in the semi-annual amount shown hereon on each interest payment date of this Bond, or as the case may be, the proportionate part thereof from the date hereof to the next interest payment date, and to pay, upon surrender hereof, from said Sinking Fund on the maturity date hereof or, if this Bond shall be selected for mandatory or optional redemption, then on the applicable redemption date, the principal amount hereof with the applicable premium, if any.

Fiscal Agent ap-

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Reference is hereby made to the 1975 Ordinance for a statement of the terms and conditions under which previous bonds, if any, have been issued, under which the Bonds are issued and under which additional bonds will be issued, and for a statement of the particular rentals, revenues and moneys pledged for the security and payment of all bonds issued under the 1975 Ordinance, the nature, extent and manner of enforcement of the security, the terms and conditions under which the 1975 Ordinance may be amended or modified, and the rights of the holders or registered owners of the Bonds with respect to such security. The City hereby represents to and covenants with the registered owner of this Bond that no Gas Works revenue bonds of the City have been or will be issued for the payment of which the holder has or shall have a prior lien on or security interest in the revenues pledged for the payment of this Bond or a prior right to payment therefrom and that all Gas Works revenue bonds which have been or will be equally and ratably secured by such pledged revenues have and will be issued in accordance with the provisions of the 1975 Ordinance. However, nothing herein contained shall be construed to prevent the City from financing Gas Works projects by the issuance of its general obligation bonds or by the issuance of Gas Works revenue bonds under other authorization for the payment of which project revenues of the Gas Works may be pledged subject and subordinate in each fiscal year to the prior payment from such revenues of all principal, premium, interest and sinking fund requirements payable during such fiscal year under the 1975 Ordinance in respect of Gas Works Revenue Bonds issued and outstanding thereunder.

In the manner and upon the terms and conditions provided in the 1975 Ordinance,

(here insert specific provisions with respect to redemption, including, if applicable, mandatory redemption)

If less than an entire year's maturity is to be redeemed at any particular time, the Bonds or portions thereof to be redeemed shall be chosen by the Fiscal Agent by lot.

Each such redemption shall be made after notice by publication once a week for two successive weeks in not less than two or more than four daily newspapers published and of general circulation in the City of Philadelphia, Pennsylvania, the first publication to be not less than thirty (30) days or more than sixty (60) days prior to the date fixed for redemption. Notice having been so given and provision having been made for redemption from funds on deposit with the Fiscal Agent or Sinking Fund Depositary, all interest on Bonds called for redemption accruing after the date fixed for redemption shall cease, and the holders or registered owners of the Bonds called for redemption shall have no security, benefit or lien under the 1975 Ordinance or any right except to receive payment of the redemption price.

This Bond is transferable and exchangeable by the registered owner hereof in person or by his attorney duly authorized in writing, at the principal Philadelphia office of the Fiscal Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the 1975 Ordinance, and upon surrender and cancellation of this Bond. Upon any such transfer or exchange, the City shall issue in the name of the transferee or of the registered owner hereof, and shall deliver in exchange for this Bond, to or upon the order of such registered owner, a new registered Bond or new registered Bonds in authorized denominations aggregating the principal amount hereof or a coupon Bond or coupon Bonds of such denominations and aggregate principal amount with coupons attached representing all unpaid interest due or to become due and, in each case, maturing on the same date and bearing interest at the same rate as this Bond, and bearing the same designation as to series or subseries as this Bond.

As provided by the Act, this Bond, its transfer and the income therefrom (including any gains made on the sale thereof other than underwriting profits in a distribution thereof) shall at all times be free from taxation within and by the Commonwealth of Pennsylvania but this exemption shall not extend to underwriting profits or to gift, succes-

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 of the City of Philadel-
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 the 1975 Ordinance and
 cancellation in exchange,
 the interest of the
 registered owner or of the
 transferee for exchange for
 the registered owner, a
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 amount hereof or
 combinations and
 divisions attached repre-
 senting the interest in each
 share and, in each
 share, the designation

transfer and the
 proceeds on the sale
 of the shares a distribution
 to the transferee within and
 this exemption
 to gift, succes-

sion or inheritance taxes or any other taxes not levied di-
 rectly on this Bond, the receipt of income therefrom, or the
 realization of gains on the sale thereof.

The City and the Fiscal Agent may treat the person in
 whose name this Bond is registered as the absolute owner
 hereof for all purposes whether or not this Bond or any
 installment of interest be overdue, and neither the City
 nor the Fiscal Agent shall be affected by any notice to the
 contrary. All payments of the principal, or premium upon
 redemption, of this Bond or of interest hereon to such regis-
 tered owner in the manner herein and in the 1975 Ordinance
 set forth shall be valid and effectual to satisfy and discharge
 the liability upon this Bond to the extent of the sum or
 sums so paid whether or not notation of the same be made
 hereon, and any consent, waiver or other action taken by
 such registered owner pursuant to the provisions of the
 1975 Ordinance shall be conclusive and binding upon such
 registered owner, his heirs, successors or assigns, and upon
 all transferees hereof whether or not notation thereof be
 made hereon or on any Bond issued in exchange or transfer
 hereof.

In case an event of default, as defined in the 1975 Ordi-
 nance, shall occur, the principal of all bonds then outstand-
 ing under the 1975 Ordinance may be declared or may
 become due and payable and any such declarations may
 thereafter be annulled, all upon the conditions and in the
 manner and with the effect provided in the 1975 Ordinance
 and in the Act.

This Bond is a special obligation 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, premium, if
 any, or interest on this Bond, nor shall this Bond be
 deemed to be a general obligation of the City.

It is hereby certified that all conditions, acts and things
 required to exist, happen and be performed under the Act
 and under the 1975 Ordinance precedent to and in the issu-

ance of this Bond, exist, have happened and have been performed, and that the issuance and delivery of this Bond have been duly authorized by Ordinance of the City duly adopted.

IN WITNESS WHEREOF, the City of Philadelphia has caused this Bond to be properly executed by its Fiscal Agent, by two duly authorized officers thereof, and the facsimile of the seal of the City of Philadelphia to be imprinted hereon, and to be duly countersigned and attested by a facsimile signature of the City Controller, as of

CITY OF
PHILADELPHIA

By
Fiscal Agent

Countersigned and Attested By
by (Facsimile Signature) Authorized Officer

City Controller By
Authorized Officer

SECTION 3.03. *Form of Coupon Bond and Form of Coupon for Interest.* Coupon Bonds and the coupons thereunto appertaining shall be substantially in the following form:

(Form of Coupon Bond)

UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA
CITY OF PHILADELPHIA
GAS WORKS REVENUE BONDS

(Numerical Designation) §

(Series Designation)

%

The City of Philadelphia, Pennsylvania (the City), for value received, hereby promises to pay in lawful money of the United States of America to the bearer, or if this Bond is registered as to principal as hereinafter provided, to the registered owner hereof, on unless this

are been per-
of this Bond
the City duly

Philadelphia has
by its Fiscal
Agent, and the
City of Phila-
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and attested
in witness
whereof

OF
PHILADELPHIA

.....
Agent

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and Officer

.....
and Officer

.....
Form of Coupon
hereunto ap-
pended form:

.....
PENNSYLVANIA

.....
the City, for
the money of
the City of this Bond
to be paid to the
owner of this

Bond shall be redeemable and shall have previously been called for redemption and payment of the redemption price made or provided for, from the rentals, revenues and moneys of the City pledged for the payment hereof pursuant to the General Gas Works Revenue Bond Ordinance of 1975 (Ordinance No. _____ approved _____, 1975) of the City (the 1975 Ordinance) but solely therefrom and not otherwise, upon surrender hereof, the principal sum of _____ Dollars (\$ _____), and to pay interest on such principal amount in like money, but solely from said rentals, revenues and moneys aforesaid, from the date hereof initially on _____ and thereafter on each subsequent _____ and _____ until payment of such principal amount, or provision therefor, shall have been made upon redemption or at or after maturity, at the annual rate shown hereon, but, with respect to interest accrued at or prior to maturity, only upon presentation and surrender of the coupons for interest hereunto appertaining as they severally mature. The principal of and interest on this Bond and the premium, if any, payable upon redemption, are payable at the principal Philadelphia office of _____, Fiscal Agent of the City, in Philadelphia, Pennsylvania, or at the principal office of any successor Fiscal Agent appointed under the 1975 Ordinance.

This Bond is one of a duly authorized issue of bonds of the City designated as its Gas Works Revenue Bonds of the series designated hereon (the Bonds), limited in aggregate principal amount to \$ _____, issued or to be issued pursuant to The First Class City Revenue Bond Act (Act No. 234 of the Pennsylvania General Assembly approved October 18, 1972, 53 P.S. §15901) (the Act) under the 1975 Ordinance and supplemental ordinance dated _____.

The Bonds, together with all previous bonds of the City, if any, issued under the 1975 Ordinance and under previous supplemental ordinances and together with all bonds of the City hereafter issued under the 1975 Ordinance and all subsequent supplemental ordinances, are and will be equally and ratably secured under the 1975 Ordinance.

nance by a pledge of all the rents, rates and charges imposed or charged by the City for the use of or services rendered by the Gas Works of the City and of certain other moneys derived from the Gas Works and from the investment of such revenue. The 1975 Ordinance requires such revenues to be applied in order of priority to net operating expenses, sinking fund payments required by the 1975 Ordinance, payment of general obligation bonds of the City adjudged to be self-liquidating from Gas Works revenues, debt service on other general obligation bonds issued for the Gas Works, City charges and any other proper purpose of the City.

The City covenants, so long as this Bond shall remain outstanding, to make payments of interest on the indebtedness represented by this Bond, upon surrender of the applicable coupons, out of its Gas Works Revenue Bond Sinking Fund in the amount shown on the respective coupons hereunto appertaining on each interest payment date of this Bond and to pay, upon surrender hereof, from said Sinking Fund on the maturity date hereof or, if this Bond shall be selected for mandatory or optional redemption, then on the applicable redemption date, the principal amount hereof with the applicable premium, if any.

Reference is hereby made to the 1975 Ordinance for a statement of the terms and conditions under which previous bonds, if any, have been issued, under which the Bonds are issued and under which additional bonds will be issued, and for a statement of the particular rentals, revenues and moneys pledged for the security and payment of all bonds issued under the 1975 Ordinance, the nature, extent and manner of enforcement of the security, the terms and conditions under which the 1975 Ordinance may be amended or modified, and the rights of the holders or registered owners of the Bonds with respect to such security. The City hereby represents to and covenants with the holder of this Bond that no Gas Works Revenue Bonds of the City have been or will be issued for the payment of which the holder has or shall have a prior lien on or security interest in the revenues pledged for the payment of this Bond or a prior right to

payment therefrom and that all Gas Works revenue bonds which have been or will be equally and ratably secured by such pledged revenues have and will be issued in accordance with the provisions of the 1975 Ordinance. However, nothing herein contained shall be construed to prevent the City from financing Gas Works projects by the issuance of its general obligation bonds or by the issuance of Gas Works revenue bonds under other authorization for the payment of which project revenues of the Gas Works may be pledged subject and subordinate in each fiscal year to the prior payment from such revenues of all principal, premium, interest and sinking fund requirements payable during such fiscal year under the 1975 Ordinance in respect of Gas Works Revenue Bonds issued and outstanding thereunder.

In the manner and upon the terms and conditions provided in the 1975 Ordinance,

(here insert specific provisions with respect to redemption, including, if applicable, mandatory redemption)

If less than an entire year's maturity is to be redeemed at any particular time, the Bonds or portions thereof to be redeemed shall be chosen by the Fiscal Agent by lot.

Each such redemption shall be made after notice by publication once a week for two successive weeks in not less than two or more than four daily newspapers published and of general circulation in the City of Philadelphia, Pennsylvania, the first publication to be not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption. Notice having been so given and provision having been made for redemption from funds on deposit with the Fiscal Agent or Sinking Fund Depository, all interest on Bonds called for redemption accruing after the date fixed for redemption shall cease, and the holders or registered owners of the Bonds called for redemption shall have no security, benefit or lien under the 1975 Ordinance or any right except to receive payment of the redemption price.

This Bond is transferable by delivery unless registered as to principal in the name of the owner on the bond register

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of the City to be kept for that purpose at the principal Philadelphia Office of the Fiscal Agent, such registration to be noted hereon by the Fiscal Agent on behalf of the City. After such registration no transfer shall be valid unless made by the registered owner in person or by his duly authorized attorney and similarly noted upon said bond register and hereon. This Bond, however, may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability by delivery shall be restored after which this Bond may again from time to time be registered or made transferable by delivery as before. Such registration, however, shall not affect the negotiability of the coupons for interest hereto attached, which shall always continue to be payable to bearer and to be transferable by delivery.

This Bond is exchangeable by the holder or, if registered as to principal, by the registered owner in person or by his attorney duly authorized in writing, at the principal Philadelphia office of the Fiscal Agent, but only in the manner, subject to the limitations, and upon payment of the charges provided in the 1975 Ordinance, and upon surrender of this Bond. Upon request for such exchange, the City shall issue in the name of the holder or registered owner of his nominee or in bearer form at the option of the holder or registered owner, and shall deliver in exchange for this Bond, to or upon the order of the holder or registered owner, a new registered Bond or new registered Bond in authorized denominations aggregating the principal amount hereof or a new coupon Bond or coupon Bonds of such denominations and aggregate principal amount with coupons attached representing all unpaid interest due or to become due and, in each case, maturing on the same date and bearing interest at the same rate as this Bond, and bearing the same designation as to series or subseries as this Bond.

As provided by the Act, this Bond, its transfer and the income therefrom (including any gains made on the sale thereof other than underwriting profits in a distribution thereof) shall at all times be free from taxation within and by the Commonwealth of Pennsylvania but this exemption

shall not extend to the underwriting profits or to gift, succession or inheritance taxes or any other taxes not levied directly on this Bond, the receipt of income therefrom, or the realization of gains on the sale thereof.

The City and the Fiscal Agent may treat the holder of this Bond if it shall not at the time be registered as to principal, the registered owner of this Bond if it shall at the time be so registered, and the holder of any coupon appertaining hereto, whether or not this Bond shall be so registered, as the absolute owner of this Bond or such coupon, as the case may be, for all purposes whether or not this Bond or such coupon be overdue, and neither the City nor the Fiscal Agent shall be affected by any notice to the contrary. Any consent, waiver or other action taken by the holder or registered owner hereof pursuant to the provisions of the 1975 Ordinance shall be conclusive and binding upon such holder or registered owner, his heirs, successors or assigns and upon all transferees hereof whether or not notation thereof be made hereon or on any Bond issued in exchange hereof.

In case an event of default, as defined in the 1975 Ordinance, shall occur, the principal of all bonds then outstanding under the 1975 Ordinance may be declared or may become due and payable and any such declarations may thereafter be annulled, all upon the conditions and in the manner and with the effect provided in the 1975 Ordinance and in the Act.

This Bond is a special obligation 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, premium, if any, or interest on this Bond, nor shall this Bond be deemed to be a general obligation of the City.

It is hereby certified that all conditions, acts and things required to exist, happen and be performed under the Act and under the 1975 Ordinance precedent to and in the issuance of this Bond, exist, have happened and have been performed, and that the issuance and delivery of this Bond

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have been duly authorized by Ordinance of the City duly adopted.

IN WITNESS WHEREOF, The City of Philadelphia has caused this Bond to be properly executed by its Fiscal Agent, by two duly authorized officers thereof, and the facsimile of the seal of the City of Philadelphia to be imprinted hereon, and to be duly countersigned and attested by a facsimile signature of the City Controller, and has also caused the coupons hereto attached to be authenticated with the facsimile signature of the City Controller, as of

Countersigned and	
Attested by	CITY OF PHILADELPHIA
(Facsimile Signature)	By
City Controller	Fiscal Agent
	By
	Authorized Officer
	By
	Authorized Officer

(Form of Coupon)

Coupon No. §

On , the City of Philadelphia upon surrender of this Coupon will pay to the bearer unless the Bond hereinafter mentioned shall have been called for previous redemption and payment of the redemption price made or provided for, at the principal Philadelphia office of in Philadelphia, Pennsylvania, but only out of the rentals, revenues and moneys referred to in the Bond hereinafter mentioned, the amount shown hereon, in lawful money of the United States of America, being interest then due on its Gas Works Revenue Bond, , dated as of , and numbered.

CITY OF PHILADELPHIA
 By
 City Controller

SECTION 3.04. *General Form, Content and Payment of Bonds.* Bonds shall be generally designated as Gas Works Revenue Bonds of the City and shall be issued in such series and within such series in such subseries as the City may from time to time determine. The aggregate principal amount of Bonds which may be issued, authenticated and delivered under this Ordinance is unlimited, but prior to issuance of each Series of Bonds, the City shall adopt a Supplemental Ordinance authorizing such Series.

The Bonds of each Series may be issued in coupon form with principal payable to bearer or registered as to principal only, in fully registered form, or may consist in whole or in part of one or more installment Bonds in fully registered form payable as to principal or subject to mandatory redemption in annual installments, or any combination of the foregoing, shall be issued in such aggregate principal amount, shall be dated on or as of such date or dates, shall be in such denominations, shall mature or be subject to mandatory redemption in such principal amounts and on such dates, shall bear interest from such date or dates and at such rate or rates, shall be subject to optional redemption at such times and upon such terms, and shall contain such other terms and conditions not inconsistent with this Ordinance or the Act, all as shall be determined by the City and set forth in the supplemental ordinance under which such bonds are issued, or as shall be determined by a designated officer or officers of the City thereunto authorized by the Supplemental Ordinance, or in the absence of such provisions or designation, as shall be determined by the Director of Finance as specified in Section 4.05.

The principal of and interest on (except the final installment of principal and the interest then payable) and the principal, premium, if any, and accrued interest payable upon partial redemption with respect to, all fully registered installment Bonds, and the interest payable in respect of fully registered Bonds, shall be payable by check or draft of the Fiscal Agent mailed to the registered owner of such Bonds at the address of such owner as it appears upon the bond register, and the records of the Fiscal Agent shall be

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PHILADELPHIA

Agent

conclusive as to such payment and shall bind such owner, his successors and assigns whether or not such payment be noted on such Bond. Except as aforesaid, the principal of all Bonds, the premium, if any, payable upon redemption thereof, and the interest on all coupon Bonds payable at or prior to maturity, shall be payable in lawful money of the United States of America at the principal Philadelphia office of the Fiscal Agent in Philadelphia, Pennsylvania, or at the principal office of a paying agent designated in such Bonds, but with respect to such principal, only upon presentation and surrender of such Bonds, or with respect to interest payable at or prior to maturity of such coupon Bonds, only upon presentation and surrender of the respective coupons for interest, except as otherwise herein provided with respect to mutilated, destroyed, lost or stolen Bonds or coupons.

Each Bond executed and delivered upon any transfer, exchange or substitution, shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by the Bond or Bonds surrendered upon such transfer or exchange, or as the case may be, the part thereof represented by such new Bond or Bonds, and notwithstanding anything to the contrary contained in this Ordinance, such new Bond, if a fully registered Bond, shall be so dated, and, if a coupon Bond, shall have attached thereto such coupons, that neither gain nor loss in interest shall result from such transfer, exchange, or substitution.

The foregoing provisions of this Section, any other provision in this Ordinance to the contrary notwithstanding, are subject to the express understanding that the principal of and interest on all Bonds issued hereunder and the premium, if any, payable on redemption thereof, shall be payable only from the rentals, revenues and moneys of the City pledged for the payment thereof pursuant to this Ordinance and not otherwise.

SECTION 3.05. Registration of Bonds, Registrar, Bond Register. The City shall keep or cause to be kept at the principal Philadelphia office of the Fiscal Agent, books for

the registration and transfer of Bonds entitled to registration and transfer; and the City will register or transfer or cause to be registered or transferred therein, as hereinafter provided and under such reasonable regulations as may be prescribed by the Director of Finance, any Bonds entitled to be so registered or transferred, upon presentation for such purpose. The Fiscal Agent is hereby appointed the registrar of the City for the purpose of registering, transferring and exchanging the Bonds. The books kept pursuant to this Section are herein and in the Bonds referred to as the bond register.

SECTION 3.06. *Bonds are Negotiable Instruments.* The Bonds shall have the qualities of negotiable instruments under the law merchant and the laws pertaining to negotiable instruments of the Commonwealth of Pennsylvania, subject to the provisions for registration and transfer contained in Section 3.07 and 3.08 and in the Bonds.

SECTION 3.07. *Transfer of Coupon Bonds.* All coupon Bonds shall be negotiable and title thereto shall pass by delivery unless registered as to principal in the manner hereinafter provided. The bearer of any coupon Bond may have the ownership of the principal thereof registered on the bond register required to be kept pursuant to Section 3.05, and such registration shall be noted on the Bond. After such registration no transfer shall be valid unless made on such books by the registered owner in person, or by his duly authorized attorney, and similarly noted on the Bond; but such Bond may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability by delivery shall be restored; and such Bond may again, from time to time, be registered or discharged from registration in the same manner as before. Such registration, however, shall not affect the negotiability by delivery of the coupons, but every such coupon shall continue to be transferable by delivery and shall remain payable to bearer.

SECTION 3.08. *Registration and Transfer of Fully Registered Bonds.* The names and addresses of the registered

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owners of all fully registered Bonds together with a brief description of the Bonds so registered shall be recorded in the bond register. Any fully registered Bond may be transferred at the principal Philadelphia office of the Fiscal Agent or surrendered for transfer at the principal office of one of the paying agents designated in such Bond, upon surrender of such Bond accompanied by delivery of a written instrument of transfer in form approved by the Director of Finance, duly executed by the registered owner of such Bond or his duly authorized attorney, and thereupon the City and the Fiscal Agent shall execute in the name of the transferee or transferees, and the Fiscal Agent shall deliver, a new fully registered Bond, or new fully registered Bonds, of like form, of the same Series, bearing the same rate of interest, of the same maturity, and for the same aggregate principal amount.

SECTION 3.09. *Exchange of Bonds.* All Bonds of any Series issued hereunder shall be exchangeable for like Bonds of different authorized denominations or for Bonds in different form of the same Series, as the case may be, and, in each case, in the same aggregate principal amount, maturing on the same dates and bearing the same rate of interest as the Bonds to be exchanged, all in the manner hereinafter provided. The holder of any bearer coupon Bond or Bonds or the registered owner of any registered Bond or Bonds desiring to exchange such Bond or Bonds shall surrender (or, in the case of registered Bonds, shall cause his attorney thereunto duly authorized to surrender) such Bond or Bonds in negotiable form or, as the case may be, accompanied by an appropriate instrument of transfer, together with all unmatured coupons appertaining to coupon Bonds so surrendered, at the principal Philadelphia office of the Fiscal Agent or at the principal office of one of the paying agents designated in the Bonds, together with a written request for exchange, in form approved by the Director of Finance, setting forth the form of Bond or Bonds requested to be issued in exchange, the denomination or denominations thereof and, if to be issued in partial or fully registered form, the person or persons in whose name

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such Bonds are to be registered. Thereupon and subject to the provisions of Section 3.10, the City and the Fiscal Agent shall execute and deliver to the persons thereunto entitled a new Bond or new Bonds in the form requested in authorized denominations aggregating the principal amount of the Bond or Bonds surrendered, maturing as to principal on the same date or dates, bearing the same rate of interest, and bearing the same designation as to series. All fully registered Bonds issued in exchange for Bonds of any series shall be dated on the date of issuance thereof and shall bear interest from the date from which interest was initially payable with respect to such Series or from the next preceding interest payment date of such Series, whichever is later, or, if the date of authentication shall be an interest payment date of such Series, from such date. All coupon Bonds issued in exchange for Bonds of any Series shall be dated as of the date of the initial issuance of such Series and all matured coupons shall be removed from such Bonds prior to their authentication and delivery in exchange. For the purpose of exchange, a fully registered installment Bond shall be deemed to represent separate Bonds each in the amount and of the maturity of the annual installments of principal provided for in such Bond.

SECTION 3.10. *Cost of Bond Registration, Transfer or Exchange, Miscellaneous Provisions Governing Transfers and Exchanges.* Registration, transfer, discharges from registration, and exchanges of Bonds authorized under this Article shall be without expense to the Holders of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting any such transaction, as a condition precedent to the exercise of such privilege.

The City shall not be required to make (a) any exchange or transfer of any Bonds during the period of fifteen business days next preceding any interest payment date for such Bonds, or (b) any exchange or transfer of any Bonds during the period of twenty business days next preceding the first publication or mailing of any notice of redemption of such Bonds.

All Bonds surrendered for exchange and the coupons, if any, attached thereto and all registered Bonds without coupons surrendered for transfer, shall be cancelled as the principal thereof and the coupons severally become due and payable and after such due date, may be cremated, shredded or otherwise destroyed by the Fiscal Agent.

All Bonds executed, authenticated and delivered in exchange for Bonds surrendered or upon the transfer of registered Bonds shall be valid obligations of the City, evidencing the same debt as the Bonds surrendered, and shall be secured by this Ordinance to the same extent as such surrendered Bonds.

SECTION 3.11. *Ownership of Bonds.* The City, the Fiscal Agent and any paying agent designated in any Bond may treat the holder of any coupon Bond if it shall not at the time be registered as to principal, the registered owner of any coupon Bond if it shall at the time be so registered, the holder of any coupon appertaining to a coupon Bond whether or not such coupon Bond shall be so registered, and the registered owner of any fully registered Bond, as the absolute owner of such Bond or such coupon, as the case may be, for all purposes whether or not such Bond or such coupon shall be overdue, and neither the City, the Fiscal Agent nor any paying agent shall be affected by any notice to the contrary. Any consent, waiver or other action taken by the holder of any bearer coupon Bond or by the registered owner of any Bond other than a bearer coupon Bond pursuant to the provisions of this Ordinance shall be conclusive and binding upon such Holder, his heirs, successors or assigns, and upon all transferees of such Bond whether or not notation of such consent, waiver or other action shall have been made on such Bond or on any Bond issued in exchange therefor.

SECTION 3.12. *Definitive and Temporary Bonds.* Bonds in definitive form shall be fully engraved or printed or lithographed on steel engraved borders. Until Bonds in definitive form of any Series are ready for delivery, the City and the Fiscal Agent may execute, and, upon the request

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of the City in writing, the Fiscal Agent shall deliver in lieu of any such Bonds, and subject to the same provisions, limitations and conditions, one or more printed, lithographed or typewritten Bonds in temporary form, substantially of the tenor of the Bonds hereinbefore described, without coupons or with one or more coupons, and with appropriate omissions, variations and insertions. Such Bond or Bonds in temporary form may be for the amount of any authorized denomination or any multiple thereof, as the Director of Finance may determine. Until exchanged for Bonds in definitive form such Bonds in temporary form shall be entitled to the benefit of this Ordinance. Unless otherwise agreed with the Holder of such temporary Bond or Bonds, the City shall, without unreasonable delay, prepare, execute and deliver to the Fiscal Agent, and thereupon, upon the presentation and surrender of any Bond or Bonds in temporary form, the Fiscal Agent shall execute and deliver, in exchange therefor, a Bond or Bonds in definitive form of the same Series and same maturity for the same aggregate principal amount as the Bond or Bonds in temporary form surrendered. Such exchange shall be made by the City at its own expense and without making any charge therefor. Until such Bonds in definitive form are ready for delivery, the Holder of one or more Bonds in temporary form may, with the consent of the City, exchange the same, upon surrender thereof to the Fiscal Agent for cancellation, for Bonds in temporary form of like aggregate principal amount, of the same Series and maturity, in authorized denominations and bearing all unmatured coupons, if any.

SECTION 3.13. *Execution of Bonds.* The Bonds shall be executed on behalf of the City by the Fiscal Agent by the manual signatures of two of its duly authorized officers, under the seal of the City which shall be either affixed or reproduced thereon in facsimile and shall be countersigned and attested by the manual or facsimile signature of the Controller, all in accordance with the Act of March 24, 1949, P. L. 312, or in such other manner as shall be authorized by law and prescribed by supplemental ordinance.

The coupons attached to coupon Bonds shall be executed on behalf of the City by the facsimile signature of the City Controller. Any such Bonds or coupons may be executed, issued and delivered notwithstanding that one or more of the officers signing such Bonds or whose facsimile signature shall be upon such Bonds or coupons or any thereof, shall have ceased to be such officer or officers at the time when such Bonds shall actually be delivered, and although at the nominal date of the Bond any such person shall not have been such officer.

SECTION 3.14. *Mutilated, Destroyed, Lost or Stolen Bonds.* Upon receipt by the Fiscal Agent and the City of evidence satisfactory to both of them that any outstanding Bond or coupon has been destroyed, lost or stolen, and of indemnity satisfactory to both of them, then, in the absence of notice to the City or to the Fiscal Agent that such Bond or coupon, if alleged to have been lost or stolen, has been acquired by a bona fide purchaser, or if a Bond or coupon has been mutilated, the City in its discretion acting through the Director of Finance, may execute and deliver a new bond of the same Series and same maturity and of like tenor (which shall have attached the same corresponding coupons, if any, as the mutilated, destroyed, lost or stolen Bond if such Bond were a coupon Bond) in exchange and substitution for, and upon surrender and cancellation of, the mutilated Bond and coupons, if any, or in lieu of and in substitution for the Bond and coupons, if any, so destroyed, lost or stolen.

The City may, for each new bond authenticated and delivered under the provisions of this Section, require the payment of the expenses, including counsel fees, which may be incurred by the City and the Fiscal Agent in the premises. In case any such mutilated, lost or stolen Bond or coupon has become or is about to become due and payable, the City, in its discretion, may, instead of issuing a new Bond or coupon, direct the payment thereof at maturity and the Fiscal Agent shall thereupon pay the same.

Any Bond or coupon issued under the provisions of this Section in lieu of any Bond or coupon alleged to be de-

destroyed, lost or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond or coupon so alleged to be destroyed, lost or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Ordinance with all other Bonds and coupons issued under this Ordinance.

SECTION 3.15. *Installment Bonds—Interim Certificates.* Nothing in this Ordinance shall be construed to prohibit the authorization by supplemental ordinance of installment Bonds in the forms above provided with appropriate modifications or to prohibit the issuance of interim certificates pending the delivery of definitive Bonds in such form as shall be approved by the City Solicitor.

SECTION 4.

ARTICLE IV
ISSUANCE OF BONDS—SUPPLEMENTAL
ORDINANCES

SECTION 4.01. *Purpose of Bonds.* The Bonds issued under this Ordinance shall be issued for the purpose of paying the cost of projects, as such term is defined in the Act, related to the Gas Works, of reimbursing any fund of the City from which such costs shall have been paid or advanced, of funding any of such costs for which the City shall have outstanding bond anticipation notes or other obligations, of refunding any Bonds of the City issued for the foregoing purposes under the Act, or of refunding general obligation bonds of the City issued for the foregoing purposes.

SECTION 4.02. *Pledge of Revenues; Grant of Security Interest; Application of Revenues.* The City hereby pledges for the security and payment of all Bonds and coupons, if any, issued under this Ordinance and hereby grants a security interest in, all rents, rates and charges imposed or charged by the City upon the owners or occupants of properties connected to, and upon all users of, gas distributed by the Gas Works and all other revenues

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derived therefrom (the Project Revenues) as such term is defined in the Act and all accounts, contract rights and general intangibles representing the Project Revenues, and in each case, the proceeds of the foregoing. For the purpose of compliance with the filing requirements of the Uniform Commercial Code in order to perfect the security interest herein granted, the Fiscal Agent shall be deemed to be and the City hereby recognizes the Fiscal Agent as, the representative of bondholders to execute financing statements as the secured party. Subject to the provisions of Section 7.02 hereof, all Project Revenues as and when collected in each fiscal year shall be applied first to Net Operating Expenses; second, to required payments into the Sinking Fund herein created to pay the principal of and interest on all Bonds issued hereunder and, if required, to accumulate, or to restore any deficiency in, the Sinking Fund Reserve; third, to the payment of any general obligation bonds adjudged to be self-liquidating on the basis of such expected revenues; fourth, to the payment of interest and sinking fund charges of other general obligation debt incurred for the Gas Works, and fifth, to the payment of City Charges. Any balance remaining may be applied to any proper purpose of the City. The foregoing provisions shall not be construed to require the segregation upon collection of revenues prior to default in the payment of the principal of and interest on Bonds.

SECTION 4.03. *Particular Covenants.* The City covenants with the Holders of all Bonds from time to time and at the time outstanding under this Ordinance, that so long as any such Bonds shall remain outstanding:

(a) No Bonds will be issued by the City hereunder or under any ordinance supplemental hereto unless the financial report of the chief fiscal officer of the City required by Section 8 of the Act to be filed with the City Council shall be accompanied by an engineering report of an independent consulting engineer or an independent firm of consulting engineers, in either case having broad experience in the design and analysis of the operation of gas works or gas distribution systems of the magni-

tude and scope of the Gas Works and a favorable reputation for competence in such field (the Engineers) setting forth the qualifications of the Engineers and:

(i) containing a statement that the Engineers have made such investigation of the physical properties included in the Gas Works and of the books and records of the Gas Works maintained by the City or by the Manager, as they deemed necessary; and

(ii) on the basis of such investigation containing:

(aa) the same matters, statements and opinion as are required by Section 8 of the Act to be contained in the financial report of the chief fiscal officer supported by appropriate schedules and summaries;

(bb) a statement that the Gas Works rents, rates and charges, on the basis of which the statements required by the foregoing clause (aa) are made, are currently and will be sufficient to comply with the Rate Covenant set forth in Section 4.03 (b); and

(cc) a statement that, in the opinion of the engineers, the Gas Works are in good operating condition or that adequate steps are being taken to make them so.

(b) it will, at a minimum, impose, charge and collect in each Fiscal Year such gas rates and charges as shall, together with all other Project Revenues (as defined in the Act) to be received in such Fiscal Year, equal 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 sinking fund requirements for principal of and interest on all Bonds issued and outstanding hereunder which will become due and payable during such Fiscal Year; and

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(iii) the amount, if any, required to be paid into the Sinking Fund Reserve during such Fiscal Year; or

B. The sum of:

(i) All Net Operating Expenses payable during such Fiscal Year; and

(ii) all Sinking Fund deposits required during such Fiscal Year in respect of all outstanding Bonds and in respect of all outstanding general obligation bonds issued for improvements to the Gas Works and all amounts, if any, required during such Fiscal Year to be paid into the Sinking Fund Reserve.

The Gas Commission is hereby authorized and directed, without further authorization, to impose and charge and to collect, or cause to be collected, rents, rates and charges which shall be sufficient in each Fiscal Year to comply with the foregoing Rate Covenant.

(c) It will pay or cause the Fiscal Agent or paying agent to pay from the Project Revenues deposited in the Sinking Fund the principal of, premium, if any, and interest on all Bonds as the same shall become due and payable and as more particularly set forth in the Bonds.

(d) It will continuously maintain in good condition and continuously operate the Gas Works.

(e) It will not in any Fiscal Year pay from the Project Revenues any City Charges or deposit from the Project Revenues in the general sinking fund of the City any sinking fund charges in respect of general obligation bonds of the City unless prior thereto or concurrently therewith all sinking fund charges in respect of Bonds issued and outstanding hereunder for such Fiscal Year, then payable, shall have been deposited in the Sinking Fund created hereby.

(f) It will not refund from the proceeds of Bonds any debt of the City represented by general obligation bonds or notes issued prior to January 1, 1974.

(g) That it has, by Ordinance, authorized the imposition of rates and charges by the Gas Commission sufficient from time to time to comply with Rate Covenant set forth in Section 4.03(b) and that it will not repeal or materially adversely dilute such authorization.

(h) It will, not later than 120 days following the close of each Fiscal Year, file with the Fiscal Agent a report of the operation of the Gas Works setting forth, among other things, in reasonable detail financial data concerning the Gas Works for such Fiscal Year, including a balance sheet, statements of income, equity, and changes in financial condition, and an analysis of funds available to cover debt service (in each case not inconsistent with the statements of income, expenses, and other accounts of the City audited by the City Controller) prepared by the Manager of the Gas Works in accordance with generally recognized municipal accounting principles consistently applied, showing compliance with the Rate Covenant, accompanied by a certificate of the Manager of the Gas Works that the Gas Works are 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 this Ordinance and in all ordinances supplemental hereto 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. The Fiscal Agent shall keep on file a copy of each report and its accompanying certificates 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.

SECTION 4.04. *Bonds to be Parity Bonds.* All bonds issued hereunder shall be parity Bonds equally and ratably secured by the pledge of and grant of security interest in, the Project Revenues without preference, priority or distinction as to lien or otherwise, except as otherwise here-

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The City hereby reserves the right, and nothing herein shall be construed to impair such right, to finance improvements to its Gas Works by the issuance of its general obligation bonds or by the issuance, under ordinances other than Supplemental Ordinances, of Gas Works bonds for the payment of which Project Revenues of the Gas Works may be pledged subject and subordinate in each Fiscal Year to the prior payment from such revenues of all principal, premium, interest and sinking fund requirements payable during such Fiscal Year under this Ordinance, as from time to time supplemented and amended, in respect of Bonds.

SECTION 4.05. Sale of Bonds; Taxes Not to be Assumed; Terms and Provisions; Authority of Director of Finance. To the extent, pursuant to Section 4.06, that the Supplemental Ordinance authorizing any Series of Bonds hereunder shall not otherwise provide:

(a) All bonds shall be sold at public, private or invited sale as a majority of the Mayor, the City Controller and the City Solicitor may determine to be in the best interest of the City and, if sold at competitive public sale, shall be sold to the purchaser or purchasers submitting the highest and best bid upon such terms and conditions of the bidding as shall be specified in an official notice of sale issued in the name of the City by the Director of Finance;

(b) no covenant to pay or assume any taxes shall be included in such Bonds; and

(c) subject to the foregoing, the terms upon which or the prices for which the Bonds are to be sold or exchanged, and the form, terms and provisions of the Bonds including, without limitation, the matters referred to in Section 5 of the Act, and in the second paragraph of Section 3.04 of this Ordinance shall be determined by the Director of Finance who is hereby

designated as the officer of the City to make such determinations based, to the extent applicable, on the prices, interest rates or other terms set forth in the highest and best proposal conforming to the bidding specifications as ascertained and accepted on behalf of the City by the Director of Finance.

SECTION 4.06. *Conditions of Issuing Bonds, Supplemental Ordinance; Filing of Transcript; Use of Proceeds; Refunding Bonds.* Prior to the issuance of any series of Bonds, the Council shall adopt an ordinance supplemental hereto specifying the aggregate principal amount or, maximum aggregate principal amount, and authorizing the issuance of such Bonds; stating that such Bonds are issued in respect of capital costs of a Gas Works project or projects of the City or to fund or refund bond anticipation or other obligations of the City issued in respect thereof or for the purpose of refunding debt issued for such purpose; making a finding based on the report of the Director of Finance of the City required by Section 8 of the Act that the Project Revenues pledged hereunder will be sufficient to comply with the Rate Covenant and also to pay all costs, expenses and payments required to be paid therefrom and in the order and priority stated in Section 4.02; and containing the covenant as to the payment of debt service required by Article IX, Section 10 of the Pennsylvania Constitution. Such Supplemental Ordinance may specify such form, terms and provisions of the Bonds to be issued thereunder, may specify a particular method of sale; may specify the terms upon which, or the prices for which, the Bonds are to be sold or exchanged, including, if applicable, competitive bidding specifications; may contain such amendments to this Ordinance, including amendments or rescission of the covenants herein contained, and may contain or authorize such further covenants and agreements, including such covenants as may be appropriate under existing regulations so that the Bonds may not be deemed to be "arbitrage bonds" as such term is defined in the Internal Revenue Code and applicable regulations, all as the Council may deem appropriate and proper and as shall be authorized

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or permitted by the Act but no such amendments, provisions, terms, covenants or agreements (other than those permitted under Section 8.01 and adopted pursuant thereto) which shall be inconsistent with the provisions of, or if they would impair a prior covenant contained in, this Ordinance as at the time amended or supplemented, shall become effective until all Bonds the holders of which are entitled to the protection of, or to enforce compliance with such prior covenant, shall cease to be outstanding.

Prior to the issuance of any Series of Bonds hereunder 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 which shall include (i) a certified copy of this Ordinance (unless previously so filed); (ii) a certified copy of the Supplemental Ordinance; (iii) an executed or certified copy of the report of the Director of Finance required by subsection (a) of Section 8 of the Act; (iv) an executed copy of the opinion of the City Solicitor required by subsection (b) of Section 8 of the Act; (v) an executed copy of the Engineer's report required by subsection (a) of Section 4.03; and (vi) a certificate of the Director of Finance that there is no default in the payment of the principal of, interest on, or premiums, if any, payable in respect of, any Bonds, that the amounts currently on deposit in the Sinking Fund Reserve meet the requirements of Section 6.04 that the report for the latest completed Fiscal Year required to be filed pursuant to subsection (h) of Section 4.03 has been filed and that during such Fiscal Year the City was in compliance with the Rate Covenant as therein shown, and that the City is currently in compliance with the Rate Covenant and all other covenants contained in this Ordinance and all Supplemental Ordinances, and thereupon the proper officers of the City and the Fiscal Agent shall be authorized to execute and deliver the Bonds so authorized, to receipt for the purchase price thereof and to execute and deliver on behalf of the City the usual closing statements, affidavits and certificates.

The Director of Finance, the City Solicitor, the City Controller and such other officers of the City as may be appropriate are authorized in connection with the issuance of any Series of Bonds hereunder, to prepare, execute and file on behalf of the City such statements, documents 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 regulations.

Unless otherwise provided in the Supplemental Ordinance, the proceeds of sale of all Bonds issued hereunder shall be deposited in the consolidated cash account of the City to the credit of the capital improvement funds and shall be disbursed therefrom, in accordance with established procedures, for the costs of the project or projects (as such term is defined in the Act) for which the Bonds were issued *provided*, however, that if such Bonds shall be issued for the purpose of funding or refunding bonds or notes previously issued by the City such proceeds shall, unless otherwise directed by the Supplemental Ordinance, be deposited in a special account in the Sinking Fund hereinafter authorized and deposited, invested (if appropriate) and disbursed under the direction of the Director of Finance for the purpose of retiring the bonds or notes being funded or refunded.

If the City shall, by Supplemental Ordinance, authorize the issuance of revenue refunding bonds pursuant to Section 10 of the Act, in the absence of specific direction or inconsistent authorization contained in the Supplemental Ordinance, the Director of Finance is hereby authorized in the name and on behalf of the City to take all such action, including the irrevocable pledge of proceeds and/or the income and profit from the investment thereof for the payment and redemption of the funded or refunded bond or notes and including the publication of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accom-

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SECTION 5.

ARTICLE V
REDEMPTION OF BONDS

SECTION 5.01. *Bonds May Be Subject to Redemption.* Bonds of any Series may be subject to either optional or mandatory redemption at the times, in the order, in the amounts, at the redemption prices, and other such terms, conditions and restrictions, all as may be set forth in the Supplemental Ordinance authorizing the issuance of such series or, in the absence of such provisions, as may be set forth in the Bonds at the direction of the Director of Finance and shall be set forth in the official notice of sale.

SECTION 5.02. *Notice, Selection by Lot.* Whenever the City shall, by ordinance of Council, determine to redeem all or part of the Bonds of any series in accordance with the right reserved so to do, or when the City or the Fiscal Agent shall be required to redeem Bonds pursuant to mandatory redemption provisions, the City or the Fiscal Agent, as the case may be, shall cause a notice of intention to redeem, signed in the name of the City by the Fiscal Agent, to be published once a week for two consecutive weeks, the first publication to be at least thirty days and not more than sixty days before the redemption date, in not less than two nor more than four daily newspapers published in the English language and of general circulation in the City. At least thirty days before the redemption date the Fiscal Agent shall mail such notice to each registered owner appearing upon the bond register of the registered Bonds to be redeemed, but failure so to mail any such notice shall not affect the validity of the proceedings for redemption. Such notice shall specify, unless a pertinent Supplemental Ordinance shall otherwise provide, the Series and the maturities of the Bonds so to be redeemed and also, if less than all then outstanding Bonds of a maturity are to be redeemed, the numbers of the Bonds to be redeemed which may be expressed in designated blocks, if applicable, and the date

fixed for redemption, the redemption price and the place of payment, and shall further state that, from and after such date, interest thereon will cease to accrue.

In connection with the redemption of less than all the Bonds of a particular maturity or series, the Fiscal Agent shall draw by lot the number of the Bonds to be redeemed in such manner as it shall deem proper unless the Supplemental Ordinance establishing the terms and provisions of such Bonds or the redemption provisions of the particular Bonds provides that they shall be redeemable in the order or inverse order of their numbers or that such Bonds shall be redeemable in the order or inverse order of their maturities and all Bonds of a particular maturity or maturities are being redeemed. For the purpose of any drawing, the Fiscal Agent shall assign a number for each basic denomination.

SECTION 5.03. *Effect of Redemption, Payment.* Notice having been given in the manner hereinbefore provided in this Article or irrevocable instructions to give such notice having been delivered to the Fiscal Agent to pay said Bonds or portions thereof, and funds complying with the provisions of subparagraph (1) of Section 10 of the Act having been deposited in trust with the Fiscal Agent or having been set aside with the Sinking Fund Depository in a special account in the Sinking Fund, prior to the date fixed for redemption, the Bonds or portions thereof so called for redemption, shall become due and payable on the redemption date so designated, and interest on such Bonds or portions thereof shall cease from such redemption date, whether such Bonds be presented for redemption or not, and the coupons representing the interest on any of said Bonds thereafter to accrue shall from that date be void and of no effect. The principal amount of all Bonds or portions thereof so called for redemption, together with the premium, if any, and accrued interest thereon, shall be paid by the Fiscal Agent, upon presentation and surrender thereof in negotiable form, accompanied by coupons, if any, representing such interest. All coupons maturing sub-

sequent to the date of redemption must accompany each Bond so redeemed.

SECTION 5.04. *Partial Redemption.* Upon presentation of any Bond which is to be redeemed in part only, the City and the Fiscal Agent shall execute and deliver to the Holder thereof, at the expense of the City a new Bond or Bonds of authorized denominations in principal amount equal to and of the same Series and maturity as the unredeemed portion of the Bond or Bonds so presented, which new Bond or Bonds shall, at the option of the Holder, either be a coupon Bond or Bonds with all unmatured coupons thereto appertaining or a registered Bond or Bonds without coupons.

SECTION 6.

ARTICLE VI SINKING FUND

SECTION 6.01. *Establishment of Sinking Fund.* There is hereby established a sinking fund to be known as the City of Philadelphia Gas Works Revenue Bond Sinking Fund (referred to in this Ordinance as the Sinking Fund) for the benefit and security of the Holders of all Bonds. The Sinking Fund shall be held in the name of the City in an account or accounts separate and apart from all other accounts of the City and payments therefrom shall be made only as hereinafter in this Ordinance provided.

The City covenants and the Director of Finance is directed to deposit in, and there is hereby appropriated to, the Sinking Fund from the pledged revenues in each Fiscal Year such amounts as will, together with interest and profits earned and to be earned on investments held therein, be sufficient to accumulate, on or before each interest and principal payment date of the Bonds, the amounts required to pay the principal of and the interest on the Bonds then becoming due and payable. Payment into the Sinking Fund shall be scheduled at such times and in such amounts in relation to the receipt of revenues and the operation and maintenance requirements of the Gas Works as the Director of Finance shall determine.

SECTION 6.02. *Fiscal Agent.* Such state or federally chartered bank as may from time to time be appointed by the City in accordance with law, shall act as Fiscal Agent in respect of all Bonds issued under this Ordinance or in respect of any particular issue or issues of Bonds. The Fiscal Agent shall also act as Sinking Fund Depositary of the Sinking Fund, and as paying agent and registrar of the Bonds in respect of which it is the Fiscal Agent. Nothing in this Ordinance shall be construed to prevent the City from engaging other or additional Fiscal Agents from time to time or from engaging other or additional sinking fund Depositaries, paying agents or registrars of the Bonds or any series thereof.

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 accounts and records, the disposal of cancelled Bonds and coupons, 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 this Ordinance.

SECTION 6.03. *Payments From the Sinking Fund.* The Sinking Fund Depositary shall, on direction of the Director of Finance, or if for any reason he should fail to give such direction, on the direction of the Fiscal Agent, liquidate investments, if necessary, and pay over from the Sinking Fund in cash to the Fiscal Agent not later than the due date thereof the full amount of the principal, interest on, and premium, if any, payable upon redemption of, all Bonds.

Any excess moneys in the Sinking Fund, including any excess amount in the Sinking Fund Reserve and moneys for the payment of the interest, principal and premium of bonds unclaimed after the due date for two years, 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 Sinking Fund.

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SECTION 6.04. *Sinking Fund Reserve.* There is hereby established a Sinking Fund Reserve which shall be held by the Sinking Fund Depository as part of the Sinking Fund but for which separate accounts shall be maintained. Unless otherwise provided in the applicable Supplemental Ordinance in compliance with this Section 6.04, the City shall, under direction of the Director of Finance, deposit in the Sinking Fund Reserve from the proceeds of sale of each Series of Bonds issued hereunder, an amount equal to the maximum amount required in any Fiscal Year to pay the principal of and interest on the Bonds of such Series becoming due and payable in such Fiscal Year. The money and investments (valued at market) in the Sinking Fund Reserve shall be held and maintained in an amount equal at all times to the maximum principal and interest requirements in any subsequent Fiscal Year of all bonds issued and outstanding hereunder, *provided* that if the Supplemental Ordinance authorizing a Series of Bonds shall authorize the accumulation from Project Revenues of a reserve of such amount in respect of such Bonds over a period of not more than six Fiscal Years after the issuance and delivery of such Bonds, then the full payment of the annual deposits required under such Supplemental Ordinance will meet the Sinking Fund Reserve requirement of this Ordinance in respect of such Bonds.

If, at any time and for any reason, the moneys in the Sinking Fund, other than in the Sinking Fund Reserve, shall be insufficient to pay as and when due, the principal of (and premium if any) or interest on any Bond or Bonds, the Sinking Fund Depository is hereby authorized and directed to withdraw from the Sinking Fund Reserve and pay over to the Fiscal Agent the amount of such deficiency. If by reason of such withdrawal or for any other reason there shall be a deficiency in the Sinking Fund Reserve, the City hereby covenants to restore such deficiency as required by Section 7.02.

SECTION 6.05. *Management of the Sinking Fund.* To the extent that debt service in respect of any Series of Bonds shall not be financed as a part of the cost of the

project or projects for which the Bonds are issued, in which case the amount of the debt service financed shall be deposited in the Sinking Fund from the proceeds of Bonds, sinking fund payments from the pledged revenues in respect of each Series of Bonds shall commence during the six-month period immediately preceding the first interest payment date of each Series for which debt service has not been completely funded and in any event not later than one year subsequent to the estimated completion or acquisition of projects to be constructed or acquired as estimated by the Manager of the Gas Works and, in all other cases, not later than one year subsequent to the date of the Bonds. The moneys, including interest bearing deposits, in the Sinking Fund to the extent not otherwise invested and to the extent not insured, shall be secured as required by the Act and, to the extent not currently required for the payment of debt service, shall be continuously invested and reinvested in securities or interest bearing deposits authorized by the Act, all at the direction and under the management of the Director of Finance. Interest and profits from such investments shall be added to the Sinking Fund and credited in reduction of or to complete required deposits into the Sinking Fund.

SECTION 6.06. *Consolidated Fund.* 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 hereunder and may be invested and reinvested on a consolidated basis. The principal of and interest on and profits (and losses if any) realized on investments in the Sinking Fund shall be allocated prorata for the Series or the specific Bonds in respect of which such investments were made without distinction or priority but moneys (and the investments thereof) specifically deposited for the payment of any particular installment of principal, interest or premium shall be held and applied exclusively to the payment of such particular principal, interest or premium.

SECTION 7.

ARTICLE VII
DEFAULTS AND REMEDIES

SECTION 7.01. *Defaults and Statutory Remedies.* If the City shall fail or neglect to pay or to cause to be paid the principal of, redemption premium, if any, or the interest on any Bond or any Series of Bonds issued hereunder, whether at stated maturity or upon call for prior redemption, or if the City shall fail to comply with any provision of the bonds or with any covenant of the City contained in this Ordinance or an applicable Supplemental 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.

SECTION 7.02. *Additional Remedies.* If the City shall fail or neglect to make deposits into the Sinking Fund, including the Sinking Fund Reserve, in the amounts and at the times required by this Ordinance and as provided in the Bonds or if, for any reason, there shall be insufficient moneys on deposit in the Sinking Fund for the payment in full of the principal (and premium, if any) or of interest on the Bonds as and when the same shall from time to time become due and payable, then the City covenants that it will without notice thereof from any Bondholder, fiscal agent, paying agent or sinking fund depository, and so long as such default shall continue, immediately upon such default deposit in the Sinking Fund, on a daily basis, 50% of all pledged revenues of the Gas Works, or such greater percentage thereof as the Director of Finance shall determine. The covenant of this Section 7.02 shall be specifically enforceable by any trustee appointed pursuant to Section 20 of the Act or if there be no such trustee appointed, then by the Holder of any Bond outstanding.

SECTION 7.03. *Remedies Not Exclusive; Effect of Delay In Exercise of Remedies.* No remedy herein 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 hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission of the trustee, if one be appointed, 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 this Article, by the Act or otherwise may be exercised from time to time, and as often as may be deemed expedient.

SECTION 7.04. Remedies to be Enforced Only Against Pledged Revenues. Any decree or judgment for the payment of money against the City by reason of default hereunder shall be enforceable only against the pledged revenues and the investments thereof and no decree or judgment against the City upon an action brought hereunder shall order or be construed to permit the occupation, attachment, seizure, or sale upon execution of any other property of the City.

SECTION 8.

ARTICLE VIII

AMENDMENTS AND MODIFICATIONS

SECTION 8.01. In addition to the adoption of Supplemental Ordinances supplementing and/or amending this Ordinance as provided in Section 4.06 in connection with the issuance of successive series of bonds, this Ordinance and any Supplemental Ordinance may be further supplemented, modified or amended: (a) to cure any ambiguity, formal defect or omission herein or therein; (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

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or conferred; (c) 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 (d) except as aforesaid, in such other respect as may be authorized in writing by the Holders of 67% in principal amount of the Bonds outstanding and affected. Bonds which have become due and payable on a fixed redemption date in accordance with Section 5.03 shall be deemed to be not outstanding.

SECTION 9.

ARTICLE IX
MISCELLANEOUS

SECTION 9.01. *Ordinances are Contracts With Bondholders.* This Ordinance and Supplemental Ordinances adopted pursuant hereto are contracts with the Holders of all Bonds from time to time outstanding hereunder and thereunder and shall be enforceable in accordance with the provisions of Article VII and the laws of Pennsylvania.

SECTION 9.02. *Repeals.* All ordinances and parts of ordinances heretofore adopted to the extent that the same are inconsistent herewith are hereby repealed.

Approved the thirtieth day of May, A.D. 1975.

FRANK L. RIZZO,
Mayor of Philadelphia.

mately one hundred eighty-seven thousand square feet of outside stock and parking space.

- (F) The lease agreement is conditioned upon approval of the Philadelphia Gas Commission and adoption of an Ordinance by City Council, signed by the Mayor by July 27, 1979.

SECTION 3. The City Solicitor shall include such terms and conditions as he may deem necessary or desirable to protect the best interest of the City and the Philadelphia Gas Works.

Approved the twenty-eighth day of June, A.D. 1979.

FRANK L. RIZZO,
Mayor of Philadelphia.

Ord. No. 2060

• AN ORDINANCE

Constituting the Fifth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975; authorizing the Mayor, City Controller, and City Solicitor or a majority thereof to sell either at public or private sale Gas Works Revenue Bonds, Fifth Series, of the City of Philadelphia in the maximum principal amount of fifty million (50,000,000) dollars and to establish the terms and provisions thereof by supplementing the General Gas Works Revenue Bond Ordinance of 1975; designating the projects and setting forth the use of proceeds; determining the sufficiency of the project revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Fifth Series Bonds from general accounts of the City; covenanting the payment of interest and principal; providing for transfer and payment of certain interest and income on moneys held in the Gas Works Sinking Fund Reserve to the operating funds of the Gas Works and, with the approval of the Gas Commission, the payment to the City of any balance in the operating funds up to the amount so transferred and paid;

and specifying the applicability of sections of the First Class City Revenue Bond Act and the General Gas Works Revenue Bonds Ordinance of 1975.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The Mayor, City Controller, and City Solicitor or a majority of them are hereby authorized on behalf of the City to borrow, by the issuance and sale of Gas Works Revenue Bonds, Fifth Series of the City (the Fifth Series Bonds), pursuant to the First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the Act) and the General Gas Works Revenue Bond Ordinance of 1975 (the General Ordinance), a sum or sums of which, in the aggregate, shall not exceed fifty million (50,000,000) dollars to be expended as provided in Section 2 of this ordinance. Said Fifth Series Bonds shall be sold either at public competitive sale to the highest bidder or bidders or at private negotiated sale as said officers or a majority of them shall deem to be in the best interest of the City. The Fifth Series Bonds shall contain such terms and provisions as are determined by a majority of said officers to be in the best interest of the City and are not inconsistent with the provisions hereof, of the Act or of the General Ordinance.

The Fifth Series Bonds shall not pledge the credit or taxing power 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 revenues pledged in the General Ordinance.

SECTION 2. The projects for which the Fifth Series Bonds are to be issued consist of the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budget of the City. Such capital improvements include, without limitation, the acquisition of land or rights therein; the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery, and apparatus; the acquisition, construction or replacement of pipes and pipe lines; and the acquisition or replacement

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nues of the Gas Works which are pledged under Section 4.02 of the General Ordinance will be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts except as otherwise required by the General Ordinance.

SECTION 5. The City covenants that, so long as any Fifth Series Bonds shall remain unpaid, it will make payments or cause payments to be made from the pledged Gas Works revenues directly into its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such annual amounts as shall be required to accumulate amounts therein sufficient for the payment of principal of and the interest on the Fifth Series Bonds when due and that it will pay or cause to be paid from said Sinking Fund said principal and interest when due.

SECTION 6. All interest and income earned on moneys held in the Gas Works Revenue Bond Sinking Fund Reserve created under the General Ordinance (Sinking Fund Reserve Earnings) shall, to the extent not required to comply with Section 6.04 of the General Ordinance, be transferred and paid by the Sinking Fund Depository to the operating funds of the Gas Works to be applied as Project Revenues in accordance with the terms of Section 4.02 of the General Ordinance. To the extent that in any fiscal year balance remains in the Project Revenues, including Sinking Fund Reserve Earnings, as such balance is determined in accordance with Section 4.02 of the General Ordinance, such balance, upon the approval of the Gas Commission may be paid to the City, provided that in a given fiscal year the balance so paid does not exceed the amount of Sinking Fund Reserve Earnings transferred and paid to the operating funds during the same fiscal year. For Fiscal Year 1980 up

to \$4.5 million of such balance, subject to the above provisions, shall be transferred and paid to the General Fund.

SECTION 7. The Director of Finance is authorized to make such covenants and take such other action on behalf of the City with respect to the investment of the proceeds of the Fifth Series Bonds as may be necessary or advisable in order that the Fifth Series Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code.

SECTION 8. This ordinance is supplementary to the General Ordinance and all sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Fifth Series Bonds. All definitions of terms contained in the Act or in the General Ordinance shall apply to such terms in this ordinance.

Approved the twenty-sixth day of June, A.D. 1979.

FRANK L. RIZZO,
Mayor of Philadelphia.

Ord. No. 2069

AN ORDINANCE

Authorizing the Commissioner of Public Property to sell a certain lot or piece of City-owned ground, with the improvements thereon erected, situate 4040 Ridge avenue, subject to confirmation by the Council.

WHEREAS, It is deemed to the best interest of the City that the lot or piece of City-owned ground, situate 4040 Ridge avenue be exposed for public sale in accordance with the provisions of the Philadelphia Home Rule Charter; therefore

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The Commissioner of Public Property is hereby authorized after full and adequate advertising, to sell the following described lot or piece of City-owned ground for the best terms obtainable.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The following parking regulation is hereby established:

NO PARKING ANY TME

Krewstown road, between Rising Sun avenue and a point three-hundred fifty feet south of Bloomfield avenue.

Approved the thirtieth day of July, A.D. 1980.

WILLIAM J. GREEN,
Mayor of Philadelphia.

• Bill No. 225

• AN ORDINANCE

Constituting the Sixth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to sell Gas Works Revenue Bonds, Sixth Series, of the City of Philadelphia in the maximum aggregate principal amount of one hundred million dollars (\$100,000,000); designating the projects being financed, and setting forth the use of proceeds; determining the sufficiency of the project revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Sixth Series Bonds from general accounts of the City; covenanting the payment of interest and principal on the Sixth Series Bonds; authorizing covenants and action in order that the Sixth Series Bonds shall not be arbitrage bonds; amending the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto, to provide that interest and income on the Sinking Fund Reserve may be retained in such Reserve by the Director of Finance; and specifying the applicability of sections of The First Class City Revenue Bond Act and the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The Mayor, the City Controller and the City Solicitor (the "Bond Committee"), or a majority of them, are hereby authorized on behalf of the City to borrow, by the issuance and sale of Gas Works Revenue Bonds, Sixth Series, of the City (the "Sixth Series Bonds"), pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto (the "General Ordinance"), a sum or sums which in the aggregate shall not exceed one hundred million dollars (\$100,000,000) to be expended as provided in Section 2 of this Ordinance. The Sixth Series Bonds shall contain such terms and provisions as are determined by a majority of the Bond Committee to be in the best interest of the City and are not inconsistent with the provisions hereof, of the Act or of the General Ordinance.

The Sixth Series Bonds shall not pledge the credit or taxing power, create any debt or charge against the tax or general revenues or create any lien against any property of the City other than the revenues pledged by the General Ordinance.

SECTION 2. The Sixth Series Bonds shall be issued in respect of capital costs of the gas works system of the City (the "Gas Works") incurred or to be incurred for the purpose of (i) acquiring and constructing the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budget of the City, which may include, without limitation, (a) the acquisition of land or rights therein; (b) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery, and apparatus; (c) the acquisition, construction or replacement of pipes and pipe lines; and (d) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City; and (ii) paying any other Project Costs (as defined in the Act), which may include, without limitation, the repayment to any fund of the City or to accounts of the Gas Works of amounts advanced for Project Costs, and the funding or refunding of outstanding bond anticipation tem-

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The City covenants that the proceeds of the sale of the Sixth Series Bonds which remain available for the payment of the costs of the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budget of the City, after payment of the financing costs, the required payment into the Sinking Fund Reserve and the repayment to the City and the Gas Works of amounts previously advanced for project costs or for the funding or refunding of bond anticipation temporary loans or other obligations as described above, shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts.

SECTION 3. Based on the report of the Director of Finance of the City filed with the Council pursuant to Section 8 of the Act, it is hereby determined that the pledged Project Revenues, as defined in the General Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance.

SECTION 4. Subject to the provisions of Section 7.02 of the General Ordinance, the City covenants that, so long as any of the Sixth Series Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts except as otherwise required by the General Ordinance.

SECTION 5. The City covenants that, so long as any Sixth Series Bonds shall remain unpaid, it shall make payments or cause payments to be made out of its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such annual amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due.

SECTION 6. The Director of Finance is authorized to take such action on behalf of the City with respect to the investment of the proceeds of the Sixth Series Bonds, and the Director of Finance and any member of the Bond Committee are authorized to make such covenants, as may be necessary or advisable in order that the Sixth Series Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code of 1954, as amended.

SECTION 7. The General Ordinance is hereby amended by changing the first sentence of Section 6 of the Fifth Supplemental Ordinance to the General Ordinance to read as follows:

"All interest and income earned on moneys held in the Gas Works Revenue Bond Sinking Fund Reserve created under the General Ordinance (Sinking Fund Reserve Earnings) may, to the extent not required to comply with Section 6.04 of the General Ordinance, be transferred and paid by the Director of Finance to the operating funds of the Gas Works, to be applied as Project Revenues in accordance with the terms of Section 4.02 of the General Ordinance."

SECTION 8. This Ordinance is supplementary to the General Ordinance and all sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Sixth Series Bonds. All definitions of terms contained in the Act or in the General Ordinance shall apply to such terms in this Ordinance.

Approved the thirtieth day of July, A.D. 1980.

WILLIAM J. GREEN,
Mayor of Philadelphia.

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AN ORDINANCE

Explanation:
Italics indicate new matter added.

Constituting an amendment to the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth and Sixth Supplemental Ordinances thereto; changing the definitions of Fiscal Year and Operating Expenses.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth and Sixth Supplemental Ordinances thereto (the "General Ordinance") is hereby amended by changing the definition of Fiscal Year contained in Section 2.01 thereof to read as follows:

"Fiscal Year means the fiscal year for the Gas Works as provided in any ordinance of the City from time to time hereafter enacted. If no other fiscal year is established by ordinance, it shall mean the fiscal year of the City."

SECTION 2. The General Ordinance is hereby amended by changing the definition of Operating Expenses in Section 2.01 thereof to read as follows:

"Operating Expenses means all costs and expenses of the Gas Works necessary and appropriate to operate and maintain the Gas Works in good operable condition during each Fiscal Year, and shall include, without limitation, the Manager's fee, salaries and wages, purchases of service by contract, costs of materials, supplies and expendable equipment, maintenance costs, costs of any property or the replacement thereof or for any work or project, related to the Gas Works, which does not have a probable useful life of at least five years, pension and welfare plan and workmen's compensation requirements, provision for

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claims, refunds and uncollectible receivables and for City Charges, ~~all~~ in accordance with generally accepted municipal accounting principles consistently applied, but shall exclude depreciation and interest and sinking fund charges."

SECTION 3. All definitions of terms contained in the General Ordinance shall apply to such terms in this Ordinance to the extent such terms are not defined herein.

Explanation:

Italics indicate new matter added.

Approved the twenty-second day of September, A.D. 1982.

WILLIAM J. GREEN,
Mayor of Philadelphia.

*Bill No. 1316

AN ORDINANCE

Authorizing and directing the striking from City Plan No. 196 and vacating a legally open portion of Allegheny avenue on the southerly side, from the southeasterly right-of-way line of the Delaware Expressway (L.R. 1000) to the Bulkhead Line of the Delaware River and reserving and placing on the City Plan certain rights-of-way for drainage purposes and construction, reconstruction, repair and maintenance of sewers, under certain terms and conditions.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. Pursuant to Section 11-405 of The Philadelphia Code, the Board of Surveyors of the Department of Streets is authorized and directed to:

(a) Strike from the City Plan and vacate the legally open portion of the southernmost fifteen foot width of Al-

SECTION 4. This ordinance shall not become effective unless the sum of two hundred (\$200) dollars, toward costs thereof, is paid into the City Treasury within sixty (60) days after the approval of this ordinance.

Approved the seventeenth day of May, A.D. 1985.

W. WILSON GOODE,
Mayor of Philadelphia.

Bill No. 533

AN ORDINANCE

Constituting the Eighth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975, as amended to date; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to sell, either at public or private sale, Gas Works Revenue Bonds, Eighth Series, of the City of Philadelphia in the maximum aggregate principal amount of ninety million dollars (\$90,000,000), provided that if the Bonds are sold at a discount the aggregate principal amount may be increased to reflect such discount so long as the aggregate gross proceeds to the City from the sale of the Bonds do not exceed ninety million dollars (\$90,000,000); designating the projects being financed and setting forth the use of proceeds and permitting the transfer of interest and income earned on such proceeds to the operating funds of the Gas Works; determining the sufficiency of the project

revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Eighth Series Bonds from general accounts of the City; covenanting the payment of interest and principal on the Eighth Series Bonds; authorizing covenants and action in order that the Eighth Series Bonds shall not be arbitrage bonds; amending the General Gas Works Revenue Bond Ordinance of 1975, as amended to date, to provide that excess monies in the Sinking Fund Reserve in respect of the Eighth Series Bonds, other than Sinking Fund Reserve Earnings, shall be transferred to certain accounts of the Gas Works and applied to pay capital costs; amending the General Revenue Bond Ordinance of 1975, as amended to date, relating to the issuance of fully registered bonds; and specifying the applicability of sections of The First Class City Revenue Bond Act and the General Gas Works Revenue Bond Ordinance of 1975, as amended to date.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The Mayor, the City Controller and the City Solicitor (the "Bond Committee"), or a majority of them, are hereby authorized on behalf of the City to borrow, by the issuance and sale of Gas Works Revenue Bonds, Eighth Series, of the City (the "Eighth Series Bonds"), pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, as amended to date (the "General Ordinance"), a sum or

sums which in the aggregate shall not exceed the principal amount of Bonds authorized to be issued hereunder, to be expended as provided in Section 2 of this Ordinance. The Eighth Series Bonds shall be sold either at public competitive sale to the highest bidder or bidders or at a private negotiated sale, as a majority of the Bond Committee shall deem to be in the best interest of the City. The Eighth Series Bonds shall contain such terms and provisions, as are determined by a majority of the Bond Committee to be in the best interest of the City and are not inconsistent with the provisions hereof, of the Act or of the General Ordinance.

The aggregate principal amount of Eighth Series Bonds which are authorized to be issued hereunder shall not be more than ninety million dollars (\$90,000,000); provided that if any of the Eighth Series Bonds are to be sold at discounts which are in lieu of periodic interest, the aggregate principal amount of Eighth Series Bonds which may be issued hereunder shall be increased to reflect such discounts, so long as the aggregate gross proceeds from the sale of the Eighth Series Bonds shall not exceed ninety million dollars (\$90,000,000).

The Eighth Series Bonds shall not pledge the credit or taxing power, create any debt or charge against the tax or general revenues or create any lien against any property of the City other than the revenues pledged by the General Ordinance.

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SECTION 2. The Eighth Series Bonds shall be issued in respect of capital costs of the gas works system of the City (the "Gas Works") incurred or to be incurred for the purpose of (i) acquiring and constructing the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budgets of the Gas Works, as approved by City Council, which may include, without limitation, (a) the acquisition of land or rights therein; (b) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery and apparatus; (c) the acquisition, construction or replacement of pipes and pipe lines; and (d) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City; and (ii) paying any other Project Costs (as defined in the Act), which may include, without limitation, the repayment to any fund of the City or to accounts of the Gas Works of amounts advanced for Project Costs, and the funding or refunding of outstanding bond anticipation notes or other obligations of the City issued in respect of Project Costs.

The City covenants that the proceeds of the sale of the Eighth Series Bonds which remain available for the payment of the costs of the capital improvements, after payment of the financing costs, the required payment into

the Sinking Fund Reserve and the repayment to the City and the Gas Works of amounts previously advanced for Project Costs or for the funding or refunding of bond anticipation notes or other obligations as described above, shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts. All interest and income earned on the investment of such proceeds pending expenditure for the aforesaid purposes may be transferred to and deposited in the operating funds of the Gas Works and applied as Project Revenues in accordance with Section 4.02 of the General Ordinance.

Any excess moneys in the Sinking Fund Reserve in respect of the Eighth Series Bonds other than Sinking Fund Reserve Earnings shall be transferred to the accounts of the Gas Works described in this Section 2 and applied to pay capital costs as described in this Section 2.

SECTION 3. Based on the report of the Director of Finance of the City filed with the Council pursuant to Section 8 of the Act, it is hereby determined that the pledged Project Revenues, as defined in the General

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Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance.

SECTION 4. Subject to the provisions of Section 7.02 of the General Ordinance, the City covenants that, so long as any of the Eighth Series Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from other Gas Works accounts except as otherwise required by the General Ordinance.

SECTION 5. The City covenants that, so long as any Eighth Series Bonds shall remain unpaid, it shall make payments or cause payments to be made out of its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due.

SECTION 6. The Director of Finance is authorized to take such action on behalf of the City with respect to the

investment of the proceeds of the Eighth Series Bonds, and the Director of Finance and any member of the Bond Committee are authorized to make such covenants as may be necessary or advisable in order that the Eighth Series Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code of 1954, as amended (the "Code").

SECTION 7. In order to comply with the requirement of Section 103(j) of the Code that all tax-exempt obligations be in registered form, the General Ordinance is hereby amended as follows:

(a) The following definition of Record Date is added to Section 2.01 of the General Ordinance:

"Record Date means, with respect to each interest payment date on the Bonds, that day which next precedes such interest payment date by fifteen (15) days, whether or not such day is a business day."

(b) The General Ordinance is amended by the addition of Section 3.04A, to read as follows:

"The third paragraph of Section 3.04 shall not apply to Bonds issued after May 1, 1985 but, instead, the following provision shall apply to such Bonds: The principal of and interest on (except the final installment of principal and the interest then payable) and the principal, premium, if any, and accrued interest payable upon partial redemption

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with respect to, all fully registered installment Bonds, and the interest payable in respect of fully registered Bonds shall be payable by check or draft of the Fiscal Agent mailed to the registered owner of such Bonds at the address of such owner as it appears upon the bond register at the close of business on the Record Date, or, in the case of defaulted interest, as it appears on a special record date established for the payment of such defaulted interest by notice mailed by or on behalf of the City to the registered owner of such Bonds not less than ten (10) days preceding such special record date (such notice to be mailed to the registered owner of such Bonds appearing on the bond register on the close of business on the fifth day preceding the date of mailing); and the records of the Fiscal Agent shall be conclusive as to such payment and shall bind such owner, his successors and assigns whether or not such payment be noted on such Bond. Except as aforesaid, the principal of all Bonds, the premium, if any, payable upon redemption thereof, and the interest on all coupon Bonds payable at or prior to maturity, shall be payable in lawful money of the United States of America at the principal Philadelphia office of the Fiscal Agent in Philadelphia, Pennsylvania, or at the principal office of a paying agent designated in such Bonds, but with respect to such principal, only upon presentation and

surrender of such Bonds, or with respect to interest payable at or prior to maturity of such coupon Bonds, only upon presentation and surrender of the respective coupons ~~for~~ interest, except as otherwise herein provided with respect to mutilated, destroyed, lost or stolen Bonds or coupons."

(c) The first sentence of Section 3.09 of the General Ordinance is amended to read as follows:

"All Bonds of any Series issued hereunder shall be exchangeable for like Bonds of different authorized denominations or for Bonds in different form authorized for the same Series, as the case may be, and, in each case, in the same aggregate principal amount, maturing on the same dates and bearing the same rate of interest as the Bonds to be exchanged, all in the manner hereinafter provided."

(d) The General Ordinance is amended by the addition of Section 3.09A, to read as follows:

"The fourth sentence of Section 3.09 hereof shall not apply to Bonds issued after May 1, 1985 but, instead, the following provision shall apply to such Bonds: All fully registered Bonds issued in exchange for Bonds of any Series shall be dated the date of issuance thereof and shall bear interest from the date from which interest was initially payable with

respect to such Series or from the next preceding interest payment date of such Series to which interest has been duly paid or provided, whichever is later, or, if the date of authentication shall be an interest payment date to which interest has been duly paid or provided, from such date."

(e) The first sentences of Section 5.02 of the General Ordinance is amended to read as follows:

"Whenever the City shall, by ordinance of the Council, determine to redeem all or part of the Bonds of any Series in accordance with the right reserved so to do, or when the City or the Fiscal Agent shall be required to redeem Bonds pursuant to mandatory redemption provisions, the City or the Fiscal Agent, as the case may be, shall cause a notice of intention to redeem, signed in the name of the City by the Fiscal Agent, to be published once a week for two (2) consecutive weeks, the first publication to be at least thirty (30) days and not more than sixty (60) days before the redemption date, in not less than two (2) nor more than four (4) daily newspapers published in the English language and of general circulation in the City; provided, however, that no such published notice shall be required for the redemption of fully registered Bonds of any Series for which mailed

notice, described in the next succeeding sentence, shall be the only required notice."

(f) Section 5.04 of the General Ordinance is amended to read as follows:

"Upon presentation of any Bond which is to be redeemed in part only, the City and the Fiscal Agent shall execute and deliver to the Holder thereof, at the expense of the City, a new Bond or Bonds of authorized denominations in principal amount equal to and of the same Series and maturity as the unredeemed portion of the Bond or Bonds so presented, which new Bond or Bonds shall be in the same form of the Bond to be redeemed or, at the option of the Holder, in any other form authorized for Bonds of such Series."

SECTION 8. This Ordinance is supplementary to the General Ordinance and all Sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Eighth Series Bonds. All definitions of terms contained in the Act or in the General Ordinance not inconsistent herewith shall apply to such terms in this Ordinance.

Approved the seventeenth day of May, A.D. 1985.

W. WILSON GOODE,
Mayor of Philadelphia.



(Bill No. 379)

AN ORDINANCE

Repealing Bill No. 339, approved by the Mayor of the City of Philadelphia on November 13, 1992, which had constituted the Fourteenth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975, as amended to date (the "General Ordinance"); and enacting provisions newly constituting the Fourteenth Supplemental Ordinance to the General Ordinance; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to sell, either at public or private sale, Gas Works Revenue Bonds of the City of Philadelphia, in one or more series or subseries, in the additional maximum aggregate principal amount of four hundred million (400,000,000.00) dollars (the "Bonds"); provided, however, that the aggregate principal amount of Bonds authorized to be issued to pay the cost of certain projects shall not exceed seventy-five million (75,000,000.00) dollars and the aggregate principal amount issued to redeem or refund certain outstanding Gas Works Revenue Bonds shall not exceed three hundred twenty-five million (325,000,000) dollars; and provided further that, if the Bonds are sold at a discount, the aggregate principal amount may be increased to reflect such discount as long as the aggregate gross proceeds to the City from the sale of the Bonds do not exceed four hundred million (400,000,000) dollars, plus accrued interest, if any; designating that the Bonds are being

issued to pay the costs of certain projects and to redeem or refund all or a portion of certain outstanding series of Gas Works Revenue Bonds and the application of proceeds of the Bonds for such purpose; authorizing the City to obtain credit enhancement for the Bonds; authorizing the sale of Option Rights; determining the sufficiency of Project Revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Bonds from general accounts of the City; covenanting the payment of interest and principal on the Bonds; authorizing covenants and action in order that the Bonds shall not be arbitrage bonds; amending the General Ordinance to authorize bonds to be issued under the General Ordinance in book-entry form, to authorize the sale of the City's optional redemption rights relating to bonds issued under the General Ordinance and to permit conditional redemption calls; and providing that this Ordinance is supplemental to the General Ordinance that the provisions of the General Ordinance and the First Class City Revenue Bond Act, to the extent consistent with this Ordinance, are applicable.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The ordinance approved November 13, 1992 (Bill No. 339) is hereby repealed.

SECTION 2. The Mayor, the City Controller and the City Solicitor (the "Bond Committee"), or a majority of them, are hereby authorized, on behalf of the City, to borrow, by the issuance and sale of Gas Works Revenue Bonds of the City (the "Bonds"), in one or more series or subseries, pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, adopted by the City on May 30, 1975, as amended to date (the "General Ordinance"), a sum or sums which in the aggregate shall not exceed the principal amount of Bonds authorized to be issued hereunder, to be expended as

provided in Section 2 of this Ordinance. The Bonds shall be sold at public or private sale and shall contain such terms and provisions as are determined by a majority of the Bond Committee to be in the best interests of the City and are not inconsistent with the provisions hereof, of the Act or of the General Ordinance. If a majority of the Bond Committee determines it to be in the best interests of the City, the Bonds may be issued in book-entry form; in such event a majority of the Bond Committee shall also select a securities depository for the Bonds. If a majority of the Bond Committee determines it to be in the best interests of the City, the City may obtain credit enhancement for all or a portion of the Bonds. If a majority of the Bond Committee determines it to be in the best interests of the City, the City may sell Option Rights relating to the Bonds. A majority of the Bond Committee is authorized to take any and all other actions as may be necessary or appropriate in connection with the consummation of the transactions contemplated herein.

The aggregate principal amount of Bonds which are authorized to be issued hereunder shall not be more than four hundred million (400,000,000) dollars; provided, however, that the aggregate principal amount of Bonds authorized to be issued to pay the cost of certain projects shall not exceed seventy-five million (75,000,000) dollars and the aggregate principal amount issued to refund certain outstanding series of Gas Works Revenue Bonds shall not exceed three hundred twenty-five million (325,000,000) dollars; and provided further that, if any of the Bonds are to be sold at discounts which are in lieu of periodic interest, the aggregate principal amount of Bonds which may be issued hereunder shall be increased to reflect such discounts, as long as the aggregate gross proceeds to the City from the sale of the Bonds shall not exceed four hundred million (400,000,000) dollars, plus accrued interest, if any.

The Bonds shall not pledge the credit or taxing power, create any debt or charge against the tax or general revenues or create any lien against any property of the City other than the revenues pledged by the General Ordinance. The opinion of the City Solicitor required by Section 8 of the Act with respect to the matters stated in the preceding sentence is attached hereto as Exhibit A.

SECTION 3. The Bonds shall be issued for the purpose of providing funds for any or all of the following purposes: (i) acquiring and constructing the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budgets of the Gas Works, as approved by City Council, which may include, without limitation, (a) the acquisition of land or rights therein; (b) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery and apparatus; (c) the acquisition, construction or replacement of pipes and pipe lines; and (d) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City; (ii) the refunding of all or a portion of certain series of the City's outstanding Gas Works Revenue Bonds, consisting of the Third Series, Fourth Series, Fifth Series, Eighth Series, Tenth Series, Eleventh A Series, Eleventh C Series, Twelfth A Series, Twelfth B Series and the Thirteenth Series, or such other series as shall be designated by the City's Director of Finance (the "Prior Bonds"); (iii) paying the costs of issuing the Bonds and any required deposits to the Sinking Fund Reserve; and (iv) paying any other Project Costs (as defined in the Act) which may include, without limitation, the repayment to any fund of the City or to accounts of the Gas Works of amounts advanced for Project Costs, and the funding or refunding of outstanding bond anticipation notes or other obligations of the City issued in respect to Project Costs.

The City covenants that proceeds of the Bonds applicable to the refunding of the Prior Bonds will be deposited in one or more escrow or similar accounts with the Fiscal Agent, as defined in the General Ordinance, separate and apart from all other accounts of the City or Gas Works, including the Sinking Fund established by the General Ordinance, to be held for the benefit of the holders of the applicable refunded Prior Bonds and applied to payment of the Prior Bonds in accordance with a certificate of the Director of Finance or escrow deposit agreement (as to Prior Bonds that are being currently refunded) or an escrow deposit agreement (as to Prior Bonds that are being advance refunded).

The City covenants that the proceeds of the Bonds which remain available for the payment of the costs of the capital improvements, after payment of the financing costs, the required payment into the Sinking Fund Reserve and the repayment to the City and the Gas Works of amounts previously advanced for Project Costs or for the funding or refunding of bond anticipation notes or other obligations as described above, shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts. All interest and income earned on the investment of such proceeds (except for amounts to be rebated to the United States) pending expenditure for the aforesaid purposes may be transferred to and deposited in the operating funds of the Gas Works and applied as Project Revenues in accordance with Section 4.02 of the General Ordinance.

The Director of Finance is hereby authorized to determine, on behalf of the City, the particular series and

maturities of the Prior Bonds to be refunded, the amount of Bond proceeds to be applied to the refunding of the Prior Bonds and to deposit such proceeds in an escrow account for the benefit of the holders of the refunded Prior Bonds, and to take any and all other action, including the irrevocable pledge of such proceeds and/or the income or profit from the investment thereof, for the payment and redemption of the refunded Prior Bonds, and the publication of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accomplish the refunding of the Prior Bonds and to comply with the requirements of Section 10 of the Act.

Any excess moneys in the Sinking Fund Reserve in respect of the Bonds other than Sinking Fund Reserve Earnings shall be transferred to the accounts of the Gas Works described in this Section 3 and applied to any of the purposes described in this Section 3.

SECTION 4. Based on the report of the Director of Finance of the City required by Section 8 of the Act (the "Financial Report"), it is hereby determined that the pledged Project Revenues, as defined in the General Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance. An executed copy of the Financial Report is attached hereto as Exhibit B.

SECTION 5. Subject to the provisions of Section 7.02 of the General Ordinance, the City covenants that, as long as any of the Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for

Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts except as provided in Section 2 hereof or as otherwise required by the General Ordinance.

SECTION 6. The City covenants that, as long as any Bonds shall remain unpaid, it shall make payments or cause payments to be made out of its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due; provided, however, that whenever the City shall be required to deposit moneys with the Fiscal Agent for the mandatory redemption of any of the Bonds, such obligation may be satisfied, in whole or in part, by the delivery by the City to the Fiscal Agent of a principal amount of Bonds of the maturity required to be redeemed for cancellation prior to the date specified for such redemption.

SECTION 7. The Director of Finance is authorized to make such elections under the Internal Revenue Code of 1986, as amended and Treasury Regulations promulgated thereunder with respect to the Bonds as he deems advisable, and to take such action on behalf of the City with respect to the investment of the proceeds of the Bonds, and the Director of Finance and any member of the Bond Committee are authorized to make such covenants as may be necessary or advisable in order that the Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code of 1986, as amended.

SECTION 8. In accordance with Section 6.04 of the General Ordinance, the City is authorized to accumulate from Project Revenues, over a period of not more than six (6) Fiscal Years from the date or dates of issuance and delivery of the Bonds, the amount required by the General Ordinance to be deposited in the Sinking Fund Reserve in respect thereof.

SECTION 9. Section 3.02 of the General Ordinance is hereby amended to provide that the form of fully registered bond may contain provisions related to Option Rights and mandatory tender for purchase substantially as follows:

In addition to being subject to optional redemption by the City, the Bonds maturing on or after _____ are subject to mandatory tender for purchase on and after _____, in whole or in part, at any time, from any maturities selected by the City and by lot within each maturity at a price equal to the principal amount of each Bond or portion thereof so required to be tendered for purchase, accrued interest thereon to the purchase date, if the purchase date is not an interest payment date, and a premium computed in accordance with the following schedule:

[insert specific provisions relating to purchase]

The right to call a Bond for mandatory tender for purchase as described above is referred to as an "Option Right." Prior to the exercise of the Option Right, the City must deliver to the Fiscal Agent an opinion of nationally recognized bond counsel that such exercise is permitted by law and will not affect the validity of the Bonds or the exclusion of the interest thereon from gross income for federal income tax purposes.

To the extent permitted by law, the City has the right to sell all or any part of its Option Rights to one or more third parties in the manner, at the times and upon the conditions provided in the General Ordinance. Prior to the initial sale of any Option Rights, the City must deliver to the Fiscal Agent an opinion of nationally recognized bond counsel that such sale is

authorized by law and will not affect the validity of the Bonds or the exclusion of interest thereon from gross income for federal income tax purposes.

To the extent permitted by law, purchase of the Bonds by the City or use of any funds by the City to effectuate any such purchase shall not be deemed to be a payment or redemption of the Bonds or of any portion thereof, and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds. The holder of this bond agrees to be bound by such terms of the General Ordinance.

The City shall not sell Option Rights in such amounts and for such periods so that on any mandatory redemption date, there are insufficient callable Bonds of the appropriate maturity, available to meet the mandatory redemption date.

If less than all of the Bonds are called for mandatory tender for purchase, the particular Bonds or portions of Bonds to be called for mandatory tender for purchase shall be selected not less than forty-five (45) days prior to the date fixed for redemption by the Fiscal Agent by lot. Bonds in a denomination of more than five thousand (5,000) dollars may be redeemed or called for mandatory tender for purchase in part from time to time in one or more units of five thousand (5,000) dollars within a single maturity in the manner provided in the General Ordinance.

If any of the Bonds, or portions thereof, are called for mandatory tender for purchase, the Fiscal Agent will give notice to the holders of any such Bonds to be called, in the name of the City, of the

mandatory tender for purchase of such Bonds, or portions thereof, which notice will specify the Bonds to be redeemed or purchased, the redemption or purchase date and the place or places where amounts due upon such redemption or purchase will be payable and, if less than all of the Bonds are to be redeemed or purchased, the numbers of such Bonds to be purchased, and, in the case of Bonds to be purchased in part only, such notice will also specify the respective portion of the principal amount thereof to be purchased. Such notice will be given by mailing a copy of the redemption or purchase notice by first class mail at least thirty (30) days prior to the date fixed for redemption for purchase to the holder of each Bond to be purchased, at the address shown on the registration books; provided, however, that failure to give such notice by mail, or any defect in the notice mailed to the holder of any Bond, shall not affect the validity of the proceedings for the redemption or purchase of any other Bond. If funds for their redemption are on deposit with the Fiscal Agent, all Bonds so called for redemption will cease to bear interest on the specified redemption date. Bonds called for mandatory tender for purchase, for which funds are held by the Fiscal Agent, shall be deemed to have been purchased and the holder thereof shall not be entitled to any payment other than the purchase price thereof and any accrued and unpaid interest due on the purchase price.

The above provisions may be modified if the Bond Committee, or a majority of them, determines that it is in the best interest of the City to do so in order to conform with customary provisions relating to Option Rights.

SECTION 10. Section 3.02 of the General Ordinance is further amended to provide that the form of fully registered bond may contain provisions relating to book-entry registration as may be required by the Fiscal Agent or the securities depository for such Bonds or as may be customary for bonds issued in book-entry form.

SECTION 11. Article III of the General Ordinance is amended by the addition of a new section designated Section 3.16 to read as follows:

The Bond Committee, or a majority of them, may determine to issue one or more series of Bonds in book-entry (uncertificated) form and may designate a securities depository (the "Depository") for each series of Bonds issued in book-entry form. In the event Bonds are issued in book-entry form, the ownership of one fully registered Bond for each maturity of such series, each in the aggregate principal amount of such maturity, will be registered in the name(s) designated by the Depository. So long as the book-entry only system is applicable to a series of Bonds, the provisions of this Section 3.16 shall govern as to matters set forth in this Section.

Pursuant to the book-entry only system, ownership interests in the Bonds may be purchased in the manner directed by the Depository, which may be through financial institutions for whom the Depository effects book-entry transfers (the "Participants"). A Beneficial Owner, who is the owner of such an interest in a Bond, will not receive certificated Bonds and will not be the registered owner thereof. Receipt by the Beneficial Owners of timely payment of principal, purchase price, redemption price and interest on the Bonds, is subject to the Depository's making such timely payment, either to the Beneficial Owner or to the

Participants to be forwarded to the Beneficial Owners. Neither the City nor the Fiscal Agent will have any responsibility or obligation to such Participants or to the Beneficial Owners for any failure of the Depository to act or make any payment with respect to the Bonds or the providing of notices relating to redemption or mandatory tender to Participants or the Beneficial Owners of the Bonds.

The Depository will receive payments from the Fiscal Agent to be remitted by the Depository to the Beneficial Owners or to the Participants for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the Bonds shall be recorded on the records of the Depository or the records of the Participants, whose ownership interests will be recorded on the records of the Depository.

When notices are given, they shall be sent by the Fiscal Agent to the Depository with a request that the Depository forward (or cause to be forwarded) the notice to the Participants so that such Participants may forward (or cause to be forwarded) the notices to the Beneficial Owners, or to the Beneficial Owners.

Transfers of ownership interests in the Bonds will be accomplished by book-entries made by the Depositories and/or the Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except as specifically provided herein. So long as the Depository is the Bondholder, interest, principal and redemption price of the Bonds will be paid when due by the Fiscal Agent to the Depository, then paid by the Depository to the Beneficial Owners, or by the Depository to the Participants

and thereafter paid by the Participants to the Beneficial Owners. The payments to the Depository shall satisfy the City's obligations under this Ordinance.

For every transfer and exchange of the Bonds, the Fiscal Agent, the Depository and the Participants may charge the Beneficial Owner of the Bonds a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. No transfer or exchange of any Bonds shall be required to be made fewer than fifteen (15) days prior to any interest payment date or fifteen (15) days prior to any mailing of notice of redemption of the Bonds. No transfers shall be made of Bonds previously called for redemption, except pursuant to the optional or mandatory tender provisions hereof.

The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City is obligated to deliver bond certificates.

The Bondholders have no right to a depository for the Bonds. If the book-entry only system is no longer utilized, upon receipt of notice from the Fiscal Agent, the Beneficial Owners may elect to receive bond certificates.

Notwithstanding any other provision of this Ordinance or the Bonds, so long as the Depository is the registered Bondholder of all Bonds, the Depository may present notices, approvals waivers or other communications

required or permitted to be made by Bondholders under this Ordinance on a fractionalized basis on behalf of some or all of the Beneficial Owners through the Depository or the Participants.

The appropriate officials of the City are authorized to execute any documentation required by the Depository in connection with book-entry registration of a series of Bonds.

SECTION 12. Section 5.02 of the General Ordinance is hereby amended by the addition of a third paragraph to read as follows:

If a notice is given with respect to an optional redemption, such notice may provide that the redemption is conditioned upon the deposit of moneys with the Fiscal Agent before the date fixed for redemption and such notice shall be of no effect and such redemption shall not occur unless such moneys are so deposited. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Fiscal Agent shall within a reasonable time thereafter give notice to the holders of Bonds which were to be redeemed that such moneys were not so received.

SECTION 13. The General Ordinance is hereby amended by the addition of a new section designated Section 5.05 to read as follows:

SECTION 5.05(a) Any series of Bonds issued under this Ordinance may provide that some or all of the Bonds of such series are subject to mandatory tender for purchase. The right to call Bonds of a series for mandatory tender for purchase is referred to as an "Option Right." The Supplemental Ordinance pursuant to which

such Bonds are issued shall provide that the Bond Committee, or a majority of them, may determine to sell Options Rights with respect to one or more series of Bonds. Prior to the exercise of an Option Right, the City shall deliver to the Fiscal Agent an opinion of nationally recognized bond counsel that such exercise is permitted by law and will not affect the validity of the Bonds of such series or the exclusion of the interest thereon from gross income for federal income tax purposes.

(b) To the extent permitted by law, the City shall have the right, with respect to a series of Bonds that includes Option Rights, to sell all or any part of such Option Rights. Any such sale will transfer to the purchaser thereof (the "Option Rights Owner"), all or a designated part of the City's right during an identified period of time (the "Option Period") to require the mandatory tender for purchase of an identified principal amount of an identified maturity (or mandatory sinking fund installment) of Bonds of a series prior to the maturity of such Bonds. In addition, if Option Rights for a principal amount of a maturity (or mandatory sinking fund installment) of Bonds of a series are sold, during the Option Period the City will not have the right to optionally redeem a principal amount of such series of Bonds equal to the principal amount as to which Option Rights have been sold. Any exercise by such Option Rights Owner of its rights to have Bonds mandatorily tendered for purchase shall be subject to the terms, conditions and prices set forth in such Bonds and other provisions of the Supplemental Ordinance pursuant to which such Bonds are issued. Prior to the initial sale of any Option Rights, the City shall deliver to the

Fiscal Agent an opinion of nationally recognized bond counsel that such sale is authorized by law and will not affect the validity of the Bonds of such series or the exclusion of the interest thereon from gross income for federal income tax purposes.

(c) In the event the City sells all or a portion of its Option Rights for a series of Bonds, the following shall apply:

(i) The Option Rights so sold shall be evidenced by certificate (the "Rights Certificates"), executed in the manner Bonds are executed as provided in Section 3.10 of this Ordinance. Each Rights Certificate shall identify the maturity (or mandatory sinking fund installment) and principal amount of the series of Bonds to which it applies, and the Option Period during which the Option Rights evidenced by the Rights Certificate is exercisable. No single Rights Certificate shall be issued for more than one maturity (or mandatory sinking fund installment) of a series of Bonds. The Rights Certificates shall represent Bonds of that series of five thousand (5,000) dollars or any integral multiple thereof or any large minimum denomination specified in the instrument of the City authorizing the sale of the Rights Certificates.

(ii) The Rights Certificates shall be in a form approved by the Bond Committee.

The City may provide for a book-entry system for the Option Rights which conforms with this Section.

(iii) In order to exercise the Option Rights represented by a Rights Certificate, except under the conditions set forth in paragraph (vi) below), the Rights Certificate, the purchase price and written instructions which

designate the purchase date and, if less than all of the Bonds to which the Rights Certificate pertains are to be purchased, the principal amount to be purchased, must be delivered to the Fiscal Agent not less than forty-five (45) nor more than ninety (90) days after delivery of the Rights Certificate, purchase price and written instructions to the Fiscal Agent and must be a date that is included in the Option Period specified in the Rights Certificate.

(iv) Upon receipt of a Rights Certificate, the purchase price and instructions as provided in paragraph (ii) of this subsection, the Fiscal Agent (or, alternatively, a securities depository of a book-entry system if such system is in effect) shall select, by lot, a Bond or Bonds of such series to be tendered for purchase, which Bond or Bonds are subject to mandatory tender for purchase during the Option Period specified in the Rights Certificate, of the same maturity (or mandatory sinking fund installment) and in a principal amount equal to that specified in the Rights Certificate (or irrevocable instructions if only a portion of such Bonds to which the Rights Certificate pertains are being purchased). Such selection shall be made between thirty (30) and forty-five (45) days prior to the purchase date. A portion of any Bond of such series in a denomination that exceeds five thousand (5,000) dollars may be called for mandatory tender for purchase pursuant to this section, and if so called, the Fiscal Agent shall authenticate and deliver a new bond for the unpurchased portion of that Bond to the registered owner thereof (or if a book-entry system is in effect, the securities depository shall note the change in the amount of the beneficial owner's interest in the Bond by book-entry).

(v) Any Bond called for mandatory tender for purchase must (if a book-entry system is not in effect) be delivered to the Fiscal Agent on the purchase date and upon such delivery, the purchase price will be paid to the registered owner thereof. (If the purchase date is a principal or interest payment date for the Bonds, the interest due on the Bonds shall be paid as provided in such series of Bonds). Any Bond so called for mandatory tender for purchase which is not so presented shall be an "Undelivered Bond," and shall be treated as purchased by the holder of the Option Rights being exercised for all purposes hereof and the holder of such Undelivered Bond shall not be entitled to any payment other than the purchase price thereof (and any accrued and unpaid interest due on the purchase date) and Undelivered Bonds in the hands of such non-delivering holder shall no longer accrue interest or be entitled to the benefits of this Ordinance or any Supplemental Ordinance pursuant to which such Undelivered Bonds were issued, except for the payment of the purchase price and any unpaid interest due on the purchase date from the funds held by the Fiscal Agent thereof, provided that the indebtedness represented by such Bonds shall not be extinguished, but shall be transferred by the Fiscal Agent to the holder of the Option Right. The Fiscal Agent shall cancel any Bonds tendered for mandatory purchase and issue a new bond in the same principal amount and with the same interest rate, maturity date, form and tenor (except that such Bond or portion thereof tendered for mandatory purchase shall state that it is a Bond which is not subject to mandatory tender for purchase or optional redemption for the Option Period during which the Option Right evidenced by the Rights Certificate being

exchanged for such Bond was exercisable) to the owner of the Rights Certificate pursuant to which the Bond was called for mandatory tender for purchase. The Fiscal Agent shall note on the registration records that such Bond is not subject to mandatory tender for purchase or optional redemption for the designated Option Period. If a book-entry system is then in effect for the Bonds, the Fiscal Agent shall require that a new Bond so issued be registered in the name of and delivered to the person designated by the securities depository which is holding certificates pursuant to the book-entry system.

(vi) If the Option Rights Owner is also the owner of a Bond of the same series and of the maturity to which the Option Rights Owner's Rights Certificate pertains, which Bond is subject to mandatory tender for purchase during the Option Period specified in the Rights Certificate, that Option Rights Owner may present to the Fiscal Agent the Rights Certificate and the Bond and request that the Fiscal Agent cancel the Rights Certificate and designate the Bond to be a Bond which is not subject to mandatory tender for purchase or optional redemption during the Option Period specified in the Rights Certificate. Upon receipt of such Rights Certificate, Bond and request, the Fiscal Agent shall so designate the Bond on its records and on the Bond itself (by stamping or other appropriate means of identification or by issuing a replacement Bond), and that bond or any Bond thereafter issued and a transfer or exchange for that Bond shall not be subject to mandatory tender for purchase or optional redemption during the designated Option Period. The Fiscal Agent is not required to honor such a request if it is made within the fifteen (15) day period

preceding the selection of Bonds of the same series and same maturity (or mandatory sinking fund installment) as the Bond presented for prior redemption or mandatory tender for purchase. The Fiscal Agent may charge the Option Rights Owner a fee to compensate it for its expenses in connection with the exchange contemplated herein and shall charge the Option Rights Owner for any tax or any governmental charge imposed in connection therewith. At the request of the holder, the City and the Fiscal Agent shall cooperate in obtaining a new CUSIP number, if needed or desirable, for such Bond.

(vii) Between one hundred eighty (180) and thirty (30) days prior to the execution by the City of a contract for the sale of any Option Rights, the City shall cause the Fiscal Agent to mail a notice by registered or certified mail to the registered owner of each of the Bonds subject to the Option Rights. Such notice shall state that it is a notice of proposed sale of Option Rights with respect to such Bonds and shall include the name and address of the person or entity from which additional information concerning the proposed sale may be obtained. In addition, such notice may list the maturities (or mandatory sinking fund installments) with respect to which the Option Rights are proposed to be sold and the CUSIP numbers of the Bonds corresponding to those maturities (or mandatory sinking fund installments). Any error in such maturities (or designation of mandatory sinking fund installments) of CUSIP numbers or any other error in such notice shall not affect the ability of the City to proceed with the sale of the Option Rights. Actual receipt of a mailed notice by the registered owner of any Bond shall not be a condition precedent to the sale of the Option Rights with respect to that

Bond or any other Bond. A certificate by the Fiscal Agent that such notice has been given as herein provided shall be conclusive as against all parties.

(viii) Notwithstanding Article VIII hereof, any provision in this Ordinance dealing with Option Rights or the Rights Certificates may be amended by the City, prior to the sale of the Option Rights without consent of the holders of the applicable series of Bonds, provided that no such amendment may be made which adversely affects or changes the security for or payment of the Bonds, or manner of making such payment, or which permits Bonds of such series to be called for mandatory tender for purchase prior to the dates specified or at prices less than those specified in such series of Bonds, or which permits less than thirty (30) days mailed notice to the registered owner of any such Bonds called for mandatory tender for purchase, or which permits the City to sell the Option Rights without making the mailing of a notice to the owners of the Bonds subject to the Option Rights as required in paragraph (vii) of this Section 5.05(c).

(ix) The City shall not sell Option Rights (other than mandatory sinking fund Option Rights) in such amounts and for such periods so that on any mandatory sinking fund redemption date, there are insufficient callable bonds for the appropriate maturity, available to meet the mandatory sinking fund redemption requirement.

SECTION 14. This Ordinance is supplementary to the General Ordinance and all sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Bonds. All definitions of terms contained in the Act or the General Ordinance not inconsistent herewith shall apply to such terms in this Ordinance.

APP. NO. 13-22

SECTION 15. This Ordinance shall take effect immediately.

EXHIBIT A
OFFICE OF THE
DIRECTOR OF FINANCE

December 1, 1992.

To the President and Members of the
Council of the City of Philadelphia.

FINANCIAL REPORT OF THE DIRECTOR OF
FINANCE

RE: Philadelphia Gas Works Revenue Bonds,
Fourteenth Series

The Mayor has transmitted to the Council the Fourteenth Supplemental Ordinance (the "Fourteenth Supplemental Ordinance") to the General Gas Works Revenue Bond Ordinance of 1975, as amended (the "General Ordinance"), authorizing the issuance and sale of a maximum principal amount of \$400,000,000 (or, if the Bonds are sold at a discount, such greater principal amount as will reflect such discount so long as the aggregate gross proceeds to the City do not exceed (\$400,000,000) of Gas Works Revenue Bonds, Fourteenth Series (the "Bonds") of the City of Philadelphia (the "City").

In preparation for the issuance of the Bonds, the Philadelphia Gas Works, a City-owned utility (the "Gas Works") has engaged the firm of Stone and Webster Management Consultants, Inc. of New York, New York ("Stone and Webster") to (i) investigate the physical properties included in the Gas Works and the accounts and records of the Gas Works; (ii) review the capital program of the Gas Works; and (iii) compile relevant data upon which to make projections to determine whether the revenues of the Gas Works are and will be sufficient to satisfy the tests of adequacy required by Act No. 234 of October 18, 1972, known as the First Class City Revenue Bond Act (the "Act") and the General Ordinance.

The firm of Stone and Webster is an independent consulting firm having broad experience in utility systems of a similar magnitude and scope as the Gas Works and has a favorable reputation for competence in this field of work. They have conducted an in-depth examination of the Gas Works and have collaborated with the officers and employees of the Gas Works in the preparation of a report (the "Engineering Report"), a copy of which is attached hereto.

The Engineering Report forms the basis for the statements and opinions contained herein. The Engineering Report has been reviewed by the Gas Works.

Therefore, this Financial Report is transmitted in compliance with Section 8 of the Act and Section 4.03(a) of the General Ordinance:

(i) The Bonds are to be issued in respect of capital costs of the Gas Works incurred or to be incurred for the purpose of (a) acquiring and constructing the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budgets of the Gas Works, as approved by City Council which may include, without limitation (1) the acquisition of land or rights therein; (2) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery and apparatus; (3) the acquisition, construction or replacement of pipes and pipe lines; and (4) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works; (b) paying the costs of issuing the Bonds and making any required deposits to the Sinking Fund Reserve; (c) paying any other Project Costs and reimbursing the Gas Works or the City for amounts advanced for Project Costs and (d) the funding or refunding of outstanding bond anticipation notes or other obligations of the City issued in respect of Project Costs.

(ii) The revenues pledged for the payment of the Bonds will be derived from the gas rents, rates and charges imposed or charged by the Gas Works upon the owners or occupants of properties connected to, and upon all users of, gas distributed by the Gas Works and all other revenues derived therefrom, being all revenues defined as "Project Revenues" in the Act and in the General Ordinance.

(iii) Assuming not more than \$400,000,000 of Bonds are to be issued, amortizing over 30 years, at an average interest rate not exceeding 8.50 percent, I find that with the rates currently in effect and on the basis of estimated future financial operations of the Gas Works, as detailed in the Engineering Report, the Gas Works will, in my opinion, yield pledged Project Revenues over the amortization period of the Bonds sufficient to meet the payment and/or deposit requirements of (a) all expenses of operation, maintenance, repair and replacement of the Gas Works; (b) all reserve or special funds required to be established and maintained with respect to such Project Revenues; (c) the principal of and interest on all Gas Works Revenue Bonds, as the same shall become due and payable; and (d) any State taxes assumed by the City to be paid on the Bonds and also to provide such coverage on the Bonds as prescribed by Section 4.03(b) of the General Ordinance.

(iv) The project revenues forming the basis for the statements set forth in clause (iii) above comply with the requirements of the definition of "Project Revenues" contained in Section 2 of the Act. Furthermore, the statements set forth in clause (iii) above as to the sufficiency of Project Revenues, would not be substantially affected by a 200 basis point increase in the Bonds' interest rate or mathematically equivalent changes in the Bonds' parameters.

(v) Based on their investigations, Stone and Webster have found that the Gas Works is in good operating condition and that adequate steps are being taken to maintain it in good operating condition.

For the purpose of the opinion expressed in clause (iii) above, you are advised that no State taxes on the Bonds are assumed by the City.

Respectfully submitted,

STEPHEN P. MULLIN,

Director of Finance.

EXHIBIT B
CITY SOLICITOR

December 1, 1992.

Honorable John F. Street, President
City Council of Philadelphia.

RE: Philadelphia Gas Works
Revenue Bonds, Fourteenth Series

Dear Council President Street:

The office of the City Solicitor has reviewed the First Class City Revenue Bond Act, the General Gas Works Revenue Bond Ordinance of 1975, as amended (the "General Ordinance"), and the proposed Fourteenth Supplemental Ordinance thereto authorizing the issuance of Gas Works Revenue Bonds in the maximum principal amount of \$400,000,000 (or, if the Bonds are sold at a discount, such greater principal amount as will reflect such discount so long as the aggregate gross proceeds to the City do not exceed \$400,000,000) (the "Fourteenth Supplemental Ordinance").

Based on that review, it is my opinion that the registered owners of bonds to be issued under the Fourteenth Supplemental Ordinance will have no claim upon the taxing power or general revenues of the City of Philadelphia, nor will they have any lien upon any property of the City of Philadelphia other than the Project Revenue (as defined in the General Ordinance) and the funds properly pledged to such bond owners pursuant to the terms and conditions of the General Ordinance and the Fourteenth Supplemental Ordinance.

Sincerely,

JUDITH E. HARRIS,

City Solicitor.

CERTIFICATION: This is a true and correct copy of the original Ordinance approved by the Mayor on

JANUARY 28, 1993

Maria B. Hansen

Chief Clerk of the Council



(Bill No. 693)

AN ORDINANCE

Authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to sell, either at public or private sale, Gas Works Revenue Bonds of the City of Philadelphia, in one or more series or subseries, in the additional maximum aggregate principal amount of three hundred million (300,000,000) dollars (the "Bonds"); provided, however, that the aggregate principal amount of Bonds authorized to be issued to pay the cost of certain projects shall not exceed seventy-five million (75,000,000) dollars and the aggregate principal amount issued to redeem or refund certain outstanding Gas Works Revenue Bonds shall not exceed two hundred twenty-five million (225,000,000) dollars; and provided further that, if the Bonds are sold at a discount, the aggregate principal amount may be increased to reflect such discount as long as the aggregate gross proceeds to the City from the sale of the Bonds do not exceed three hundred million (300,000,000) dollars, plus accrued interest, if any, and the aggregate principal amount of the Bonds used to refund certain outstanding Gas Works Revenue Bonds shall not exceed two hundred twenty-five million (225,000,000) dollars and the aggregate principal amount of Bonds used to pay the cost of certain projects shall not exceed seventy-five million (75,000,000) dollars; designating that the Bonds are being issued to pay the costs of certain projects and to redeem or refund all or a portion of certain outstanding series of Gas Works Revenue Bonds and the application of proceeds

of the Bonds for such purpose; authorizing the City to obtain credit enhancement for the Bonds; authorizing the sale of Option Rights; determining the sufficiency of Project Revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Bonds from general accounts of the City; covenanting the payment of interest and principal on the Bonds; authorizing covenants and action in order that interest on the Bonds shall be excludible from gross income for federal taxation purposes; authorizing the City to accumulate, from Project Revenues, certain amounts to be deposited in the Sinking Fund Reserve; and providing that this Ordinance, constituting the Fifteenth Supplemental Ordinance, is supplemental to the General Ordinance and that the provisions of the General Ordinance and the First Class City Revenue Bond Act, to the extent consistent with this Ordinance, are applicable.

The Council of the City of Philadelphia hereby ordains:

SECTION 1. The Mayor, the City Controller and the City Solicitor (the "Bond Committee"), or a majority of them, are hereby authorized, on behalf of the City, to borrow, by the issuance and sale of Gas Works Revenue Bonds of the City (the "Bonds"), in one or more series or subseries, pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, adopted by the City on May 30, 1975, as amended to date (Bill No. 1871) (the "General Ordinance"), a sum or sums which in the aggregate shall not exceed the principal amount of Bonds authorized to be issued hereunder, to be expended as provided in Section 2 of this Ordinance. The Bonds shall be sold at public or private sale and shall contain such terms and provisions as are determined by a majority of the Bond Committee to be in the best interests of the City and are not inconsistent with the provisions hereof, of the Act or of the General Ordinance. If a majority of the Bond Committee determines it to be in the best interests of the

City, the Bonds may be issued in book-entry form; in such event a majority of the Bond Committee shall also select a securities depository for the Bonds. If a majority of the Bond Committee determines it to be in the best interests of the City, the City may obtain credit enhancement for all or a portion of the Bonds. If a majority of the Bond Committee determines it to be in the best interests of the City, the City may sell Option Rights relating to the Bonds. A majority of the Bond Committee is authorized to take any and all other actions as may be necessary or appropriate in connection with the consummation of the transactions contemplated herein.

The aggregate principal amount of Bonds which are authorized to be issued hereunder shall not be more than three hundred million (300,000,000) dollars; provided, however, that the aggregate principal amount of Bonds authorized to be issued to pay the cost of certain projects shall not exceed seventy-five million (75,000,000) dollars and the aggregate principal amount of Bonds authorized to be issued to refund certain outstanding series of Gas Works Revenue Bonds shall not exceed two hundred twenty-five million (225,000,000) dollars; and provided further that, if any of the Bonds are to be sold at discounts which are in lieu of periodic interest, the aggregate principal amount of Bonds which may be issued hereunder shall be increased to reflect such discounts, as long as the aggregate gross proceeds to the City from the sale of the Bonds shall not exceed three hundred million (300,000,000) dollars, plus accrued interest, if any, and the aggregate principal amount of Bonds used to pay the cost of certain projects shall not exceed seventy-five million (75,000,000) dollars and the aggregate principal amount of Bonds used to refund certain outstanding series of Gas Works Revenue Bonds shall not exceed two hundred twenty-five million (225,000,000) dollars.

The Bonds shall not pledge the credit or taxing power, create any debt or charge against the tax or general

revenues or create any lien against any property of the City other than the revenues pledged by the General Ordinance. The opinion of the City Solicitor required by Section 8 of the Act with respect to the matters stated in the preceding sentence is attached hereto as Exhibit A.

SECTION 2. The Bonds shall be issued for the purpose of providing funds for any or all of the following purposes:

(i) acquiring and constructing the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budgets of the Gas Works, as approved by City Council, which may include, without limitation, (a) the acquisition of land or rights therein; (b) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery and apparatus; (c) the acquisition, construction or replacement of pipes and pipe lines; and (d) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City; (ii) the refunding of all or a portion of certain series of the City's outstanding Gas Works Revenue Bonds, consisting of the Eighth Series, Tenth Series, Eleventh A Series, Eleventh B Series, Eleventh C Series, Twelfth B Series and the Thirteenth Series, or such other series as shall be designated by the City's Director of Finance (the "Prior Bonds"); (iii) paying the costs of issuing the Bonds and any required deposits to the Sinking Fund Reserve; and (iv) paying any other Project Costs (as defined in the Act) which may include, without limitation, the repayment to any fund of the City or to accounts of the Gas Works of amounts advanced for Project Costs, and the funding or refunding of outstanding bond anticipation notes or other obligations of the City issued in respect to Project Costs.

The City covenants that proceeds of the Bonds applicable to the refunding of the Prior Bonds will be deposited in one or more escrow or similar accounts with

the Fiscal Agent, as defined in the General Ordinance, separate and apart from all other accounts of the City or Gas Works, including the Sinking Fund established by the General Ordinance, to be held for the benefit of the holders of the applicable refunded Prior Bonds and applied to payment of the Prior Bonds in accordance with a certificate of the Director of Finance or an escrow deposit agreement as to Prior Bonds that are being currently refunded or an escrow deposit agreement as to Prior Bonds that are being advance refunded.

The City covenants that the proceeds of the Bonds which remain available for the payment of the costs of the capital improvements, after payment of the financing costs, the required payment into the Sinking Fund Reserve and the repayment to the City and the Gas Works of amounts previously advanced for Project Costs or for the funding of refunding of bond anticipation notes or other obligations as described above, shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any gas Works account segregated from any other Gas Works accounts. All interest and income earned on the investment of such proceeds (except for amounts to be rebated to the United States) pending expenditure for the aforesaid purposes may be transferred to and deposited in the operating funds of the Gas Works and applied as Project Revenues in accordance with Section 4.02 of the General Ordinance.

The Director of Finance is hereby authorized to determine, on behalf of the City, the particular series and maturities of the Prior Bonds to be refunded and the amount of Bond proceeds to be applied to the refunding of the Prior Bonds, to deposit such proceeds in an escrow

account for the benefit of the holders of the refunded Prior Bonds, and to take any and all other action, including the irrevocable pledge of such proceeds and/or the income or profit from the investment thereof, for the payment and redemption of the refunded Prior Bonds, and the publication of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accomplish the refunding of the Prior Bonds and to comply with the requirements of Section 10 of the Act.

Any excess moneys in the Sinking Fund Reserve in respect of the Bonds other than Sinking Fund Reserve Earnings shall be transferred to the accounts of the Gas Works described in this Section 2 and applied to any of the purposes described in this Section 2.

SECTION 3. Based on the report of the Director of Finance of the City required by Section 8 of the Act (the "Financial Report"), it is hereby determined that the pledged Project Revenues, as defined in the General Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance. An executed copy of the Financial Report is attached hereto as Exhibit B.

SECTION 4. Subject to the provisions of Section 7.02 of the General Ordinance, the City covenants that, as long as any of the Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts except as

provided in Section 2 hereof or as otherwise required by the General Ordinance.

SECTION 5. The City covenants that, as long as any Bonds shall remain unpaid, it shall make payments or cause payments to be made out of its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due; provided, however, that whenever the City shall be required to deposit moneys with the Fiscal Agent for the mandatory redemption of any of the Bonds, such obligation may be satisfied, in whole or in part, by the delivery by the City to the Fiscal Agent of a principal amount of Bonds of the maturity required to be redeemed for cancellation prior to the date specified for such redemption.

SECTION 6. The Director of Finance is authorized to make such elections under the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder with respect to the Bonds as he deems advisable and to take such action on behalf of the City with respect to the investment of the proceeds of the Bonds, and the Director of Finance and any member of the Bond Committee are authorized to make such covenants as may be necessary or advisable, in each case so that interest on the Bonds shall be excludible from gross income for purposes of federal income taxation.

SECTION 7. In accordance with Section 6.04 of the General Ordinance, the City is authorized to accumulate from Project Revenues, over a period of not more than six (6) Fiscal Years from the date or dates of issuance and delivery of the Bonds, the amount required by the General Ordinance to be deposited in the Sinking Fund Reserve in respect thereof.

SECTION 8. This Ordinance is supplementary to the General Ordinance and all sections of the General

Ordinance and the Act not inconsistent herewith are applicable to the Bonds. All definitions of terms contained in the Act or the General Ordinance not inconsistent herewith shall apply to such terms in this Ordinance.

SECTION 9. This Ordinance shall take effect immediately.

EXHIBIT A
CITY SOLICITOR

November __, 1993.

Honorable John F. Street, President
City Council of Philadelphia.

Re: Philadelphia Gas Works
Revenue Bonds, Fifteenth Series

Dear Council President Street:

The office of the City Solicitor has reviewed the First Class City Revenue Bond Act, the General Gas Works Revenue Bond Ordinance of 1975, as amended (the "General Ordinance"), and the proposed Fifteenth Supplemental Ordinance thereto authorizing the issuance of Gas Works Revenue Bonds in the maximum principal amount of \$300,000,000.00 (or, if the Bonds are sold at a discount, such greater principal amount as will reflect such discount so long as the aggregate gross proceeds to the City do not exceed \$300,000,000.00) (the "Fifteenth Supplemental Ordinance").

Based on that review, it is my opinion that the registered owners of bonds to be issued under the Fifteenth Supplemental Ordinance will have no claim upon the taxing power or general revenues of the City of Philadelphia, nor will they have any lien upon any property of the City of Philadelphia other than the Project Revenues (as defined in the General Ordinance) and the funds properly pledged to such bond owners pursuant to the terms and conditions of the General Ordinance and the Fifteenth Supplemental Ordinance.

Sincerely,

JUDITH E. HARRIS,

City Solicitor.

EXHIBIT B

OFFICE OF THE
DIRECTOR OF FINANCE

November __, 1993.

To the President and Members of the
Council of the City of Philadelphia.

FINANCIAL REPORT OF THE
DIRECTOR OF FINANCE.

RE: Philadelphia Gas Works Revenue Bonds,
Fifteenth Series

The Mayor has transmitted to the Council the Fifteenth Supplemental Ordinance (the "Fifteenth Supplemental Ordinance") to the General Gas Works Revenue Bond Ordinance of 1975, as amended (the "General Ordinance"), authorizing the issuance and sale of a maximum principal amount of \$300,000,000.00 (or, if the Bonds are sold at a discount, such greater principal amount as will reflect such discount so long as the aggregate gross proceeds to the City do not exceed \$300,000,000.00) of Gas Works Revenue Bonds, Fifteenth Series (the "Bonds") of the City of Philadelphia (the "City").

In preparation for the issuance of the Bonds, the Philadelphia Gas Works, a City-owned utility (the "Gas Works") has engaged the firm of Stone and Webster Management Consultants, Inc. of New York, New York ("Stone and Webster") to (i) investigate the physical properties included in the Gas Works and the accounts and records of the Gas Works; (ii) review the capital program of the Gas Works; (iii) compile relevant data upon which to make projections to determine whether the revenues of the Gas Works are and will be sufficient to satisfy the tests of adequacy required by Act No. 234 of October 18, 1972, known as the First Class City Revenue Bond Act (the "Act") and the General Ordinance.

The firm of Stone and Webster is an independent consulting firm having broad experience in utility systems of a similar magnitude and scope as the Gas Works and has a favorable reputation for competence in this field of work. They have conducted an in-depth examination of the Gas Works and have collaborated with the officers and employees of the Gas Works in the preparation of a report (the "Engineering Report"), a copy of which is attached hereto.

The Engineering Report forms the basis for the statements and opinions contained herein. The Engineering Report has been reviewed by the Gas Works.

Therefore, this Financial Report is transmitted in compliance with Section 8 of the Act and Section 4.03(a) of the General Ordinance:

(i) The Bonds are to be issued in respect of capital costs of the Gas Works incurred or to be incurred for the purpose of (a) acquiring and constructing the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budgets of the Gas Works, as approved by City Council, which may include, without limitation (1) the acquisition of land or rights therein; (2) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery and apparatus; (3) the acquisition, construction or replacement of pipes and pipe lines; and (4) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works; (b) paying the costs of issuing the Bonds and making any required deposits to the Sinking Fund Reserve; (c) paying any other Project Costs and reimbursing the Gas Works or the City for amounts advanced for Project Costs and (d) the funding or refunding of outstanding bond anticipation notes or other obligations of the City issued in respect of Project Costs.

(ii) The revenues pledged for the payment of the Bonds will be derived from the gas rents, rates and charges imposed or charged by the Gas Works upon the owners or occupants of properties connected to, and upon all users of, gas distributed by the Gas Works and all other revenues derived therefrom, being all revenues defined as "Project Revenues" in the Act and in the General Ordinance.

(iii) Assuming not more than \$300,000,000.00 of Bonds are to be issued, amortizing over 30 years, at an average interest rate not exceeding 8.0 percent, I find what that with the rates currently in effect and on the basis of estimated future financial operations of the Gas Works, as detailed in the Engineering Report, the Gas Works will, in my opinion, yield pledged Project Revenues over the amortization period of the Bonds sufficient to meet the payment and/or deposit requirements of (a) all expenses of operation, maintenance, repair and replacement of the Gas Works (b) all reserve or special funds required to be established and maintained with respect to such Project Revenues; (c) the principal of and interest on all Gas Works Revenue Bonds, as the same shall become due and payable; and (d) any State taxes assumed by the City to be paid on the Bonds and also to provide such coverage on the Bonds as prescribed by Section 4.03(b) of the General Ordinance.

(iv) The project revenues forming the basis for the statements set forth in clause (iii) above comply with the requirements of the definition of "Project Revenues" contained in Section 2 of the Act. Furthermore, the statements set forth in clause (iii) above as to the sufficiency of Project revenues would not be substantially affected by a 200 basis point increase in the Bonds' interest rate or mathematically equivalent changes in the Bonds' parameters.

(v) Based on their investigations, Stone and Webster have found that the Gas Works is in good operating

condition and that adequate steps are being taken to maintain it in good operating conditions.

For the purpose of the opinion expressed in clause (iii) above, you are advised that no State taxes on the Bonds are assumed by the City.

Respectfully submitted,

BEN HALLYAR,

Director of Finance.

APP. NO. 457-16

JOHN F. STREET
PRESIDENT OF THE COUNCIL

ATTEST
Chief Clerk of the Council

Mary B. Hansen

Approved the

23rd day of Dec
1993

A.D. 1993

Edward G. Rendell
MAYOR OF PHILADELPHIA

Presented Dec 23 1993

Sergeant-at-Arms

Charles Benjeter

Approved as to form and validity

12/23/93

[Signature]
Chief Deputy City Solicitor

1993

Commitment for Municipal Bond Insurance

AMBAC Indemnity Corporation
c/o CT Corporation Systems
222 West Washington Avenue
Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza
New York, New York 10004

Issuer: CITY OF PHILADELPHIA, PENNSYLVANIA

Commitment Number: 9914

Date of Commitment: January 18, 1994

Expiration Date: April 18, 1994

Bonds: (a) An aggregate principal amount of Bonds, which are issued to refund AMBAC-insured bonds, not to exceed \$180,000,000.

(b) An aggregate principal amount of Bonds, which are not required to be issued to refund AMBAC-insured bonds, not to exceed \$25,000,000. Such Bonds must mature on or before August 1, 2001.

Gas Works Revenue Bonds, Fifteenth Series, dated February 1, 1994, maturing on July 1 in the years 1995 through 2023, both inclusive.

Insurance premium:

(a) 1.20% of the total principal and interest due on the AMBAC refunding Bonds.

(b) 0.700% of the total principal and interest due on the new money Bonds.

(Moody's Investors Service and Standard & Poor's Corporation assess separate rating fees which are payable directly to them.)

AMBAC Indemnity Corporation (AMBAC) A Wisconsin Stock Insurance Company

hereby commits to issue a Municipal Bond Insurance Policy (the "Policy") relating to the above-described debt obligations (the "Bonds"), substantially in the form imprinted in this Commitment, subject to the terms and conditions contained herein or added hereto (see conditions set forth on page 2 and following).

To keep this Commitment in effect after the expiration date set forth above, a request for renewal must be submitted to AMBAC prior to such expiration date. AMBAC reserves the right to refuse wholly or in part to grant a renewal.

The Municipal Bond Insurance Policy shall be issued if the following conditions are satisfied:

1. The documents to be executed and delivered in connection with the issuance and sale of the Bonds shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.
2. No event shall occur which would permit any purchaser of the Bonds, otherwise required, not to be required to purchase the Bonds on the date scheduled for the issuance and delivery thereof.
3. There shall be no material change in or affecting the Bonds (including, without limitation, the security for the Bonds) or the financing documents or the official statement (or any similar disclosure document) to be executed and delivered in connection with the issuance and sale of the Bonds from the descriptions thereof heretofore provided to AMBAC.
4. The Bonds shall contain no reference to AMBAC, the Policy or the municipal bond insurance evidenced thereby except as may be approved by AMBAC.

5. AMBAC shall be provided with:

- (a) Executed copies of all financing documents, the official statement (or any similar disclosure document) and the various legal opinions delivered in connection with the issuance and sale of the Bonds, including, without limitation, the unqualified approving opinion of bond counsel rendered by a law firm acceptable to AMBAC. The form of Bond Counsel's approving opinion shall also indicate, if applicable, that the Bonds are exempt from federal income taxation, that the issuer must comply with certain covenants under and pursuant to the new tax law and that the issuer has the legal power to comply with such covenants. Such opinion of bond counsel shall be addressed to AMBAC or, in lieu thereof, a letter shall be provided to AMBAC to the effect that AMBAC may rely on such opinion as if it were addressed to AMBAC.
 - (b) A letter from bond counsel or counsel to the purchaser or otherwise from another person acceptable to AMBAC to the effect that the financing documents, the official statement (or any similar disclosure document) and the various legal opinions executed and delivered in connection with the issuance and sale of the Bonds are substantially in the forms theretofore submitted to AMBAC for review, with only such amendments, modifications or deletions as approved by AMBAC.
 - (c) A certified or cashier's check for or evidence of wire transfer of an amount equal to the insurance premium at the time of the issuance and delivery of the Bonds. If the amount of premium exceeds \$100,000.00, payment must be made by federal funds wire transfer.
6. Unless expressly waived in whole or in part by AMBAC, the financing documents and the Official Statement shall contain (a) the terms and provisions provided in the AMBAC Indemnity STANDARD PACKAGE transmitted herewith and (b) any additional oral or written provisions or comments submitted by AMBAC.
7. AMBAC shall receive a copy of any insurance policy, surety bond, guaranty or indemnification or any other policy, contract or agreement which provides for payment of all or any portion of the debt, the costs of reconstruction, the loss of business income or in any way secures, ensures or enhances the income stream anticipated to pay the bonds.
8. Any provisions or requirements of the Purchase Contract or Bond Purchase Agreement referencing AMBAC must be sent to the attention of Janine Feudi not less than five (5) business days prior to closing. If such provisions or requirements are not received within that time, compliance may not be possible.


Authorized Officer



Municipal Bond Insurance Policy

AMBAC Indemnity Corporation
c/o CT Corporation Systems
14 East Mitlin St., Madison, Wisconsin 53703
Administrative Office,
One State Street Plaza, New York, NY 10004
Telephone: (212) 668-0540

Issuer:

Policy Number

Bonds:

Premium

AMBAC Indemnity Corporation (AMBAC) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to the United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

AMBAC will make such payments to the Insurance Trustee within one (1) business day following notification to AMBAC of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, AMBAC shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholders' rights to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of AMBAC or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to AMBAC all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. AMBAC shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and therefore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from AMBAC to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of AMBAC, nor against any risk other than Nonpayment.

In witness whereof, AMBAC has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon AMBAC by virtue of the counter-signature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

AMBAC.

AMBAC.

AMBAC.

AMBAC®



AMBAC Indemnity Corporation
One State Street Plaza
New York, New York 10004
(212) 668-0340 Fax: (212) 509-9190

NOVEMBER 10, 1993

**AMBAC INDEMNITY STANDARD PACKAGE
FOR AMBAC-INSURED TRANSACTIONS
(NOT FOR USE IN TEXAS FINANCINGS)**

TO: Issuer, Issuer's Counsel, Managing Underwriter, Bond Counsel and
Underwriter's Counsel

RE: Preparation of Financing Documents for AMBAC Indemnity Insured
Issues

The attached materials have been prepared to assist you in the preparation of documents for your AMBAC Indemnity Corporation ("AMBAC Indemnity") insured issue. Please modify the attached exhibits where appropriate and notify us as to any proposed modifications. If desired, these provisions can be incorporated into one section entitled "Municipal Bond Insurance" within the applicable Indenture, Resolution, Ordinance, Order or any other operative financing document (such applicable financing document will be referred to herein as the "Financing Document"). Please be advised that the provisions contained in this package are in addition to the conditions listed in the Commitment for Municipal Bond Insurance and any other comments or changes that may be required by the AMBAC Indemnity personnel working on this financing. If you have any questions, please call one of the following persons: Joseph V. Salzano, Eileen L. Kirchoff, Jerry H. Pisecki, Karl T. Molin, Mary P. McKeon, Kevin J. Doyle or Kate A. McDonough.

- o Definitions (Exhibit A).
- o AMBAC Indemnity consent required for changes to underlying documentation and exercise of remedies upon default (Exhibit B).
- o Notices to be given to AMBAC Indemnity (Exhibit C).
- o Permitted Investments and Valuation Provisions (Exhibit D).
- o Defeasance Language (Exhibit E).
- o Description of AMBAC Indemnity Payment Procedure (Exhibit F).
- o Trustee-related provisions (Exhibit G).
- o AMBAC Indemnity as a third-party beneficiary (Exhibit H).

- o Suggested language for (i) AMBAC Indemnity Official Statement Disclosure, (ii) Notice of Sale, (iii) Bond Legend, (iv) Cover page of Official Statement, and (v) Ratings section of Official Statement (Exhibit I).
- o Form of AMBAC Indemnity Legal Opinion (Exhibit J).
- o Form of AMBAC Indemnity Certificate of Bond Insurer (Exhibit K).
- o AMBAC Indemnity Wiring Instructions (Exhibit L).

EXHIBIT A

DEFINITIONS

The following definitions are those which AMBAC recommends for the Financing Document:

"AMBAC Indemnity" shall mean AMBAC Indemnity Corporation, a Wisconsin-domiciled stock insurance company.

"Municipal Bond Insurance Policy" shall mean the municipal bond insurance policy issued by AMBAC Indemnity insuring the payment when due of the principal of and interest on the Bonds as provided therein.

EXHIBIT B

AMBAC CONSENT LANGUAGE

AMBAC requires that the Financing Document include the following consent provisions:

A. Consent of AMBAC Indemnity.

Any provision of this [Financing Document] expressly recognizing or granting rights in or to AMBAC Indemnity may not be amended in any manner which affects the rights of AMBAC Indemnity hereunder without the prior written consent of AMBAC Indemnity.

B. Consent of AMBAC Indemnity in Addition to Bondholder Consent.

Unless otherwise provided in this Section, AMBAC Indemnity's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental [Financing Document] or any amendment, supplement or change to or modification of the [Loan Agreement, Lease Agreement, etc.] (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent [required in those transactions in which the Financing Document provides for a trustee or paying agent]; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

C. Consent of AMBAC Indemnity in the Event of Insolvency.

Any reorganization or liquidation plan with respect to the [issuer or obligor] must be acceptable to AMBAC Indemnity. In the event of any reorganization or liquidation, AMBAC Indemnity shall have the right to vote on behalf of all bondholders who hold AMBAC Indemnity-insured bonds absent a default by AMBAC Indemnity under the applicable Municipal Bond Insurance Policy insuring such Bonds.

[In transactions for which acceleration is not a remedy for an event of default, the following provision is to be included in the Financing Document.]

D. Consent of AMBAC Indemnity Upon Default.

Anything in this [Financing Document] to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, AMBAC Indemnity shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under this [Financing Document].

[In transactions for which acceleration is a remedy for an event of default, the following two provisions must be included in the Financing Document in lieu of paragraph D above.]

E. Consent of AMBAC Indemnity Upon Default.

Anything in this [Financing Document] to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, AMBAC Indemnity shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under this [Financing Document], including, without limitation: (i) the right to accelerate the principal of the Bonds as described in this [Financing Document], and (ii) the right to annul any declaration of acceleration, and AMBAC Indemnity shall also be entitled to approve all waivers of events of default.

F. Acceleration Rights

Upon the occurrence of an event of default, the Trustee may, with the consent of AMBAC Indemnity, and shall, at the direction of AMBAC Indemnity or ___% of the Bondholders with the consent of AMBAC Indemnity, by written notice to the Issuer and AMBAC Indemnity, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this [Financing Document] or in the Bonds to the contrary notwithstanding.

EXHIBIT C

NOTICES TO BE GIVEN TO AMBAC

AMBAC requires that the following notice provisions be incorporated in the Financing Document:

A. While the Municipal Bond Insurance Policy is in effect, the Issuer* or the Trustee [as appropriate] shall furnish to AMBAC Indemnity:

(a) as soon as practicable after the filing thereof, a copy of any financial statement of the Issuer* and a copy of any audit and annual report of the Issuer*;

(b) a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this [Financing Document] relating to the security for the Bonds; and

(c) such additional information it may reasonably request.

B. The Trustee or Issuer* [as appropriate] shall notify AMBAC Indemnity of any failure of the Issuer* to provide relevant notices, certificates, etc.

C. The Issuer* will permit AMBAC Indemnity to discuss the affairs, finances and accounts of the Issuer* or any information AMBAC Indemnity may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer*. The Trustee or Issuer* [as appropriate] will permit AMBAC Indemnity to [have access to the Project and] have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

D. AMBAC Indemnity shall have the right to direct an accounting at the Issuer's* expense, and the Issuer's* failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from AMBAC Indemnity shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

E. Notwithstanding any other provision of this [Financing Document], the Trustee or Issuer* [as appropriate] shall immediately notify AMBAC Indemnity if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

*or appropriate obligor on the Bonds.

EXHIBIT D

PERMITTED INVESTMENTS (MODIFIED AS OF JULY 19, 1993)

- A. AMBAC Indemnity will allow the following obligations to be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts.

(AMBAC Indemnity does not give a premium credit for the investment of accrued and/or capitalized interest.)

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below), or
- (2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

- B. AMBAC Indemnity will allow the following Obligations to be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (1) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank
 - Farm Credit System Financial Assistance Corporation
 - Farmers Home Administration
 - General Services Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - Government National Mortgage Association (GNMA)
 - U.S. Department of Housing & Urban Development (PHA's)
 - Federal Housing Administration;
- (2) senior debt obligations rated "AAA" by Standard & Poor's Corporation (S&P) and "Aaa" by Moody's Investors Service, Inc. (Moody's) issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. Senior debt obligations of other Government Sponsored Agencies approved by AMBAC Indemnity;
- (3) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

- (4) commercial paper which is rated at the time of purchase in the single highest classification, "A-1 +" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;
- (5) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;
- (6) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; [Pre-refunded Municipal Obligations meeting the requirements of subsection (B) hereof may not be used as Permitted Investments for annual appropriation lease transactions without the prior written approval of S&P.]

- (7) investment agreements approved in writing by AMBAC Indemnity Corporation [supported by appropriate opinions of counsel] with notice to S&P; and
- (8) other forms of investments (including repurchase agreements) approved in writing by AMBAC with notice to S&P.

C. The value of the above investments shall be determined as follows:

"Value", which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

- a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;
- b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
- c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
- d) as to any investment not specified above: the value thereof established by prior agreement between the Issuer, the Trustee and AMBAC Indemnity Corporation.

EXHIBIT E

DEFEASANCE LANGUAGE

- A. The definition of "Outstanding" bonds or obligations, or any like concept, should specifically include bonds or obligations which fall into the category described below.
- B. *The defeasance section of the Financing Document should include the following language:*

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by AMBAC Indemnity Corporation pursuant to the Municipal Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of AMBAC Indemnity, and AMBAC Indemnity shall be subrogated to the rights of such registered owners.

EXHIBIT F

PAYMENT PROCEDURE PURSUANT TO THE MUNICIPAL BOND INSURANCE POLICY

The following language sets out the applicable procedure for payments under the Municipal Bond Insurance Policy and should be incorporated into the Financing Document:

As long as the bond insurance shall be in full force and effect, the Issuer, the Trustee and any Paying Agent agree to comply with the following provisions:

(a) At least one (1) day prior to all Interest Payment Dates the Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds in such Funds or Accounts, the Trustee or Paying Agent, if any, shall so notify AMBAC Indemnity. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee or Paying Agent, if any, has not so notified AMBAC Indemnity at least one (1) day prior to an Interest Payment Date, AMBAC Indemnity will make payments of principal or interest due on the Bonds on or before the first (1st) day next following the date on which AMBAC Indemnity shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

(b) the Trustee or Paying Agent, if any, shall, after giving notice to AMBAC Indemnity as provided in (a) above, make available to AMBAC Indemnity and, at AMBAC Indemnity's direction, to the United States Trust Company of New York, as insurance trustee for AMBAC Indemnity or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Issuer maintained by the Trustee or Paying Agent, if any, and all records relating to the Funds and Accounts maintained under this [Financing Document].

(c) the Trustee or Paying Agent, if any, shall provide AMBAC Indemnity and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from AMBAC Indemnity under the terms of the Municipal Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from AMBAC Indemnity and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from AMBAC Indemnity.

(d) the Trustee or Paying Agent, if any, shall, at the time it provides notice to AMBAC Indemnity pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from AMBAC Indemnity (i) as to the fact of such entitlement, (ii) that AMBAC Indemnity will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from AMBAC Indemnity, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of AMBAC Indemnity) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from AMBAC Indemnity, they must surrender their Bonds for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such Bonds the portion of the principal paid by the Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) in the event that the Trustee or Paying Agent, if any, has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time AMBAC Indemnity is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from AMBAC Indemnity to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to AMBAC Indemnity its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.

(f) in addition to those rights granted AMBAC Indemnity under this (Financing Document), AMBAC Indemnity shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent, if

any, shall note AMBAC Indemnity's rights as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent, if any, upon receipt from AMBAC Indemnity of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent, if any, shall note AMBAC Indemnity's rights as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent, if any, upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

EXHIBIT G

TRUSTEE-RELATED PROVISIONS

With respect to transactions involving a trustee or paying agent, AMBAC requires that the following provisions be incorporated into the Financing Document. Please note that unless otherwise required by AMBAC, if the financing at hand does not contemplate a trustee or paying agent, these provisions may be disregarded.

1. The Trustee (or Paying Agent) may be removed at any time, at the request of AMBAC Indemnity, for any breach of the Trust set forth herein.
2. AMBAC Indemnity shall receive prior written notice of any Trustee (or Paying Agent) resignation.
3. Every successor Trustee appointed pursuant to this Section shall be a trust company or bank in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to AMBAC Indemnity. Any successor Paying Agent, if applicable, shall not be appointed unless AMBAC approves such successor in writing.
4. Notwithstanding any other provision of this [Financing Document], in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this [Financing Document], the Trustee (or Paying Agent) shall consider the effect on the Bondholders as if there were no Municipal Bond Insurance Policy.
5. Notwithstanding any other provision of this [Financing Document], no removal, resignation or termination of the Trustee (or Paying Agent) shall take effect until a successor, acceptable to AMBAC, shall be appointed.

EXHIBIT H

INTERESTED PARTIES

In addition to the provisions listed above, AMBAC also requires the following provision be incorporated into the Financing Document:

A. AMBAC As Third Party Beneficiary.

To the extent that this [Financing Document] confers upon or gives or grants to AMBAC any right, remedy or claim under or by reason of this [Financing Document], AMBAC is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right remedy or claim conferred, given or granted hereunder.

B. Parties Interested Herein.

Nothing in this [Financing Document] expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Issuer, the Trustee, AMBAC Indemnity, the Paying Agent, if any, and the registered owners of the Bonds, any right, remedy or claim under or by reason of this [Financing Document] or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this [Financing Document] contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, AMBAC Indemnity, the Paying Agent, if any, and the registered owners of the Bonds.

EXHIBIT I

AMBAC INDEMNITY OFFICIAL STATEMENT DISCLOSURE AND SUGGESTED LANGUAGE FOR THE NOTICE OF SALE, BOND LEGEND, COVER PAGE OF OFFICIAL STATEMENT, AND RATINGS SECTION OF OFFICIAL STATEMENT

AMBAC INDEMNITY OFFICIAL STATEMENT DISCLOSURE

Payment Pursuant to Municipal Bond Insurance Policy

AMBAC Indemnity has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Municipal Bond Insurance Policy, AMBAC Indemnity will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). AMBAC Indemnity will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which AMBAC Indemnity shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by AMBAC Indemnity.

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

In the event the Trustee/Paying Agent has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from AMBAC Indemnity to the extent of such recovery if sufficient funds are not otherwise available.

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

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of AMBAC Indemnity to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to AMBAC Indemnity.

Upon payment of the insurance benefits, AMBAC Indemnity will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

FOR TRANSACTIONS INVOLVING VARIABLE RATE BONDS:

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

ADDITIONAL PARAGRAPH FOR CALIFORNIA TRANSACTIONS:

In the event that AMBAC Indemnity were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

ADDITIONAL PARAGRAPH FOR NEW YORK TRANSACTIONS:

The insurance provided by the Municipal Bond Insurance Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

ADDITIONAL PARAGRAPH FOR FLORIDA TRANSACTIONS:

The insurance provided by the Municipal Bond Insurance Policy is not covered by the Florida Insurance Guaranty Association.

AMBAC INDEMNITY CORPORATION

AMBAC Indemnity Corporation ("AMBAC Indemnity") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, and the Commonwealth of Puerto Rico, with admitted assets of approximately \$1,936,000,000 (unaudited) and statutory capital of approximately \$1,096,000,000 (unaudited) as of September 30, 1993. Statutory capital consists of AMBAC Indemnity's policyholders' surplus and statutory contingency reserve. AMBAC Indemnity is a wholly owned subsidiary of AMBAC Inc., a 100% publicly-held company. Moody's Investors Service, Inc. and Standard & Poor's Corporation have both assigned a triple-A claims-paying ability rating to AMBAC Indemnity.

Copies of AMBAC Indemnity's financial statements prepared in accordance with statutory accounting standards are available from AMBAC Indemnity. The address of AMBAC Indemnity's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

AMBAC Indemnity has entered into pro rata reinsurance agreements under which a percentage of the insurance underwritten pursuant to certain municipal bond insurance programs of AMBAC Indemnity has been and will be assumed by a number of foreign and domestic unaffiliated reinsurers.

AMBAC Indemnity has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by AMBAC Indemnity will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by AMBAC Indemnity under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds. **[THE FOLLOWING MUST BE INCLUDED IN ANNUAL APPROPRIATION LEASE TRANSACTIONS: No representation is made by AMBAC Indemnity regarding the federal income tax treatment of payments that are made by AMBAC Indemnity under the terms of the Policy due to nonappropriation of funds by the Lessee.]**

AMBAC Indemnity makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by AMBAC Indemnity and presented under the heading "_____".

NOTICE OF SALE

AMBAC Indemnity Corporation ("AMBAC Indemnity") has issued a commitment for municipal bond insurance relating to the Bonds. All bids may be conditioned upon the issuance effective as of the date on which the Bonds are issued, of a policy of insurance by AMBAC Indemnity, insuring the payment when due of principal of and interest on the Bonds. Each Bond will bear a legend referring to the insurance. The purchaser, holder or owner is not authorized to make any statements concerning the insurance beyond those set out here and in the bond legend without the approval of AMBAC Indemnity.

BOND LEGEND

Municipal Bond Insurance Policy No. __ (the "Policy") with respect to payments due for principal of and interest on this bond has been issued by AMBAC Indemnity Corporation ("AMBAC Indemnity"). The Policy has been delivered to the United States Trust Company of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from AMBAC Indemnity or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this bond acknowledges and consents to the subrogation rights of AMBAC Indemnity as more fully set forth in the Policy.

COVER PAGE OF OFFICIAL STATEMENT

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by AMBAC Indemnity Corporation simultaneously with the delivery of the Bonds.

RATINGS SECTION OF OFFICIAL STATEMENT FOR FIXED RATE BONDS

Standard & Poor's Corporation and Moody's Investors Service, Inc. have assigned their municipal bond ratings of "AAA" and "Aaa", respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by AMBAC Indemnity Corporation.

EXHIBIT J

FORM OF THE AMBAC LEGAL OPINION

DATE/ADDRESSES

Ladies and Gentlemen:

This opinion has been requested of the undersigned, a Vice President and an Assistant General Counsel of AMBAC Indemnity Corporation, a Wisconsin stock insurance company ("AMBAC Indemnity"), in connection with the issuance by AMBAC Indemnity of a certain Municipal Bond Insurance Policy and endorsement thereto, effective as of the date hereof (the "Policy"), insuring \$> in aggregate principal amount of the > (the "Issuer"), > dated > (the "Bonds").

In connection with my opinion herein, I have examined the Policy, such statutes, documents and proceedings as I have considered necessary or appropriate in the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Official Statement of the Issuer dated >, relating to the Bonds (the "Official Statement") under the headings ">" and ">".

Based upon the foregoing and having regard to legal considerations I deem relevant, I am of the opinion that:

1. AMBAC Indemnity is a stock insurance company duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the State of >.
2. AMBAC Indemnity has full corporate power and authority to execute and deliver the Policy and the Policy has been duly authorized, executed and delivered by AMBAC Indemnity and constitutes a legal, valid and binding obligation of AMBAC Indemnity enforceable in accordance with its terms except to the extent that the enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.
3. The execution and delivery by AMBAC Indemnity of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the

Certificate of Incorporation or By-Laws of AMBAC Indemnity, or any restriction contained in any contract, agreement or instrument to which AMBAC Indemnity is a party or by which it is bound or constitute a default under any of the foregoing.

4. Proceedings legally required for the issuance of the Policy have been taken by AMBAC Indemnity and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.
5. The statements contained in the Official Statement under the heading ">," insofar as such statements constitute summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe AMBAC Indemnity, fairly and accurately describe AMBAC Indemnity.
6. The form of Policy contained in the Official Statement under the heading ">" is a true and complete copy of the form of Policy.

Very truly yours,

>
Vice President and
Assistant General Counsel

EXHIBIT K

CERTIFICATE OF BOND INSURER

In connection with the issuance of > in aggregate principal amount of (the "Issuer") > (the "Bonds"), AMBAC Indemnity Corporation ("AMBAC") is issuing a municipal bond insurance policy (the "Insurance Policy") guaranteeing the payment of principal and interest when due on the Bonds, all as more fully set out in the Insurance Policy.

On behalf of AMBAC, the undersigned hereby certifies that:

(i) the Insurance Policy is an unconditional and recourse obligation of AMBAC (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled payments of interest and principal on the Bonds in the event of a Nonpayment as defined in the Insurance Policy;

(ii) the insurance premium of \$ _____ was determined in arm's length negotiations in accordance with our standard procedures, is required to be paid as a condition to the issuance of the Insurance Policy and represents a reasonable charge for the transfer of credit risk;

(iii) no portion of such premium represents a payment for any direct or indirect services other than the transfer of credit risk, including costs of underwriting or remarketing the Bonds or the cost of insurance for casualty of Bond financed property;

(iv) we are not co-obligors on the Bonds and do not reasonably expect that we will be called upon to make any payment under the Insurance Policy;

(v) the Issuer is not entitled to a refund for the Insurance Policy in the event that the Bonds are retired prior to their stated maturity;

(vi) we would not have issued the Insurance Policy in the absence of a debt service reserve fund of the size and type established by the documents pursuant to which the Bonds are being issued, and it is normal and customary to require a debt service reserve fund of such a size and type in similar transactions; and

(vii) we do not reasonably expect that the project will not be completed or that the Issuer will not satisfy the temporary period requirements of Treasury Regulation Section 1.148-2(e)(2).

DATED:

AMBAC INDEMNITY CORPORATION

By _____
Vice President and Assistant
General Counsel

AMBAC INDEMNITY CORPORATION WIRING INSTRUCTIONS
(REVISED - AS OF 8/2/93)

Citibank N.A.
ABA NO. 021000089
For: AMBAC Indemnity Corporation
A/C No. **40609486**
Advise: Ivan Greenfield (212) 208-3277

*** Please indicate Policy Number on wire ***

POLICY NUMBER CAN BE OBTAINED FROM AMBAC INDEMNITY'S CLOSING DEPARTMENT.

CALL JANINE FEUDI AT (212) 208-3301



Municipal Bond Insurance Policy

AMBAC Indemnity Corporation
c/o CT Corporation Systems
44 East Mifflin St., Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, NY 10004
Telephone: (212) 668-0340

Issuer: CITY OF PHILADELPHIA, PENNSYLVANIA

Policy Number: 9657BE

Bonds: \$41,135,000 Gas Works Revenue Bonds, Fifteenth Series, Subseries 1, dated January 1, 1994 and consisting of: \$35,925,000 in aggregate principal amount maturing on August 1 in the years 1995 through 2010, both inclusive; and \$5,210,000 in aggregate principal amount of Term Bonds maturing on August 1, 2015. The Trustee is Fidelity Bank, N.A., Philadelphia, Pennsylvania.

Premium: \$724,068.84

AMBAC Indemnity Corporation (AMBAC) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to the United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

AMBAC will make such payments to the Insurance Trustee within one (1) business day following notification to AMBAC of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, AMBAC shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's rights to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of AMBAC or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to AMBAC all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. AMBAC shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from AMBAC to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of AMBAC, nor against any risk other than Nonpayment.

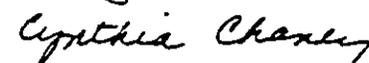
In witness whereof, AMBAC has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon AMBAC by virtue of the counter-signature of its duly authorized representative.


President




Secretary


Authorized Representative


Authorized Officer

Effective Date: January 27, 1994

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

CERTIFICATE OF BOND INSURER

In connection with the issuance of \$41,135,000 in aggregate principal amount of the City of Philadelphia, Pennsylvania (the "Issuer"), Gas Works Revenue Bonds, Fifteenth Series, Subseries 1, dated January 1, 1994 (the "Bonds"), AMBAC Indemnity Corporation ("AMBAC") is issuing a municipal bond insurance policy (the "Insurance Policy") guaranteeing the payment of principal and interest when due on the Bonds, all as more fully set out in the Insurance Policy.

On behalf of AMBAC, the undersigned hereby certifies that:

(i) the Insurance Policy is an unconditional and recourse obligation of AMBAC (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled payments of interest and principal on the Bonds in the event of a Nonpayment as defined in the Insurance Policy;

(ii) the insurance premium of \$724,068.84 was determined in arm's length negotiations in accordance with our standard procedures, is required to be paid as a condition to the issuance of the Insurance Policy and represents a reasonable charge for the transfer of credit risk;

(iii) no portion of such premium represents a payment for any direct or indirect services other than the transfer of credit risk, including costs of underwriting or remarketing the Bonds or the cost of insurance for casualty of Bond financed property;

(iv) we are not co-obligors on the Bonds and do not reasonably expect that we will be called upon to make any payment under the Insurance Policy;

(v) the Issuer is not entitled to a refund for the Insurance Policy in the event that the Bonds are retired prior to their stated maturity;

(vi) we would not have issued the Insurance Policy in the absence of a sinking fund reserve of the size and type established by the documents pursuant to which the Bonds are being issued, and it is normal and customary to require a sinking fund reserve of such a size and type in similar transactions; and

(vii) we do not reasonably expect that the project will not be completed or that the Issuer will not satisfy the temporary period requirements of Treasury Regulation Section 1.148-2(e)(2).

DATED: January 27, 1994

AMBAC INDEMNITY CORPORATION

By Kevin J. Doyle
Kevin J. Doyle
Vice President and Assistant
General Counsel



AMBAC Indemnity Corporation
One State Street Plaza
New York, New York 10004
(212) 608-0540 Fax: (212) 509-9190

January 27, 1994

City of Philadelphia, Pennsylvania
1650 Arch Street
Philadelphia, PA 19103

Public Financial Management, Inc.
2 Logan Street
Philadelphia, PA 19103

Drinker, Biddle & Reath
1100 Philadelphia National Bank Building
Broad & Chestnut Streets
Philadelphia, PA 19107

Frank Canty, Esq.
6104 Spruce Street
Philadelphia, PA 19139

Cohen, Shapiro, Polisher, Shiekman
and Cohen
12 South 12th Street
Philadelphia, PA 19107

Andre C. Dasent, P.C.
785 Bourse Building
21 South Fish Street
Philadelphia, PA 19106

Fidelity Bank, N.A.
123 South Broad Street
Philadelphia, PA 19109

PaineWebber Incorporated
1285 Avenue of the Americas
New York, NY 10019

Ladies and Gentlemen:

This opinion has been requested of the undersigned, a Vice President and an Assistant General Counsel of AMBAC Indemnity Corporation, a Wisconsin stock insurance company ("AMBAC Indemnity"), in connection with the issuance by AMBAC Indemnity of a certain Municipal Bond Insurance Policy, effective as of the date hereof (the "Policy"), insuring \$41,135,000 in aggregate principal amount of the City of Philadelphia, Pennsylvania (the "Issuer"), Gas Works Revenue Bonds, Fifteenth Series, Subseries 1, dated January 1, 1994 (the "Bonds").

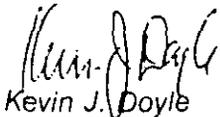
In connection with my opinion herein, I have examined the Policy, such statutes, documents and proceedings as I have considered necessary or appropriate in the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Official Statement of the Issuer dated January 20, 1994 relating to the Bonds (the "Official Statement") under the heading "BOND INSURANCE - Payment Pursuant to AMBAC Bond Insurance Policy and - AMBAC Indemnity Corporation" and "APPENDIX F - SPECIMEN COPY OF AMBAC MUNICIPAL BOND INSURANCE POLICY.

Based upon the foregoing and having regard to legal considerations I deem relevant, I am of the opinion that:

1. AMBAC Indemnity is a stock insurance company duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the Commonwealth of Pennsylvania.

2. *AMBAC Indemnity has full corporate power and authority to execute and deliver the Policy and the Policy has been duly authorized, executed and delivered by AMBAC Indemnity and constitutes a legal, valid and binding obligation of AMBAC Indemnity enforceable in accordance with its terms except to the extent that the enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.*
3. *The execution and delivery by AMBAC Indemnity of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Incorporation or By-Laws of AMBAC Indemnity, or any restriction contained in any contract, agreement or instrument to which AMBAC Indemnity is a party or by which it is bound or constitute a default under any of the foregoing.*
4. *Proceedings legally required for the issuance of the Policy have been taken by AMBAC Indemnity and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.*
5. *The statements contained in the Official Statement under the heading "BOND INSURANCE - Payment Pursuant to AMBAC Bond Insurance Policy and - AMBAC Indemnity Corporation", insofar as such statements constitute summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe AMBAC Indemnity, fairly and accurately describe AMBAC Indemnity.*
6. *The form of Policy contained in the Official Statement under the heading "APPENDIX F - SPECIMEN COPY OF AMBAC MUNICIPAL BOND INSURANCE POLICY" is a true and complete copy of the form of Policy.*

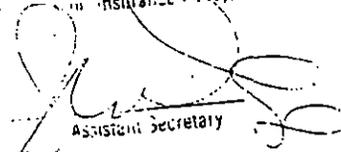
Very truly yours,



Kevin J. Doyle
Vice President and
Assistant General Counsel

KJD/kd

The undersigned hereby certifies that this document is a
true and correct copy of the original insurance policy.
Policy No. 965745
INDEMNITY CORPORATION



Assistant Secretary

Date Jan 21, 1994



MUNICIPAL BOND INSURANCE COMMITMENT

Issuer: City of Philadelphia, Pennsylvania

Bonds Insured: Not to Exceed \$70,255,000 in aggregate principal amount of Gas Works Revenue Bonds, Fifteenth Series consisting of \$36,255,000 in-principal amount maturing in 2004 and an additional principal amount upon approval of the characteristics and maturity thereof

Date of Commitment: January 17, 1994

Expiration Date: March 31, 1994*

Premium: 1.00% of total debt service on the Bonds Insured**

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security") hereby commits to issue its *Municipal Bond Insurance Policy* (the "*Policy*"), in the form attached hereto as Exhibit A, in respect of whole maturities of the above-described debt obligations (the "*Bonds*"), subject to the terms and conditions set forth in this Commitment or added hereto. All terms used herein and not otherwise defined shall have the meanings ascribed to them in the document setting forth the security for and authorizing the issuance of the Bonds (the "*Ordinance*").

To keep this Commitment in effect after the Expiration Date set forth above, a request for renewal must be submitted to Financial Security prior to such Expiration Date. Financial Security reserves the right to refuse wholly or in part to grant a renewal.

THE MUNICIPAL BOND INSURANCE POLICY SHALL BE ISSUED IF THE FOLLOWING CONDITIONS ARE SATISFIED:

1. The documents to be executed and delivered in connection with the issuance and sale of the Bonds shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading (other than information provided by Financial Security).

* Subject to written acceptance of this Commitment being returned to Financial Security by the earlier of the date on which the disclosure document relating to the Bonds (the "*Official Statement*") is circulated and January 25, 1994.

** The premium is payable to Financial Security in accordance with Condition 5(c) hereof.

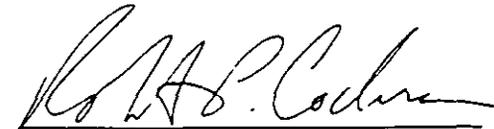
2. No event shall occur which would permit the underwriter, or if there is no underwriter, the purchaser, of the Bonds, otherwise required under the terms of the bond purchase agreement, not to be required to purchase the Bonds on the date scheduled for the issuance and delivery thereof.
3. There shall be no material change in or affecting the Bonds (including, without limitation, the security for the Bonds) or the financing documents relating to the Bonds including, but not limited to, the Ordinance (collectively the "Related Documents") or the Official Statement to be executed and delivered in connection with the issuance and sale of the Bonds or the transactions contemplated by the Related Documents (the "Transaction") from the descriptions or forms thereof approved by Financial Security.
4. The Bonds shall contain no reference to Financial Security, the Policy or the insurance evidenced thereby except as may be approved by Financial Security.
5. Financial Security shall be provided with:
 - (a) Executed copies of all Related Documents, the Official Statement and the various legal opinions delivered in connection with the issuance and sale of the Bonds (which shall be addressed to Financial Security), including, without limitation, the approving opinion of Cohen, Shapiro, Polisher, Shiekman and Cohen and Andre C. Dasent, P.C. or such other law firm as shall be acceptable to Financial Security ("Bond Counsel") which opinion shall include only such qualifications as shall be acceptable to Financial Security and shall include a statement to the effect that the interest on the Bonds is exempt from federal income taxation under the Internal Revenue Code of 1986 except for any alternative minimum tax which may be imposed upon interest on the Bonds.

Each of the Related Documents shall be in form and substance acceptable to Financial Security and shall include Financial Security's standard document requirements. Copies of all drafts of the Related Documents prepared subsequent to the date of the Commitment (blacklined to reflect all revisions from previously reviewed drafts) shall be furnished to Financial Security for review and approval. Final drafts of all Related Documents shall be provided to Financial Security at least three (3) business days prior to the date of issuance of the Policy (the "Closing Date"), unless Financial Security shall agree to some shorter period.

- (b) Opinions of Bond Counsel or such other counsel as shall be acceptable to Financial Security shall be provided to Financial Security (i) in form and substance acceptable to Financial Security, (ii) containing only such qualifications as shall be acceptable to Financial Security, and (iii) as to such matters as Financial Security shall deem necessary, including

Financial Security's standard opinion requirements. Each such opinion (other than underwriters' counsel's opinion to the underwriters) shall either be addressed to Financial Security or shall be accompanied by a letter from Bond Counsel or other approved counsel addressed to Financial Security to the effect that Financial Security may rely on such opinion as fully as if such opinion were addressed to Financial Security. Final drafts of opinions shall be provided to Financial Security at least three (3) business days prior to the date of issuance of the Policy (the "Closing Date"), unless Financial Security shall agree to some shorter period.

- (c) Evidence of wire transfer in federal funds of an amount equal to the insurance premium, unless alternative arrangements for the payment of such amount acceptable to Financial Security have been made prior to the delivery date of the Bonds. Standard & Poor's Corporation ("S&P") and Moody's Investors Service Inc. ("Moody's") will bill the Issuer separately for their respective fees relating to the Bonds Insured. The Issuer should make such payment directly to S&P and Moody's. Payment of such amounts is not a condition to release of the Policy by Financial Security.
6. The Bonds shall bear a Statement of Insurance in the form provided by Financial Security. BOND PROOFS SHALL HAVE BEEN APPROVED BY FINANCIAL SECURITY PRIOR TO PRINTING.
7. The preliminary and final official statements shall contain only such references to Financial Security or otherwise as Financial Security shall supply or approve. FINANCIAL SECURITY SHALL BE PROVIDED WITH FINAL DRAFTS OF BOTH THE PRELIMINARY AND FINAL OFFICIAL STATEMENTS FOR ITS SIGN OFF THEREON AT LEAST TWO BUSINESS DAYS PRIOR TO THE PRINTING THEREOF. FINANCIAL SECURITY SHALL BE PROVIDED WITH FIFTEEN PRINTED COPIES OF THE FINAL OFFICIAL STATEMENT.
8. The Issuer shall deliver a certificate in substantially the form attached hereto as Exhibit B.
9. The amortization schedule for, and final maturity date of, the Bonds shall be acceptable to Financial Security.
10. Promptly after the closing of the Bonds, Financial Security shall receive five completed sets of executed documents (one original and four photocopies), copies of which we will deliver to Moody's Investors Service and Standard & Poor's Corporation.


Authorized Officer

To keep this commitment in effect to the Expiration Date set forth on the first page, Financial Security must receive a duplicate of this Commitment executed by an appropriate officer of City of Philadelphia, Pennsylvania by the earlier of the date on which the Official Statement is circulated and January 25, 1994.

The undersigned agrees that if the Bonds shall have the benefit of credit enhancement provided by Financial Security, such credit enhancement shall be provided in accordance with the terms of this Commitment. The undersigned further acknowledges and agrees that execution of the respective Related Documents to which it is a party constitutes an express instruction by the undersigned to legal counsel to deliver to Financial Security the opinions required by paragraph 5 (such instruction and opinion delivery requirements being a condition precedent to Financial Security's obligation to issue the Policy hereunder).

Accepted as of _____, 1994 by City of Philadelphia, Pennsylvania.

BY: _____

TITLE: _____

word doc. City of Philadelphia, Pennsylvania (gas works)

UNDERWRITER'S CONSENT

The undersigned representative of PaineWebber Incorporated, representative of the underwriters with respect to City of Philadelphia, Pennsylvania Gas Works Revenue Bonds, Fifteenth Series (the "Bonds"), hereby agrees that if the Bonds shall have the benefit of credit enhancement provided by Financial Security Assurance Inc. such credit enhancement shall be provided in accordance with the terms and provisions of the Municipal Bond Insurance Commitment dated January 17, 1994 provided by Financial Security Assurance Inc. with respect to the FSA Insured Bonds.

PAINWEBBER INCORPORATED

By: _____

Title: _____

Dated: _____

EXHIBIT A



FINANCIAL
SECURITY
ASSURANCE.

MUNICIPAL BOND INSURANCE POLICY

ISSUER: _____

Policy No.: _____

Effective Date: _____

BONDS: _____

Premium: _____

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), 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 Financial Security, 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 Financial Security shall have received Notice of Nonpayment, Financial Security 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 Financial Security, 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 hereupon vest in Financial Security. 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 Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security 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, Financial Security 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 Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security 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 Financial Security 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 Financial Security 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.

Financial Security 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 Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security 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 Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security 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 Financial Security 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 Financial Security, 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 cancelled 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, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
50 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

EXHIBIT B

CERTIFICATE REQUIRED PURSUANT TO
THE MUNICIPAL BOND INSURANCE COMMITMENT

We, the undersigned, acting in our capacities as [Chief Executive Officer] and [Chief Financial Officer] [fill in appropriate titles], respectively, of City of Philadelphia, Pennsylvania (the "City"), do hereby certify to Financial Security Assurance Inc. ("Financial Security") that:

1. We have reviewed the Official Statement dated _____, 1994 (the "Official Statement") issued in connection with the sale of \$[principal amount] aggregate principal amount of the City of Philadelphia, Pennsylvania's Gas Works Revenue Bonds, Fifteenth Series (the "Bonds").
2. To the best of our knowledge, the information contained in the Official Statement (other than information provided by Financial Security) is true and correct, and the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances (which circumstances do not include the guarantee of principal of and interest on the Bonds by any financial guarantor) under which they were made, not misleading.
3. There are no facts known to us that the City has failed to disclose to Financial Security that, in our opinion, individually or in the aggregate, do or might materially adversely affect the operations, affairs, properties, conditions (financial or otherwise) or prospects of the City or the security for the Bonds.
4. No event has occurred and is continuing, or would result directly or indirectly from the issuance of the Bonds, which constitutes or would, with the giving of notice or lapse of time, or both, constitute a payment default or other event of default with respect to the Bonds when issued.
5. No material adverse change has occurred since January 17, 1994, the date of the Municipal Bond Insurance Commitment delivered by Financial Security, which would
 - (A) affect the security for the Bonds;
 - (B) cause any of the documentation or information previously submitted to Financial Security by or on behalf of the City to be untrue or misleading; or
 - (C) give cause to allow underwriter, or if there is no underwriter, the purchaser, of the Bonds, otherwise required under the terms of the bond purchase agreement, not to be required to purchase the Bonds (notwithstanding the fact that such event might be waived by the purchaser or underwriter).

IN WITNESS WHEREOF, we have reviewed, executed and delivered this Certificate on this __ day of [Closing Date].

[Name]
[Chief Executive Officer]

[Name]
[Chief Financial Officer]

Refunding Requirements

The defeasance of the Refunded Bonds shall be accomplished by the deposit solely of cash or direct non-callable obligations of the United States of America ("Direct Obligations") unless otherwise approved by Financial Security. The document providing for the establishment and maintenance of the escrow to provide such defeasance (the "Escrow Deposit Agreement") shall permit (A) substitution of Direct Obligations for other Direct Obligations solely upon the receipt by the escrow trustee/agent of (i) a new verification of the sufficiency of the escrowed securities (assuming such substitution has been made) to provide for the payment of the Refunded Bonds in accordance with the terms of the Escrow Deposit Agreement and (ii) an opinion of bond counsel to the effect that such substitution shall not affect the tax-exempt status of interest on the Refunded Bonds or the Bonds Insured and (B) reinvestment of a Direct Obligation only as contemplated by the Original Verification (as defined below) or upon the delivery of a new verification as described in (i) above.

In the event a forward purchase agreement ("FPC") will be employed in the refunding, such agreement shall be subject to the approval of Financial Security and shall be accompanied by opinions of counsel as required by Financial Security. Financial Security shall provide its requirements for FPCs upon request.

Modification of the Escrow Deposit Agreement shall not be permitted unless Financial Security or the holders of all of the Refunded Bonds consent to such modification.

At least three business days prior to the proposed date for delivery of the Policy, Financial Security shall receive for its review and approval (i) the verification, of which Financial Security shall be an addressee, by an independent firm of certified public accountants which is either nationally recognized or otherwise acceptable to Financial Security, of the accuracy of the mathematical computation of the adequacy of the escrow established to provide for the payment of the Refunded Bonds in accordance with the terms and provisions of the Escrow Deposit Agreement (the "Original Verification"), (ii) copies of the subscription forms for the purchase and issue of U.S. Treasury Securities - State and Local Government Series which have been stamped as received by the Federal Reserve Bank, (iii) the form of an opinion of Bond Counsel addressed to Financial Security (or a reliance letter relating thereto) to the effect that, upon the making of the required deposit to the escrow, the legal defeasance of the Refunded Bonds shall have occurred and (iv) the form of an opinion of Bond Counsel addressed to Financial Security (or a reliance letter relating thereto) to the effect that the Escrow Deposit Agreement is a valid and binding obligation of the parties thereto enforceable in accordance with its terms. An executed copy of such opinion and reliance letter, if applicable, shall be forwarded to Financial Security together with the opinion requested by Condition 5(a) hereof.

OPINION REQUIREMENTS

1. Financial Security shall be provided with opinions of Bond Counsel or such other counsel as shall be acceptable to Financial Security (i) in form and substance acceptable to Financial Security, (ii) containing only such qualifications as shall be acceptable to Financial Security, and (iii) addressed to Financial Security, to the effect that:
 - (a) each of the Related Documents is a legal, valid and binding obligation of the parties thereto, has been duly authorized, executed and delivered and is enforceable in accordance with its terms,
 - (b) there does not exist any action, suit, proceeding or investigation pending, or to the best of such counsel's knowledge, threatened which if adversely determined, could (i) materially adversely affect (w) the ability of the Issuer to perform its obligations under the Related Documents, (x) the security for the Bonds, or (y) the transactions contemplated by the Related Documents or (ii) impair the ability of the Issuer to maintain and operate the Gas Works,
 - (c) the Bonds are "special revenue bonds" as defined in the Bankruptcy Code,
 - (d) the Bondholders enjoy a first lien upon and security interest in the Ordinance funds and accounts (other than any rebate funds) and all investment earnings thereon and the Project Revenues (the "Trust Estate"), all documents and financing statements in the form necessary to perfect such interests have been duly recorded or filed in all appropriate offices and no further or subsequent recording or filing is necessary (other than continuation statements) to preserve, perfect or maintain such interests and such security interests have been perfected in accordance with State law [Note: if the U.C.C. does not apply, an opinion should be rendered, in lieu of the financing statement and perfection opinion above, to the effect that the U.C.C. does not apply to this lien on the Trust Estate and all actions have been taken as required under State law to insure the priority, validity and enforceability of the lien on the Trust Estate],
 - (e) under the laws of the State Financial Security is not precluded pursuant to any sovereign immunity laws or similar laws from bringing proceedings to enforce the Issuer's obligations under the Related Documents, and
 - (f) upon the making of the required deposit to the escrow, the legal defeasance of the Refunded Bonds shall have occurred and the lien on the Pledged Revenues shall have been discharged.

2. Financial Security shall be provided with an opinion of underwriter's counsel (addressed solely to the underwriters) to the effect that, as of the date of issuance of the Policy ("Closing Date"), nothing has come to their attention which would cause them to believe that the final Official Statement (excluding information provided by Financial Security), as of its date and the Closing Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Such opinion shall include only such qualifications as shall be acceptable to Financial Security.

STATEMENT OF INSURANCE

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

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MATERIALS FOR OFFICIAL STATEMENT

[Please note that any changes made to the following language for inclusion in the Official Statement must first be approved by Financial Security]

To be printed on the cover of Official Statement:

The scheduled payment of principal of and interest on the Bonds maturing _____ when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC.

(Printer's Note: Use Logo Attached and Ink #PMS 287)

Printer's Note:

The paragraph below should be printed in bold face with all caps and placed on the table of contents page.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the captions "FSA Bond Insurance Policy" and "Financial Security Assurance Inc." herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

NOTE: The "Ratings" section should reflect the fact that the ratings are based on the issuance of the Policy by Financial Security.

(Disclosure Language For Official Statement)

FSA Bond Insurance Policy

Concurrently with the issuance of the Fifteenth Series Bonds maturing _____ (the "FSA Insured Bonds"), Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the FSA Insured Bonds (the "FSA Policy"). The FSA Policy unconditionally guarantees the payment of that portion of the principal of and interest on the FSA Insured Bonds that has become due for payment, but shall be unpaid by reason of nonpayment by the City. On the later of the day on which such principal and interest is due or on the business day next following the business day on which Financial Security shall have received notice by telephone or telecopy, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner of FSA Insured Bonds, the Trustee or the Paying Agent (as defined in the FSA Policy), of the nonpayment of such amount by the City, Financial Security will disburse such amount due on any FSA Insured Bonds to the Trustee or the Paying Agent, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, in either case upon receipt by Financial Security in form reasonably satisfactory to it of (a) evidence of the Owner's right to receive payment of the principal and interest that is due for payment and (b) evidence, including any appropriate instruments of assignment, that all of such Owner's rights to payment of such principal and interest shall be vested in Financial Security. The term "nonpayment" in respect of an FSA Insured Bond includes any payment of principal or interest that is insured by Financial Security made to an Owner of an FSA Insured Bond that 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.

The FSA Policy is non-cancelable and the premium will be fully paid at the time of delivery of the FSA Insured Bonds. The FSA Policy covers failure to pay principal of the FSA Insured Bonds on their respective stated maturity dates, or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the FSA Insured Bonds may have been called for redemption, acceleration or other advancement of maturity, unless Financial Security shall elect, in its sole discretion, to pay such principal due upon acceleration together with any interest accrued to the date of acceleration, and covers the failure to pay an installment of interest on the stated date for its payment. Payment by Financial Security of principal due upon acceleration and interest accrued to the accelerated maturity date (to the extent unpaid by the City) shall fully discharge Financial Security's obligations under the FSA Policy.

EXHIBIT C
Page C-3

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of the FSA 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, (i) copies of all notices required to be delivered to Financial Security pursuant to the FSA Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (ii) all payments required to be made by Financial Security under the FSA Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security.

The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to Owners of the FSA Insured Bonds for any acts of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under the FSA Policy.

Under the FSA Policy, Financial Security will, to the extent permitted by applicable law, waive, only for the benefit of the Owners of FSA Insured Bonds, all rights and defenses that might otherwise have been available to Financial Security to avoid payment of its obligations under the FSA Policy in accordance with its terms.

THE FSA POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

Financial Security Assurance Inc.

Financial Security is a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"), which in turn is approximately 92.5% owned by U S WEST Capital Corporation ("U S WEST") and 7.5% owned by The Tokio Marine and Fire Insurance Co., Ltd. ("Tokio Marine"). U S WEST is a subsidiary of U S WEST, Inc., which operates businesses involved in communications, data solutions, marketing services and capital assets, including the provision of telephone services in 14 states in the Western and midWestern United States. Tokio Marine is a major Japanese property and casualty insurance company. No shareholder of Holdings is obligated to pay any debt of Financial Security or any claim under any insurance FSA Policy issued by Financial Security or to make any additional contribution to the capital of Financial Security. U S WEST has announced its intention to dispose of its interest in Holdings as part of its strategic plan to withdraw from businesses not directly involved in telecommunications. U S WEST has stated that it intends to accomplish such disposition in a manner that will maximize the value of its investment in Holdings. Holdings has filed with the Securities and Exchange Commission a registration statement on Form S-1 contemplating an initial public offering of Holdings' common shares by U S WEST, reducing U S WEST's ownership interest in Holdings below 50%.

Affirmation of the triple-A ratings of the claims-paying ability of Financial Security is a condition to the closing of the public offering. In anticipation of such public offering, in December 1993, Financial Security completed a restructuring transaction which significantly reduced Financial Security's risk of loss from certain commercial real estate transactions insured by Financial Security.

Financial Security is domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of September 30, 1993, the total FSA Policyholders' surplus and contingency reserves and the total unearned premium reserve, respectively, of Financial Security and its consolidated subsidiaries were, in accordance with statutory accounting principles, approximately \$510,262,000 and \$239,639,000 (\$438,651,000 and \$221,939,000, respectively, giving effect to the restructuring of Financial Security completed on December 23, 1993) and the total qualified capital and the total unearned premium reserve, respectively, of Financial Security and its consolidated subsidiaries were, in accordance with generally accepted accounting principles, approximately \$585,935,000 and \$216,434,000 (\$505,087,000 and \$198,734,000, respectively, giving effect to such restructuring). Copies of Financial Security's financial statements may be obtained by writing to Financial Security at 350 Park Avenue, New York, New York 10022, Attention: Communications Department. Financial Security's telephone number is (212) 826-0100.

Financial Security's claims-paying ability is rated "Aaa" by Moody's Investors Service, Inc. and "AAA" by Standard & Poor's Corporation. Such ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by such rating agencies.

The FSA Policy does not protect investors against changes in market value of the FSA Insured Bonds. The market value of the FSA Insured Bonds may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes.

Financial Security makes no representation regarding the FSA Insured Bonds or the advisability of investing in the FSA Insured Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the City the information presented under this caption for inclusion in the Official Statement.

Ordinance Requirements

The Ordinance shall incorporate the following requirements either in one section or article entitled "Provisions Relating to Bond Insurance" (or the like), the provisions of which section or article shall be stated in the Ordinance to govern, notwithstanding anything to the contrary set forth in the Ordinance, or individually in the appropriate sections. References herein to Bonds mean the Bonds insured by Financial Security.

- (a) A definition of "FSA Bond Insurance Policy" shall read as follows: "the municipal bond insurance Policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds maturing _____ (the "FSA Insured Bonds")".
- (b) A definition of "Bond Insurer or "Financial Security" shall read as follows: "Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto".
- (c) In the event the maturity of the Bonds insured by it is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued or accreted, as applicable, on such principal to the date of acceleration (to the extent unpaid by the issuer) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the FSA Policy shall be fully discharged.
- (d) The Bond Insurer shall be deemed to be the sole holder of the Bonds insured by it 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 Bonds insured by it are entitled to take pursuant to defaults and remedies.
- (e) The Ordinance shall grant to Financial Security all rights, in respect of the FSA Insured Bonds, granted to other insurers of the City's Gas Works Bonds in respect of Bonds insured by such insurers.
- (f) In the event holders of Bonds insured by the Bond Insurer shall consent to any modification to the Ordinance the Bond Insurer's consent shall also be required to effectuate such insured Bondholders' consent. In such circumstance Bond Insurer consent shall not be taken into consideration in determining whether the required percentage of Bondholders' consent has been obtained.

- (g) No provision of the Ordinance expressly recognizing or granting rights in or to the Bond Insurer shall be modified without the consent of the Bond Insurer.
- (h) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the FSA Bond Insurance Policy.
- (i) The rights granted to the Bond Insurer under the Ordinance to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the FSA Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondholders nor does such action evidence any position of the Bond Insurer, positive or negative, as to whether Bondholder consent is required in addition to consent of the Bond Insurer.
- (j) Amounts paid by the Bond Insurer under the FSA Bond Insurance Policy shall not be deemed paid for purposes of the Ordinance and shall remain Outstanding and continue to be due and owing until paid by the Issuer 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.
- (k) The notice address of the Bond Insurer is: Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022-6022, Attention: Managing Director - Surveillance.
- (l) The Bond Insurer shall be included as a third party beneficiary to the Ordinance.
- (m) The Bond Insurer shall be provided with the following information:
 - (i) Annual audited financial statements within 120 days after the end of the Issuer's fiscal year and the Issuer's annual budget within 30 days after the approval thereof;
 - (ii) upon delivery of the annual audited financial statements of the Issuer, a certificate of the chief financial officer of the Issuer stating that, to the best of such individual's knowledge following reasonable inquiry, no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) has occurred, or if an Event of Default has

occurred, specifying the nature thereof and, if the Issuer has a right to cure pursuant to Section __, stating in reasonable detail the steps, if any, being taken by the Issuer to cure such Event of Default;

- (iii) Official statement, if any, prepared in connection with the issuance of additional debt of the Issuer, whether or not it is on a parity with the insured issue, within 30 days after the bond sale;
- (iv) Notice of any draw upon, or deficiency due to market fluctuation in the amount on deposit in, the Sinking Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Sinking Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;
- (v) Notice of any failure of the Issuer to make any required deposit into debt service funds within two Business Days of knowledge thereof; notice of any other default known to the Trustee within five Business Days after knowledge thereof;
- (vi) Notice of the redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;
- (vii) Notice of the resignation or removal of the Trustee, Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;
- (viii) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Ordinance;
- (ix) All reports, notices and correspondence to be delivered under the terms of the Ordinance; and
- (x) Such additional information as Financial Security from time to time may reasonably request.

(n) The Ordinance shall contain the following provisions:

Claims Upon the FSA Bond Insurance Policy and Payments by and to the Bond Insurer.

(A) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date or the date to which Bond maturity has been accelerated ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under this Ordinance, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall make a claim under the FSA Bond Insurance Policy and give notice to the Bond Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Bond Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day.

(B) The Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "FSA Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the FSA Bond Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the FSA Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof 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. However, the amount of any payment of principal of or interest on the Bonds to be paid from the FSA Policy Payments Account shall be noted as provided in (D) below.

Funds held in the FSA Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee.

In the event the Bonds are subject to mandatory sinking fund redemption, upon receipt of the moneys due, affected Bondholders shall surrender their Bonds to the Trustee who shall authenticate and deliver to such Bondholder a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered, and upon maturity or other advancement of maturity and receipt of the moneys due, Bondholders shall surrender their Bonds for cancellation. The Trustee shall designate any portion of payment of principal on Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Bond Insurer.

- (C) Any funds remaining in the FSA Policy Payments Account following a Payment Date shall promptly be remitted to the Bond Insurer.
- (D) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the FSA Policy Payments Account and the allocation of such funds to payment of interest on and principal paid in respect of any Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Trustee.
- (E) Subject to and conditioned upon payment of any interest or principal with respect to the Bonds by or on behalf of the Bond Insurer, each Bondholder, by its purchase of Bonds, hereby assigns to the Bond Insurer, but only to the extent of all payments made by the Bond Insurer, all rights to the payment of interest or principal on the Bonds, including, without limitation, any amounts due to the Bondholders in respect of securities law violations arising from the offer and sale of the Bonds, which are then due for payment. The Bond Insurer may exercise any option, vote, right, power or the like with respect to Bonds to the extent it has made a principal payment pursuant to the FSA Bond Insurance Policy. The foregoing assignment is in addition to, and not in

limitation of, rights of subrogation otherwise available to the Bond Insurer in respect of such payments. The Trustee shall take such action and deliver such instruments as may be reasonably requested or required by the Bond Insurer to effectuate the purpose or provisions of this clause (E). —

- (F) The Trustee shall promptly notify the Bond Insurer of either of the following as to which it has actual knowledge: (i) the commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") and (ii) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer (a "Preference Claim") of any payment of principal of, or interest on, the Bonds.

Each Bondholder, by its purchase of Bonds, hereby agrees that the Bond Insurer may at any time during the continuation of an Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including, without limitation, (i) all matters relating to any Preference Claim, (ii) the direction of any appeal of any order relating to any Preference Claim and (iii) the posting of any surety, supersedeas or performance bond pending any such appeal. In addition, and without limitation of the foregoing, the Bond Insurer shall be subrogated to the rights of the Trustee and each Bondholder in any Insolvency Proceeding to the extent it is subrogated pursuant to the Bond Insurance FSA Policy, including, without limitation, any rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Insolvency Proceeding.

- (G) The Bond Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the FSA Bond Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with this Ordinance, whether or not the Bond Insurer has received a Notice (as defined in the FSA Bond Insurance Policy) of Nonpayment or a claim upon the FSA Bond Insurance Policy.

**PROCEDURES FOR PREMIUM PAYMENT TO
FINANCIAL SECURITY ASSURANCE INC.**

Financial Security's issuance of its municipal bond insurance policy at bond closing is contingent upon payment and receipt of the premium. **NO POLICY MAY BE RELEASED UNTIL PAYMENT OF SUCH AMOUNT HAS BEEN CONFIRMED.** Set forth below are the procedures to be followed for confirming the amount of the premium to be paid and for paying such amount:

Confirmation of Amount to be Paid: **Upon determination of the final debt service schedule, fax such schedule to Financial Security Attention: MUNICIPAL DEPARTMENT
Phone No. (212) 826-0100
Fax No. (212) 688-3101**

Confirm with the individual in our underwriting department that you are in agreement with respect to par and premium on the transaction prior to the closing date.

Payment Date: Date of Delivery of the insured bonds.

Method of Payment: Wire transfer of Federal Funds.

Wire Transfer Instructions: Bank: Morgan Guaranty Trust Company of New York
ABA#: 021000238
Acct. Name: Financial Security Assurance Inc.
Account No.: 000-33-345

CONFIRMATION OF PREMIUM

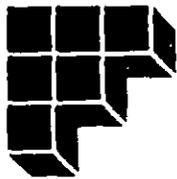
Financial Security will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated on the closing date to Lillie Cadlett (212) 339-3537.



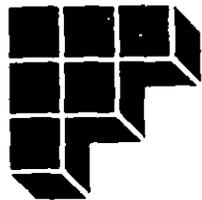
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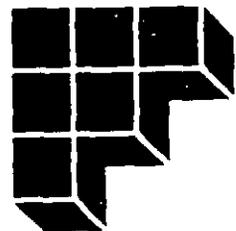
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**CERTIFICATE REQUIRED PURSUANT TO
FSA MUNICIPAL BOND INSURANCE COMMITMENT**

We, the undersigned, acting in our capacities as Director of Finance of City of Philadelphia, Pennsylvania (the "City") and Chief Financial Officer of the Philadelphia Gas Works ("PGW"), do hereby certify to Financial Security Assurance Inc. ("Financial Security") that:

1. We have reviewed the Official Statement dated January 20, 1994 (the "Official Statement") issued in connection with the sale of \$183,880,000 aggregate principal amount of the City of Philadelphia, Pennsylvania's Gas Works Revenue Bonds, Fifteenth Series (the "Bonds").

2. To the best of our knowledge, the information contained in the Official Statement (other than information provided by Financial Security or the other bond insurers) is true and correct, and the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances (which circumstances do not include the guarantee of principal of and interest on the Bonds by any financial guarantor) under which they were made, not misleading.

3. There are no facts known to us that the City or PGW has failed to disclose to Financial Security that, in our opinion, individually or in the aggregate, do or might materially adversely affect the operations, affairs, properties, conditions (financial or otherwise) or prospects of the City or PGW or the security for the Bonds.

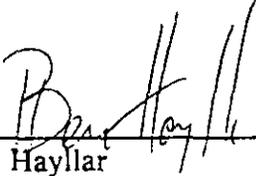
4. No event has occurred and is continuing, or would result directly or indirectly from the issuance of the Bonds, which constitutes or would, with the giving of notice or lapse of time, or both, constitute a payment default or other event of default with respect to the Bonds when issued.

5. No material adverse change has occurred since January 17, 1994, the date of the *Municipal Bond Insurance Commitment* delivered by Financial Security, which would

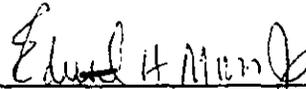
- (A) affect the security for the Bonds;
- (B) cause any of the documentation or information previously submitted to Financial Security by or on behalf of the City or PGW to be untrue or misleading; or
- (C) give cause to allow underwriter, or if there is no underwriter, the purchaser, of the Bonds, otherwise required under the terms of the bond purchase agreement, not to be required to purchase the Bonds

(notwithstanding the fact that such event might be waived by the purchaser or underwriter).

IN WITNESS WHEREOF, we have reviewed, executed and delivered this Certificate on this 27th day of January, 1994.



Ben Hayllar
Director of Finance
City of Philadelphia



Edward H. Morris, Jr.
Chief Financial Officer
Philadelphia Gas Works



FINANCIAL
SECURITY
ASSURANCE

MUNICIPAL BOND INSURANCE POLICY

ISSUER: City of Philadelphia, Pennsylvania

Policy No.: 20408-N

BONDS: \$34,800,000 in aggregate principal amount of
Gas Works Revenue Bonds, Fifteenth Series, Subseries 3
maturing on August 1 in the years 2021 and 2024

Effective Date: January 27, 1994

Premium: \$843,316.50

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), 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 Financial Security, 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 Financial Security shall have received Notice of Nonpayment, Financial Security 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 Financial Security, 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 Financial Security. 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 Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security 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, Financial Security 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 Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security 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 Financial Security 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 Financial Security 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.

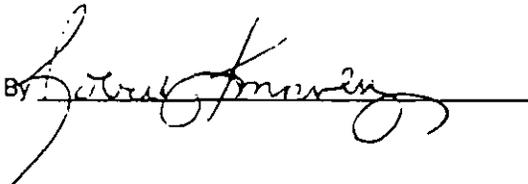
Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security 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 Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security 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 Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

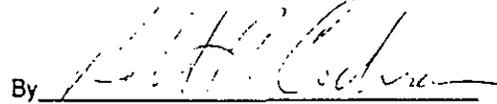
This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect 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 cancelled 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, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

Countersignature

By 

FINANCIAL SECURITY ASSURANCE INC.

By 
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

CERTIFICATE AS TO OFFICIAL STATEMENT

The undersigned hereby certifies that she is authorized to execute and deliver this Certificate and further represents on behalf of Financial Security Assurance Inc. ("Financial Security"), as issuer of a municipal bond insurance policy (the "Policy") with respect to the City of Philadelphia, Pennsylvania Gas Works Revenue Bonds, Fifteenth Series, Subseries 3 maturing on August 1 in the years 2021 and 2024 (the "Bonds") that the information set forth under the caption "Financial Security Assurance Inc." in the Official Statement relating to the Bonds dated January 20, 1994 is true and correct.

FINANCIAL SECURITY ASSURANCE INC.

By: *Auzanne M. Sturtevant*
Managing Director

Dated: January 27, 1994

FINANCIAL SECURITY ASSURANCE INC
350 PARK AVENUE
NEW YORK, NEW YORK 10022
212 826 0100
FAX 212 688 3101



**FINANCIAL
SECURITY
ASSURANCE**

A US WEST COMPANY

January 27, 1994

Policy No. 20408-N
With Respect to
\$34,800,000 In Aggregate Principal Amount of
City of Philadelphia, Pennsylvania
Gas Works Revenue Bonds, Fifteenth Series,
Subseries 3 maturing on August 1 in the years 2021 and 2024

Dear Sirs:

I am Associate General Counsel of Financial Security Assurance Inc., a New York stock insurance company ("Financial Security"). You have requested my opinion in such capacity as to the matters set forth below in connection with the issuance by Financial Security of its municipal bond insurance policy no. 20408-N (the "Policy") with respect to the above-referenced securities (the "Bonds").

In that regard, and for purposes of this opinion, I have examined such corporate records, documents and proceedings as I have deemed necessary and appropriate.

Based upon the foregoing, I am of the opinion that:

1. Financial Security is a stock insurance company duly organized and validly existing under the laws of the State of New York and authorized to transact financial guaranty insurance business therein.
2. The Policy has been duly authorized, executed and delivered by Financial Security.
3. The Policy constitutes the valid and binding obligation of Financial Security, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy or insolvency of Financial Security and to the application of general principles of equity.

In addition, please be advised that I have reviewed the description of the Policy under the caption "FSA Bond Insurance Policy" in the official statement relating to the Bonds dated January 20, 1994 (the "Official Statement"). The information provided in the Official Statement with respect to the Policy is limited and does not purport to provide the scope of disclosure required to be included in a prospectus with respect to a registrant under the Securities Act of 1933, as amended, in connection with a public offering and sale of securities of such registrant. Within such limited scope of disclosure, however, there has not come to my attention any information which would cause me to believe that the description of the Policy referred to above, as of the date of the Official Statement or as of the date of this opinion, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Please be advised that I express no opinion with respect to any information contained in, referred to or omitted from under the caption "Financial Security Assurance Inc."

This opinion is being delivered for your benefit for the purposes hereinabove stated, and no other person shall be entitled to rely on this opinion without our express prior written consent or for any other purpose. This opinion is limited to the matters stated herein, and no other opinion is implied or may be inferred beyond the matters expressly stated herein. I am a member of the Bar of the State of New York, and do not express any opinion as to any law other than the laws of the State of New York and the Federal laws of the United States of America.

Very truly yours,



Constance A. Begeller
Associate General Counsel

City of Philadelphia,
1650 Arch Street, Room 1760,
Philadelphia, Pennsylvania 19103.

PaineWebber Incorporated,
as Representative of the several Underwriters,
1285 Avenue of the Americas,
New York, New York 10019.



REVISED AS OF JANUARY 21, 1994
COMMITMENT TO ISSUE A
FINANCIAL GUARANTY INSURANCE POLICY

Application No.: 93-12-3670
Sale Date: January 20, 1994
Program Type: Negotiated DP

Re: \$59,875,000 City of Philadelphia, Pennsylvania, Gas Works Revenue Bonds, Fifteenth Series 1993 (Insured Maturities Due August 1, 1996 through August 1, 2005) (the "Obligations")

This commitment to issue a financial guaranty insurance policy (the "Commitment") dated January 21, 1994, constitutes an agreement between PHILADELPHIA GAS WORKS the ("Applicant") and MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated December 22, 1993, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of an payment for the Obligations, a financial guaranty insurance policy (the "Policy") for the Obligations, insuring the payment of principal of and interest on the Obligations when due. The issuance of the Policy shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Obligations, the following payments:

a. a nonrefundable premium in the amount of \$539,000 [.700% (premium rate) of \$77,023,732.53 (total debt service less accrued interest), premium rounded to the nearest thousand]. The premium set out in this paragraph shall be the total premium required to be paid on the Policy issued pursuant to this Commitment;

b. Standard & Poor's Ratings Group rating agency fees in an amount to be billed directly by Standard & Poor's Ratings Group, based on the final par and other factors as determined by Standard & Poor's Ratings Group; and

c. Moody's Investors Service rating agency fees in an amount to be billed directly by Moody's Investors Service, based on the final par and other factors as determined by Moody's Investors Service.

2. The Obligations shall have received the unqualified opinion of bond counsel with respect to the tax-exempt status of interest on the Obligations.

3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.

4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the application or subsequently submitted to be a part of the application to the Insurer.

5. No event shall have occurred which would allow any underwriter or any other purchaser of the Obligations not to be required to purchase the Obligations at closing.

6. All documents executed in connection with the issuance of the Obligations shall contain a provision which requires copies of any amendments to such documents consented to by the Insurer to be sent to Standard & Poor's.

7. A Statement of Insurance satisfactory to the Insurer shall be printed on the Obligations.

8. Prior to the delivery of and payment for the Obligations, none of the information or documents submitted as a part of the application to the Insurer shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.

9. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations.

10. This Commitment may be signed in counterpart by the parties hereto.

11. Compliance with Insurer's Standard Refunding Conditions - see attached.

12. No Extension of MBIA's insured par past 2005.

13. No increase in MBIA's total debt service exposure.

Dated this 21st day of January, 1994.

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION

By *Randall M. Cole*
Assistant Secretary

PHILADELPHIA GAS WORKS

By: _____
Title: _____

SPECIAL CONDITIONS FOR REFUNDINGS

A. Receipt by the Insurer of the final debt service schedule on the issue within three business days from the sale date.

B. Receipt, satisfactory review and subsequent oral approval by the Insurer at least ten days in advance of closing of draft copies of:

1. a verification by an independent CPA firm of the sufficiency of the escrow to timely retire the refunded bonds;

2. the escrow securities purchase contracts of SLG subscription forms or open market confirmations; and,

3. the escrow agreement

Final and signed copies of all the above documents to be sent via overnight mail from closing.

An independent CPA firm is defined as a licensed CPA firm acting at arms length of the transaction on behalf of the bondholders. It may not be the underwriter, bond counsel or financial adviser for the refunding issue. The firm must carry errors and omissions insurance. The Insurer reserves the right to review the provider of the verification on a deal by deal basis.

C. Receipt by the Insurer at least five business days prior to closing of a draft opinion from Bond Counsel (or Special Tax Counsel) to the effect that the refunding bonds are being issued in compliance with state law and that the interest on the refunding bonds is tax-exempt.

D. Receipt by the Insurer at least five business days prior to closing of a draft opinion from Bond Counsel stating that the refunded bonds have been legally defeased. (This condition is only applicable in those situations where the refunding issue is legally defeasing the refunded issue.) Final executed copies of items C and D to be sent via overnight mail.

E. If the escrow agreement allows for the substitution of securities in the escrow account, then it should be provided in the escrow agreement that no such substitution may occur unless there has first been delivered to the escrow agent/trustee, (1) a CPA verification that the escrow investments, as substituted, are sufficient to pay debt service, as it becomes due, on the refunded bonds and (2) an opinion of nationally recognized bond counsel to the effect that the substitution is permitted under the documents and the substitution has no adverse effect on the tax-exempt nature of the refunding bonds. See 2 above for the definition of an independent CPA.

F. Escrow investments must be limited to:

1. Cash

2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series -- "SLGS").

3. Direct obligations of the Treasury which have been stripped by the Treasury itself. CATS, TIGRS and similar securities.

4. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

5. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

6. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

- a. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
- b. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
- c. Federal Financing Bank
- d. General Services Administration
Participation certificates
- e. U.S. Maritime Administration
Guaranteed Title XI financing
- f. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

G. If a forward supply contract is being executed in conjunction with the refunding (or subsequent to the closing of the refunding transaction), the following conditions must also be met:

1 The Insurer must review and approve the forward supply contract at least five business days prior to closing (or after closing, at least five business days prior to execution if not contemplated at the time of closing).

2 The forward supply contract must provide by its terms that the securities delivered under the forward supply are sufficient (when taken with other funds remaining in the escrow) as to amount and timeliness to retire the refunded bonds.

3 The Insurer requires an opinion from a nationally recognized bankruptcy counsel that the securities in escrow and payments to owners of refunded bonds will not constitute assets of the fsc supplier and will not be subject to automatic stay in the event of bankruptcy and/or insolvency of the supplier.

**Municipal Bond Investors
Assurance Corporation**

113 King Street
Armonk, NY 10504
914 273 4545

January 27, 1994

City of Philadelphia, Pennsylvania
1650 Arch Street, Room 1760
Philadelphia, Pennsylvania

PaineWebber Incorporated
1285 Avenue of the Americas, 10th Floor
New York, New York 10019

\$59,875,000
City of Philadelphia, Pennsylvania
Gas Works Revenue Bonds, Fifteenth Series
(Subseries 2)

(Insured Maturities due August 1, 1996 through August 1, 2005)

Ladies and Gentlemen:

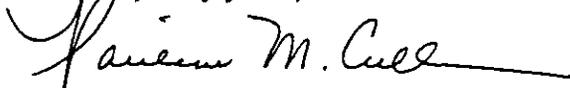
I am Assistant General Counsel of the Municipal Bond Investors Assurance Corporation, a New York corporation (the "Corporation"), and have acted as counsel to the Corporation in connection with the issuance of Financial Guaranty Insurance Policy No. 15240 (the "Policy") relating to \$59,875,000 City of Philadelphia, Pennsylvania Gas Works Revenue Bonds, Fifteenth Series, (Subseries 2), (Insured Maturities due August 1, 1996 through August 1, 2005).

In so acting, I have examined a copy of the Policy and such other relevant documents as I have deemed necessary.

Based upon the foregoing, I am of the following opinion:

1. The Corporation is a stock insurance corporation, duly incorporated and validly existing under the laws of the State of New York and is licensed and authorized to issue the Policy under the laws of the State of New York and the State of Pennsylvania.
2. The Policy has been duly executed and is a valid and binding obligation of the Corporation enforceable in accordance with its terms except that the enforcement of the Policy may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,



Pauline M. Cullen
Assistant General Counsel

MBIA

MBIA

**COMMITMENT TO ISSUE A
FINANCIAL GUARANTY INSURANCE POLICY**

Application No.: 93-12-3670

Sale Date: ~~January~~, 1994

Program Type:

Negotiated DP

Re: \$68,000,000 (Est) City of Philadelphia, Pennsylvania, Gas Works Revenue Bonds, Fifteenth Series 1993 (the "Obligations")

This commitment to issue a financial guaranty insurance policy (the "Commitment") dated January 6, 1994, constitutes an agreement between PHILADELPHIA GAS WORKS the ("Applicant") and MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated December 22, 1993, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of an payment for the Obligations, a financial guaranty insurance policy (the "Policy") for the Obligations, insuring the payment of principal of and interest on the Obligations when due. The issuance of the Policy shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Obligations, the following payments:

a. a nonrefundable premium in the amount of .700% of total debt service, premium rounded to the nearest thousand. The premium set out in this paragraph shall be the total premium required to be paid on the Policy issued pursuant to this Commitment;

b. Standard & Poor's Ratings Group rating agency fees in an amount to be billed directly by Standard & Poor's Ratings Group, based on the final par and other factors as determined by Standard & Poor's Ratings Group; and

c. Moody's Investors Service rating agency fees in an amount to be billed directly by Moody's Investors Service, based on the final par and other factors as determined by Moody's Investors Service.

2. The Obligations shall have received the unqualified opinion of bond counsel with respect to the tax-exempt status of interest on the Obligations.

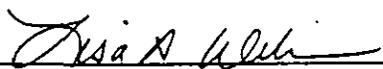
3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.

4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the application or subsequently submitted to be a part of the application to the Insurer.

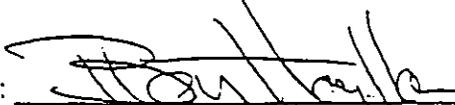
5. No event shall have occurred which would allow any underwriter or any other purchaser of the Obligations not to be required to purchase the Obligations at closing.
6. All documents executed in connection with the issuance of the Obligations shall contain a provision which requires copies of any amendments to such documents consented to by the Insurer to be sent to Standard & Poor's.
7. A Statement of Insurance satisfactory to the Insurer shall be printed on the Obligations.
8. Prior to the delivery of and payment for the Obligations, none of the information or documents submitted as a part of the application to the Insurer shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.
9. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations.
10. This Commitment may be signed in counterpart by the parties hereto.
11. Compliance with Insurer's Standard Refunding Conditions - see attached.
12. No Extension of MBIA's insured par past 2005.
13. No increase in MBIA's total debt service exposure.

Dated this 6th day of January, 1994.

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION

By 
Assistant Secretary

CITY OF
PHILADELPHIA GAS WORKS 

By: 
Title: DIRECTOR OF FINANCE

SPECIAL CONDITIONS FOR REFUNDINGS

A. Receipt by the Insurer of the final debt service schedule on the issue within three business days from the sale date.

B. Receipt, satisfactory review and subsequent oral approval by the Insurer at least ten days in advance of closing of draft copies of:

1. a verification by an independent CPA firm of the sufficiency of the escrow to timely retire the refunded bonds;

2. the escrow securities purchase contracts of SLG subscription forms or open market confirmations; and,

3. the escrow agreement

Final and signed copies of all the above documents to be sent via overnight mail from closing.

An independent CPA firm is defined as a licensed CPA firm acting at arms length of the transaction on behalf of the bondholders. It may not be the underwriter, bond counsel or financial adviser for the refunding issue. The firm must carry errors and omissions insurance. The Insurer reserves the right to review the provider of the verification on a deal by deal basis.

C. Receipt by the Insurer at least five business days prior to closing of a draft opinion from Bond Counsel (or Special Tax Counsel) to the effect that the refunding bonds are being issued in compliance with state law and that the interest on the refunding bonds is tax-exempt.

D. Receipt by the Insurer at least five business days prior to closing of a draft opinion from Bond Counsel stating that the refunded bonds have been legally defeased. (This condition is only applicable in those situations where the refunding issue is legally defeasing the refunded issue.) Final executed copies of items C and D to be sent via overnight mail.

E. If the escrow agreement allows for the substitution of securities in the escrow account, then it should be provided in the escrow agreement that no such substitution may occur unless there has first been delivered to the escrow agent/trustee, (1) a CPA verification that the escrow investments, as substituted, are sufficient to pay debt service, as it becomes due, on the refunded bonds and (2) an opinion of nationally recognized bond counsel to the effect that the substitution is permitted under the documents and the substitution has no adverse effect on the tax-exempt nature of the refunding bonds. See 2 above for the definition of an independent CPA.

F. Escrow investments must be limited to:

1. Cash

2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series -- "SLGS").

3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.

4. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

5. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

6. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

a. U.S. Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership

b. Farmers Home Administration (FmHA)

Certificates of beneficial ownership

c. Federal Financing Bank

d. General Services Administration

Participation certificates

e. U.S. Maritime Administration

Guaranteed Title XI financing

f. U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

G. If a forward supply contract is being executed in conjunction with the refunding (or subsequent to the closing of the refunding transaction), the following conditions must also be met:

1 The Insurer must review and approve the forward supply contract at least five business days prior to closing (or after closing, at least five business days prior to execution if not contemplated at the time of closing).

2 The forward supply contract must provide by its terms that the securities delivered under the forward supply are sufficient (when taken with other funds remaining in the escrow) as to amount and timeliness to retire the refunded bonds.

3 The Insurer requires an opinion from a nationally recognized bankruptcy counsel that the securities in escrow and payments to owners of refunded bonds will not constitute assets of the fsc supplier and will not be subject to automatic stay in the event of bankruptcy and/or insolvency of the supplier.

4. The supplier of the securities delivered under the forward supply contract must affirm in the contract that it has no rights to or interest in the monies or securities held in the escrow.
5. The escrow agent must be acceptable to the Insurer. The Insurer reserves the right to replace the escrow agent for cause.
6. See 6 above for investments permitted under the forward supply contract.
7. The supplier should have no right to substitute the original escrow securities. The supplier may substitute securities previously delivered by the supplier under the forward supply contract only if:
 - a. The substituted securities mature on a date that is later than the previously delivered securities would have matured; and
 - b. The substituted securities mature prior to the date needed to pay principal and/or interest on the bonds.
8. Two days before each delivery date for the forward supply securities, the escrow agent must notify the Insurer in writing of the securities to be delivered, the maturity amount of the securities and the maturity date.
9. The forward supply contract cannot be amended or modified without the Insurer's written consent.

5/6/93

THE MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION INSURANCE POLICY

The following information has been furnished by Municipal Bond Investors Assurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix ___ for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against the Insurer. The Insurer is a limited liability corporation rather than a several liability association. The Insurer is domiciled in the State of New York and licensed to do business in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico.

As of December 31, 1992, the Insurer had admitted assets of \$2.6 billion (audited), total liabilities of \$1.7 billion (audited), and total capital and surplus of \$896 million (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 1993 the Insurer had admitted assets of \$3.0 billion (unaudited), total liabilities of \$2.0 billion (unaudited), and total capital and surplus of \$951 million (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. Copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available from the Insurer. The address of the Insurer is 113 King Street, Armonk, New York 10504.

Moody's Investors Service rates all bond issues insured by the Insurer "Aaa" and short term loans "MIG 1," both designated to be of the highest quality.

Standard & Poor's Ratings Group, a division of McGraw Hill ("Standard & Poor's"), rates all new issues insured by the Insurer "AAA" Prime Grade.

The Moody's Investors Service rating of the Insurer should be evaluated independently of the Standard & Poor's rating of the Insurer. No application has been made to any other rating agency in order to obtain additional ratings on the Bonds. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of either or both ratings may have an adverse effect on the market price of the Bonds.

STATEMENT OF INSURANCE

The Municipal Bond Investors Assurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at [INSERT NAME OF TRUSTEE OR PAYING AGENT, INCLUDING CITY, STATE].

The Insurer, in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF TRUSTEE OR PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean: [INSERT LEGAL TITLE OF BONDS, CENTERED AS FOLLOWS:]

[\$ PAR AMOUNT]
[ISSUER]
[DESCRIPTION OF BONDS]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION

PAYMENTS UNDER THE POLICY

A. In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Obligations, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Obligations due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

B. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

C. In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Obligation to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

D. The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Obligations as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Obligations, the Paying Agent shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

2. If and to the extent of a deficiency in amounts required to pay principal of the Obligations, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Obligation surrendered to the Insurance Paying agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

E. Payments with respect to claims for interest on and principal of Obligations disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Obligations, and the Insurer shall become the owner of such unpaid Obligation and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

F. Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent hereby agree for the benefit of the Insurer that:

1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Obligations, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in this Indenture and the Obligations; and

2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Obligation, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Obligations to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

G. In connection with the issuance of additional Obligations, the Issuer shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Obligations.

H. Copies of any amendments made to the documents executed in connection with the issuance of the Obligations which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

1. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

J. The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Issuer's audited financial statements and Annual Budget.

Notices: Any notice that is required to be given to a holder of the Obligation or to the Paying Agent pursuant to the Indenture shall also be provided to the Insurer. All notices required to be given to the Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to Municipal Bond Investors Assurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

FINANCIAL GUARANTY INSURANCE POLICY

Municipal Bond Investors Assurance Corporation

Armonk, New York 10504

Policy No. [NUMBER]

Municipal Bond Investors Assurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR], but this policy shall not be valid unless countersigned by an authorized resident licensed agent of the Insurer.

**MUNICIPAL BOND INVESTORS
ASSURANCE CORPORATION**

COUNTERSIGNED:

Resident Licensed Agent

President

City, State

Attest:

Assistant Secretary

STD-RMS-PA-5
1/1/84