

The following are summaries of certain provisions of The First Class City Revenue Bond Act (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, as amended (the "General Ordinance") which authorize the issuance of Gas Works Revenue Bonds generally and the Fourteenth Supplemental Gas Works Bond Ordinance (the "Fourteenth Supplemental Ordinance") which authorizes the issuance of the Fourteenth Series Bonds. The summaries are not, and should not be regarded as complete statements of the provisions of this legislation or of the portions thereof summarized. Reference is made to the Act, the General Ordinance and the Fourteenth Supplemental Ordinance, copies of which are available from the Office of the Director of Finance, 13th Floor, 1600 Arch Street, Philadelphia, Pennsylvania 19102, for the complete terms and provisions thereof. Certain terms used in this summary are defined below. Other terms used herein are defined in the Act, the General Ordinance and the Fourteenth Supplemental Ordinance and, unless otherwise stated, shall have the meanings set forth therein.

THE FIRST CLASS CITY REVENUE BOND ACT

(Act 234 of the General Assembly of the Commonwealth)
approved October 18, 1972, P.L. 955; 53 P.S. §§15901-24)

General Authorization; Definitions; Bonds to be Special Obligations

The Act is intended to provide a comprehensive authorization to the City of Philadelphia (the "City") and any other Pennsylvania city of the first class to issue revenue bonds ("Bonds") to finance various types of projects and to issue Bonds to refund previously issued Bonds and certain other bonds, as more fully described herein under "Refunding."

"Project" is defined to include, *inter alia*, any building, structure, facility or improvement of a public nature, the related land and rights or leasehold estates therein and the related furnishings, machinery, apparatus or equipment of a capital nature, which the City is authorized to own, construct, acquire, improve, lease, operate, maintain or support; any item of construction, acquisition or extraordinary maintenance or repair thereof; the City's share of the cost of any of the foregoing undertaken jointly with others; and any combination of the foregoing or any undivided portion of the cost of any of the foregoing as may be designated a "project" by the City for financing purposes and in respect of which the City may reasonably be expected to receive Project Revenues.

"Project Revenues" mean, in respect of a Project, all rents, rates, tolls or charges imposed or charged for the use or product of, or services generated from the Project to the ultimate users or customers thereof, all payments under bulk contracts with municipalities, government instrumentalities or other bulk users, all subsidies or payments payable by federal, state or local governments or governmental agencies on account of the cost of operation of the Project, or the payment of the principal of or interest on moneys borrowed to finance the cost of the Project, and may include reasonable estimates of all interest on and profits from investment of moneys derived from the foregoing.

Bonds issued under the Act are required to be payable solely from Project Revenues and to be secured solely by such revenues and by any reserve funds which may be created or funded in connection with the Bonds. The Bonds are not permitted to pledge the credit or taxing power of the City, to create a debt or charge against the tax or general revenues of the City, or to create a lien against any City property other than the Project Revenues pledged therefor and the reserve funds established in respect of the Bonds. The amount of the Bonds does not constitute a debt of the City, and is excluded from the calculation of the City's debt-incurring capacity under the Pennsylvania Constitution.

Estimate of Future Revenues

In order to establish that Project Revenues will be sufficient to amortize all Bonds outstanding, the Act requires a finding to be made in the ordinance authorizing the issuance of the Bonds that the pledged Project Revenues will be sufficient to pay any prior parity charges on such pledged Project Revenues and the principal of and interest on the Bonds. This finding is to be based on a report of the chief fiscal officer of the City filed with the City Council and supported by appropriate schedules and summaries. The report of the chief

fiscal officer of the City may be based on the final report of the head of the department or agency of the City having jurisdiction over the project or on a certificate of registered engineers engaged by the City to compile relevant data.

For the purpose of estimating future Project Revenues, the Act provides that only the following shall be included: (i) those rents, rates, tolls or charges to the general public which, under existing authorizations, are or will be in effect and will be reasonably collectible during the fiscal year under the rate schedule which is or will be in effect during such fiscal year, or which may be imposed by administrative action without future legislation; (ii) those bulk payments which may be imposed under existing legislation or which are provided under existing agreements or are the subject of an expression of intent by the prospective obligor deemed reliable by the chief fiscal officer of the City; and (iii) those governmental subsidies or payments which, under existing legislation, are subject to reasonably precise calculation and, unless stated in such legislation or authorization to be of an annual or more frequently recurring nature, are payable in such year.

Details of Bonds and City Covenants

The Act provides that the ordinance authorizing the issuance of the Bonds shall fix the amount of Bonds to be issued and determine, or designate officers of the City to determine, the form and details of the Bonds. Subject to applicable constitutional provisions, the City may include in its bond ordinance various covenants with bondholders, including covenants governing the imposition, collection and disbursement of Project Revenues, project operation and maintenance, the establishment, segregation, maintenance, custody, investment and disbursement of sinking funds and reserves, the issuance of additional priority or parity Bonds, the redemption of Bonds and such other provisions as the City deems necessary or desirable in the interest of or for the protection of the City or of such bondholders. Under the Act, such covenants, terms and provisions of the bond ordinance constitute contractual obligations of the City subject to modification, with such limitations as may be specified in the bond ordinance, by agreement with a majority in interest of the bondholders or such larger portion thereof as may be provided in the bond ordinance.

Sinking Fund

The Act requires that the bond ordinance shall provide for the establishment and maintenance of a sinking fund or shall designate a previously established fund for the payment of the principal of and interest on the Bonds. Payment into such sinking fund shall be made in annual or more frequent installments and shall be sufficient to pay or accumulate for payment all principal of and interest on the Bonds for which the sinking fund is established as and when the same shall become due and payable. The sinking fund shall be managed by the chief fiscal officer of the City and moneys therein, to the extent not currently required, shall be invested, subject to limitations established by the bond ordinance and the Act. Interest and profits from investment of moneys in the sinking fund shall be added to such fund and may be applied in reduction of or to complete required deposits to the sinking fund. Excess moneys in the sinking fund shall be repaid to the City for its general purposes or as otherwise provided in the bond ordinance. All moneys deposited in the sinking fund, including the Sinking Fund Reserve established by the General Ordinance, are subject to a perfected security interest for the Bonds for which the fund is established until properly disbursed.

Refunding

Bonds from time to time outstanding under the Act or other bonds issued for purposes for which Bonds are issuable under the Act, whether issued before or after the effective date of the Act, may be refunded by Bonds issued under the Act and are subject to the same protections and provisions required for the issuance of an original issue of Bonds. Bonds will no longer be deemed to be outstanding obligations when the City shall have deposited with a bank, bank and trust company or trust company funds represented by demand deposits, interest-bearing time accounts, savings deposits, certificates of deposit (insured or secured as public funds) or specified obligations of the United States or of the Commonwealth of Pennsylvania, the principal and interest of which are sufficient to effect, and are irrevocably pledged to, the redemption or payment of such Bonds and, in the case of redemption, notice of such redemption or irrevocable instructions to give such notice shall have been duly given.

Validity of Proceedings: Suits and Limitations Thereon

Prior to the delivery of any Bonds, the City must file with the Court of Common Pleas a transcript of the proceedings authorizing issuance of the Bonds. If no action asserting the invalidity of such proceedings, or of the Bonds, is brought on or before the twentieth day following the date of recording of the transcript, the validity of the proceedings, the City's right to issue the Bonds, the lawful nature of the purpose for which the Bonds are issued, and the validity and enforceability of the Bonds in accordance with their terms may not thereafter be inquired into judicially, in equity, at law, or by civil or criminal proceedings, or otherwise, either directly or collaterally, except where a constitutional question is involved.

Exemption from State Taxation

The Commonwealth pledges with the holders from time to time of Bonds issued under the Act that such Bonds, their 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 does not extend to underwriting profits or to gift, succession or inheritance taxes or any other taxes not levied directly on the Bonds, the receipt of income therefrom or the realization of gains on the sale thereof.

Defaults and Remedies

If the City should fail to pay the principal of or interest on any Bond when the same shall be due and payable, the remedy provisions of the Act permit the holder of such Bond, subject to the limitations described below, to recover the amount due in an action in Philadelphia Common Pleas Court. However, a judgment rendered in favor of the bondholder in such an action is collectible only from Project Revenues. The holders of 25% in aggregate principal amount of Bonds which are in default, whether because of failure of timely payment which is not cured within 30 days or failure of the City to comply with any other provisions of the Bonds or any bond ordinance, may appoint a trustee to represent them. On being appointed, the trustee shall be the exclusive representative for the affected bondholders. The trustee may and, upon written request of the holders of 25% in aggregate principal amount of such Bonds, and on being furnished with indemnity satisfactory to it, shall take one or more of the following actions which, if taken, shall preclude similar action, whether previously or subsequently initiated by individual holders of Bonds: enforce, by proceedings at law or in equity, all rights of the holders of Bonds; bring suit on the Bonds; bring suit in equity to require the City to make an accounting for all pledged Project Revenues received and to enjoin unlawful action or action in violation of the holders' rights; and, after 30 days' written notice to the City, declare the unpaid principal of the Bonds to be immediately due and payable, together with interest thereon at the rates stated in the Bonds until final payment, and, upon the curing of all defaults, to annul such declaration. The court, in extreme cases of hardship, may provide for the payment of sums levied in five or less annual installments with interest at a rate sufficient to cover the interest accruing on the Bonds. In any suit, action or proceeding by or on behalf of holders of defaulted Bonds, trustee fees and expenses, including operating costs of a Project and reasonable counsel fees and all such costs and disbursements allowed by the Court, shall be deemed additional principal due on the Bonds and shall be paid in full from any recovery prior to any distribution to the holders of the Bonds. The General Ordinance limits any such recovery to Project Revenues. The trustee shall make distribution of any sums so collected in accordance with the Act.

Refunding With General Obligation Bonds

Upon certification by the City's chief fiscal officer that Project Revenues for the payment of Bonds have become insufficient to meet the requirements of the ordinance or ordinances under which the Bonds were issued, the City Council is empowered, but not required, subject to applicable Pennsylvania constitutional debt limitation, to authorize the issuance and sale of general obligation refunding bonds of the City without limitation as to rate of interest, in such principal amount (subject to the aforesaid limitations on indebtedness) as may be required, together with other available funds, to pay and redeem such Bonds, together with interest to the redemption date and redemption premium, if any.

THE GENERAL ORDINANCE

Ordinance of City Council approved May 30, 1975 - Bill No. 1871 (the "General Ordinance"), as amended by Ordinance of City Council approved July 26, 1979 - Bill No. 2068, Ordinance of City Council approved July 31, 1980 - Bill No. 274, Ordinance of City Council approved September 22, 1982 - Bill No. 1316, and Ordinance of City Council approved May 17, 1985 - Bill No. 534. Pursuant to the authorization contained in the Act, the City has adopted the General Ordinance. The City has made a pledge of, and has granted a security interest in all Project Revenues and all accounts, contract rights and general intangibles representing Project Revenues for the security and payment of all Bonds issued under the General Ordinance.

Definitions

"City Charges" are defined to be the proportionate charges for services performed for the Gas Works 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 the base payments to the City contained in the agreement between the City and the manager of the Gas Works and all other payments made to the City from Project Revenues.

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

"Net Operating Expenses" are defined to be Operating Expenses exclusive of City Charges.

"Operating Expenses" are defined to be 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 including, without limitation, the manager's fee, salaries and wages, purchases of services by contract, costs of materials, supplies and expendable equipment, maintenance costs, costs of any property or the replacement thereof or for any work or capital 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 claims, refunds and uncollectible receivables and for City Charges, all in accordance with generally acceptable municipal accounting principles consistently applied, but shall exclude depreciation and interest and sinking fund charges.

"Project Revenues" are defined to include 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 Project Revenues (as such term is defined in the Act) derived from the Gas Works, and all accounts, contract rights and general intangibles representing the Project Revenues.

Additional Bonds

Bonds may be issued in one or more series as the City may from time to time determine by supplemental ordinance (a "Supplemental Ordinance"). The General Ordinance provides for the method of setting the details and terms of the Bonds authorized by such Supplemental Ordinance. The General Ordinance sets forth the manner of making payment of principal, interest and premium, the requirements governing such payment, the rules regarding registration, transfer and exchange of Bonds, and general provisions governing redemption and the effect thereof. The General Ordinance authorizes the issuance of definitive and temporary Bonds, provides for the execution of the Bonds and provides for the issuance of Bonds to replace mutilated, destroyed, lost or stolen Bonds.

Purposes For Which Bonds May Be Issued, Conditions of Issuance- Engineering Report

Bonds may be issued to (1) pay the cost of projects related to the Gas Works, (2) reimburse any City fund from which such costs shall have been paid or advanced, (3) fund any such cost for which the City shall have outstanding bond anticipation notes or other obligations, (4) refund any Bonds of the City issued for the foregoing purposes under the Act, or (5) refund any general obligation bonds of the City issued for the foregoing purposes. However, the City covenants that it will not issue Bonds to provide funds to refund general obligation bonds or notes issued prior January 1, 1974.

The City covenants that so long as any Bonds shall remain outstanding, no Bonds will be issued unless the financial report of the City's chief fiscal officer, required by the Act to be filed with the City Council in connection with such issuance, 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 magnitude and scope of the Gas Works and a favorable reputation for competence in such field. The report must contain a statement that the engineers have made an investigation of the physical properties and of the books and records of the Gas Works.

On the basis of such investigation, the engineering report must contain the same matters, statements and opinions as are required to be contained in the report of the chief fiscal officer to the City Council, namely: (1) a brief description of the project or projects for which the Bonds are to be issued; (2) statement identifying the sources from which the pledged Project Revenues are to be derived; (3) a statement that, on the basis of actual and estimated future annual financial operations of the Project from which the pledged Project Revenues are to be derived, the Project will, in the opinion of the engineers, yield pledged Project Revenues over the amortization period of such Bonds sufficient to meet the payment or deposit requirements of operating expenses, reserve requirements, debt service of all Bonds outstanding for which Project Revenues are pledged and surplus requirements fixed by the General Ordinance, or the Supplemental Ordinance authorizing the issuance of any series of Bonds, and (4) that the revenues upon which the preceding statements are based comply with the definition of "Project Revenues" contained in the Act. The General Ordinance also requires that the engineering report state that the pledged Project Revenues are currently and will be sufficient to comply with the Rate Covenant and that the Gas Works are in good operating condition or that adequate steps are being taken to make them so.

Prior to the issuance of the Bonds, a transcript of the proceedings authorizing the issuance of the Bonds shall also be filed with the Fiscal Agent, together with a copy of the engineering report.

Security

The Bonds are and will be equally and ratably secured by a pledge of and a security interest in all Project Revenues and the Sinking Fund, including the Sinking Fund Reserve.

Priority in Application of Project Revenues

Prior to default, the General Ordinance establishes the following priorities in the application of Project Revenues during each fiscal year:

First: to Net Operating Expenses;

Second: to required payments into the Sinking Fund to pay the principal of and interest on all Bonds issued under the General Ordinance and to accumulate, or to restore any deficiency in the Sinking Fund Reserve;

Third: to the payment of general obligation bonds, which haven adjudged to be self-liquidating on the basis of expected revenues from the Gas Works;

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 the principal of and interest on the Gas Works Notes and any amounts owed to the issuer of the Credit Facility established with respect to the Gas Works Notes; and

Sixth: to the payment of City Charges including the Base Payment (currently \$18,000,000) and the payment of rentals under the Lease (described under the caption, "ADDITIONAL DEBT" on a parity basis after the payments listed in items First through Fifth above.

The balance of the Project Revenues in any fiscal year may, upon the approval of the Gas Commission, be paid to the City, provided that in a given fiscal year the balance so paid does not exceed the amount of earnings on the Sinking Fund Reserve transferred and paid to PGW's operating funds during the same fiscal year. The General Ordinance does not require the segregation of revenues upon their collection prior to default. Ordinances adopted by the City in 1983 and 1988 allow the issuance of Gas Works Revenue Notes secured by Project Revenues, payment of which Notes shall be subordinated to the payments listed in clauses First through Fourth above.

Rate Covenant

The City covenants that it has authorized the imposition of rates and charges by the Gas Commission sufficient to comply with the Rate Covenant in the General Ordinance, and that it will not repeal or materially adversely dilute such authorization.

The Rate Covenant requires the City, at a minimum, to impose, charge and collect in each Fiscal Year such gas rates and charges as shall, together with all other Project Revenues 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 the principal of and interest on all Bonds issued and outstanding under the General Ordinance which will become due and payable during such Fiscal Year; and

(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.

Additional Covenants

The City further covenants: that it will pay or cause to be paid from the Project Revenues the principal of, premium, if any, and interest on all Bonds as the same shall become due and payable; that it will continuously maintain in good condition and operate the Gas Works; and that it will not, in any Fiscal Year, pay from 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 to or concurrently with such payment, it shall satisfy all Sinking Fund requirements on Bonds outstanding under the General Ordinance for such Fiscal Year.

Report Requirements

The City shall file with the Fiscal Agent not later than 120 days after the close of each Fiscal Year a report of the operation of the Gas Works, including specified financial data, showing compliance with the Rate Covenant and accompanied by a certificate of the manager of the Gas Works that the Gas Works are in good operating condition and a certificate of the Director of Finance that, as of the date of such report, the City has complied with all covenants and requirements of the General Ordinance and Supplemental Ordinances. Copies of such report will be available to bondholders and may be inspected and copied at all reasonable times by bondholders or their representatives.

General Obligation Bonds - Junior Lien Revenue Bonds

The City reserves the right to finance Gas Works Projects by issuing general obligation bonds or revenue bonds, under authorization other than the General Ordinance and Supplemental Ordinances, for the payment of which Project Revenues may be pledged, provided that such pledge is subject and subordinate to the prior payments in each Fiscal Year of all Sinking Fund requirements of all Bonds issued under the General Ordinance.

Sinking Fund and Sinking Fund Reserve

A Gas Works Revenue Bond Sinking Fund is established for the benefit of all Bonds issued under the General Ordinance which shall be held in an account separate and apart from all other accounts of the City. On or before each interest and principal payment date for the Bonds, the Director of Finance shall deposit in the Sinking Fund from Project Revenues the amount sufficient, together with interest and profits on investments held therein, to pay the principal of and interest on the Bonds due and payable on such interest or principal payment date. The General Ordinance authorizes the appointment, in accordance with legal procedures, of one or more banks to act as Fiscal Agent and/or paying agent for all Bonds or for any series of Bonds issued thereunder and reserves to the City the right to appoint other or additional banks from time to time. The Fiscal Agent for any particular series will act as registrar and Sinking Fund Depository for that series. The moneys in the Sinking Fund are required to be secured, and invested and reinvested under management of the Director of Finance.

The Sinking Fund Reserve is established as a separate account in the Sinking Fund and is to be held by the Sinking Fund Depository. The Sinking Fund Reserve shall be funded from either (i) the proceeds of each series of Bonds in an amount equal to the maximum amount required in any fiscal year to pay the debt service on the Bonds of such series becoming due and payable in such fiscal year or (ii) the accumulation of Project Revenues over a period of not more than six fiscal years.

The moneys and investments (valued at market) in the Sinking Fund Reserve shall be 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 under the General Ordinance; provided, however, that the Supplemental Ordinance authorizing the issuance of any such series may provide for the funding of such amount from Project Revenues over a period of not more than six Fiscal Years after the issuance and delivery of such Bonds. If at any time the moneys in the Sinking Fund, other than in the Sinking Fund Reserve, are insufficient to pay when due the principal of (and premium, if any) or interest on any Bond or Bonds, the Sinking Fund Depository shall withdraw from the Sinking Fund Reserve and pay 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 covenants to restore such deficiency by daily deposits of at least 50% of Project Revenues.

Transfer of Income on Sinking Fund Reserve

The General Ordinance provides that all interest and income earned on moneys held in the Sinking Fund Reserve may, to the extent not required to comply with the requirements of the General Ordinance relating to the Sinking Fund Reserve, be transferred to the operating funds of the Gas Works to be applied as Project Revenues in accordance with the terms of the General Ordinance. To the extent that in any Fiscal Year a balance remains in the Project Revenues, such balance, upon approval of the Gas Commission, may be paid

to the City, provided that in a given Fiscal Year such balance does not exceed the amount of Sinking Fund Reserve Earnings transferred to the operating funds during the same Fiscal Year.

Remedies; Limitations on Liabilities of City

In addition to the remedies provided by the Act, 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 the General Ordinance or if, for any reason, moneys in the Sinking Fund shall be insufficient to pay debt service on any Bonds, the City shall, immediately and without notice, deposit on a daily basis 50% of all Project Revenues, or such greater percentage thereof as the Director of Finance shall determine, in the Sinking Fund, so long as the default or deficiency shall continue. The General Ordinance provides that all remedies are enforceable only against pledged Project Revenues and investments thereof, and that no decree or judgment against the City on action brought under the provisions of the General Ordinance shall order, or be construed to permit, the occupation, attachment, seizure or sale upon execution of any other property of the City.

Amendments

The General Ordinance and any Supplemental Ordinance may be amended without the consent of any bondholders to cure ambiguities, formal defects or omissions, or to grant to bondholders or any trustee therefor additional rights, remedies, powers or security, to comply with mandatory provisions of state or federal law or with permissive provisions of such law which do not substantially impair the security or right to payment of bondholders. The General Ordinance may be amended in such other respects as may be authorized by 67% in principal amount of the holders of Bonds outstanding and affected, but no alteration of the amount, rate or time of payment, respectively, of the principal thereof or the interest thereon or of the redemption provisions may be made without the consent of the holders of all Bonds outstanding and affected.

Amendments Not Affecting Outstanding Bonds

The General Ordinance or any part thereof may be amended and the foregoing covenants (including the Rate Covenant) may be rescinded, amended or supplemented by further covenants and agreements, from time to time by Supplemental Ordinance, but no such amendments or further provisions, terms, covenants or agreements contained in a Supplemental Ordinance, other than those permitted by and adopted pursuant to 8.01 of the General Ordinance governing amendments generally, which shall be inconsistent with, or would impair a prior covenant in, the General 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 force compliance with, such prior provisions or covenants, shall provide written consent. Any other amendments not listed above may be authorized in writing by the holders of 67% in principal amount of the bonds outstanding and affected.

THE FOURTEENTH SUPPLEMENTAL ORDINANCE

(Ordinance of City Council approved January 28, 1993,
Bill No. 379)

The Fourteenth Supplemental Ordinance authorizes the Mayor, City Controller and City Solicitor (the "Bond Committee"), or a majority of them, to sell, in one or more series, Gas Works Revenue Bonds in the maximum aggregate principal amount of \$400,000,000 provided that such aggregate principal amount may be increased to reflect sales of such Fourteenth Series Bonds at discounts which are in lieu of periodic interest, so long as the aggregate gross proceeds to the City from the sale of such Fourteenth Series Bonds do not exceed \$400,000,000 and authorizes a majority of the Bond Committee to establish the terms and provisions of such Fourteenth Series Bonds.

The Fourteenth Supplemental Ordinance states that the Fourteenth Series Bonds are to be issued for any or all of the following purposes: (i) acquiring and constructing the capital improvements included in the capital program of PGW as from time to time included in the capital budgets of PGW, as approved by City Council; (ii) refunding of all or a portion of certain series of the City's outstanding Gas Works Revenue

Fourteenth Series Bonds, as designated by the City's Director of Finance; (iii) paying the costs of issuing the Fourteenth Series Bonds, and making any required deposit 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 of Project Costs.

Based on the report of the Director of Finance filed with City Council pursuant to the Act, the Fourteenth Supplemental Ordinance determines that the pledged Project Revenues (as defined in the General Ordinance) will be sufficient to comply with the Rate Covenant contained in the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in their order of priority as set forth in the General Ordinance.

The City covenants in the Fourteenth Supplemental Ordinance that the proceeds of the Fourteenth Series Bonds applicable to the refunding of the Refunded 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 PGW.

The City covenants in the Fourteenth Supplemental Ordinance that the proceeds of the sale of the Fourteenth Series Bonds which remain available for payment of costs of capital improvements shall be deposited in, held in and disbursed from one or more unsegregated accounts of PGW 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 PGW purposes.

The City covenants in the Fourteenth Supplemental Ordinance that, so long as any Fourteenth Series Bonds issued thereunder remain unpaid, it shall make payments or cause payments to be made out of the Sinking Fund created under the General Ordinance at such times and in such amounts as shall be sufficient to pay interest on and principal of any Fourteenth Series Bonds when due.

It authorizes the Director of Finance and any member of the Bond Committee to make such covenants as may be necessary or advisable to insure that the Fourteenth Series Bonds issued thereunder will not be "arbitrage bonds" as defined in the Internal Revenue Code of 1986, as amended, and in order to otherwise effect or maintain the exclusion of interest on the Fourteenth Series Bonds from gross income for federal income tax purposes.

The Fourteenth Supplemental Ordinance authorizes the City to accumulate from Project Revenues over a period of not more than six Fiscal Years from the date or dates of issuance and delivery of the Fourteenth Series Bonds issued thereunder the amount required to be deposited in the Sinking Fund Reserve in respect thereof.

The Fourteenth Supplemental Ordinance amends the General Ordinance by authorizing the issuance of Fourteenth Series Bonds in book-entry (uncertificated) form and authorizes the designation of a securities depository for each series of Fourteenth Series Bonds issued in book-entry form.

The Fourteenth Supplemental Ordinance amends the General Ordinance by providing that if 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 that any such notice shall be of no effect and such redemption shall not occur unless such moneys are so deposited.

The Fourteenth Supplemental Ordinance amends the General Ordinance by authorizing the sale of Option Rights with respect to one or more series of Bonds. An Option Right is the right to call Bonds of a series for mandatory tender for purchase. Any sale of Option Rights will transfer to the purchaser thereof, all or a designated part of the City's right during an identified period of time 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.

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APPENDIX D

Certain Information
Concerning the City of Philadelphia

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APPENDIX D

CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA

BACKGROUND

The Government of Philadelphia

The City of Philadelphia (the "City") was founded in 1682. In 1854, the City and County of Philadelphia were merged. There are two principal governmental entities in Philadelphia: (1) the City, which performs not only the ordinary municipal functions but also all of the traditional county functions; and (2) the School District, having boundaries coterminous with the City, which has responsibility for all public education activities. The court system in Philadelphia, consisting of Common Pleas, Municipal and Traffic Courts, is part of the Commonwealth Judicial System. Although judges are paid by the Commonwealth, all other court costs are paid by the City, with partial reimbursement from the Commonwealth.

The City is governed largely under the Home Rule Charter, which provides for the election, organization, powers and duties of the legislative branch (the "City Council"); the power and duties of the executive and administrative branch; and fiscal and budgetary matters, contracts, procurement, property and records. The School District is governed largely under the 1965 Educational Supplement to the Home Rule Charter. It has no independent taxing powers and may levy only the taxes authorized on its behalf by the City and the Commonwealth of Pennsylvania. The School District is managed by a nine-member Board of Education appointed by the Mayor from lists supplied by an Educational Nominating Panel. In some matters, including the incurring of short-term and long-term debt, both the City and the School District continue to be governed by the laws of the Commonwealth. Although for financial reporting purposes, the School District is treated as a component unit of the City, the School District is a separate political subdivision of the Commonwealth and the City has no property interest in or claim on any revenues or property of the School District.

Elected and Appointed Officials

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

In the performance of his Home Rule Charter mandated pre-audit functions, the City Controller, who has a staff of approximately 150 persons, reviews each transaction involving a disbursement of City monies. This review is limited by the Home Rule Charter to a verification of the certification by the Director of Finance that the proposed disbursement is made for the purpose comprehended by the appropriation upon which it is drawn and is in the correct amount. The City Controller has investigatory authority to carry out this responsibility.

The principal officers of the City's government appointed by the Mayor are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), who is the chief financial and budget officer and is selected from three names submitted to the Mayor by a Finance Panel, the City Solicitor of the City (the "City Solicitor"), who is head of the Law Department, and the City Representative and Director of Commerce of the City (the "City Representative and Director of Commerce"). These officials currently constitute the Mayor's Cabinet, which, together with the Mayor, constitutes the major policy making group in the City's government. The Office of the Managing Director of the City is responsible for supervising the department and agencies of the City which render the various municipal services provided by the City. The City Representative and Director of Commerce is charged with the responsibility of giving wide publicity to any items reflecting the activities and accomplishments of the City, its inhabitants, commerce and industry, and is charged with the responsibility of promoting and developing commerce and industry. The City Solicitor's Office acts as legal advisor to the Mayor, the City Council, and all the agencies of the City government. The City Solicitor is responsible for all of the City's contracts and bonds, and assisting City

Council; the Mayor and City agencies in the preparation of ordinances for introduction into City Council and for the conduct of litigation to which the City is a party.

Under the Home Rule Charter, the great majority of the financial functions of the City are placed under the Office of the Director of Finance. The Director of Finance is responsible for development of financial policy, development of the annual operating budget, assistance in the development of the capital budget and the capital program, supervision of the execution of the operating budget and the collection of revenues through the Department of Revenue, supervision of purchasing and some aspects of property management through the Procurement Department, oversight of pension administration as Chairperson of the Board of Pensions and Retirement, development and execution of the City's program of temporary and long-term borrowing, direction of the treasury functions handled by the City Treasurer appointed by the Director of Finance and general coordination of other financial matters. The Board of Revision of Taxes, which administers the assessment of real and personal property taxes, is appointed by the Board of Judges of the Court of Common Pleas.

The chart on the following page summarizes the organization of the City's government.

ORGANIZATION OF PHILADELPHIA'S CITY GOVERNMENT

VOTERS

FORMER COUNTY OFFICERS

CITY COMMISSIONERS
CLERK OF QUARTER SESSIONS
DISTRICT ATTORNEY
REGISTER OF WILLS
SHERIFF

CITY COUNCIL

MAYOR

CITY CONTROLLER

OFFICE OF THE MAYOR
— CHIEF OF STAFF
— DEPUTY MAYORS
— INSPECTOR GENERAL
— ADVISORY BOARDS

INDEPENDENT BOARDS AND COMMISSIONS

CITY PLANNING COMMISSION

COMMISSION ON HUMAN RELATIONS

CIVIL SERVICE COMMISSION

BOARD OF PENSIONS & RETIREMENT

BOARD OF TRUSTEES OF FREE LIBRARY

PERSONNEL DIRECTOR

PERSONNEL OFFICE

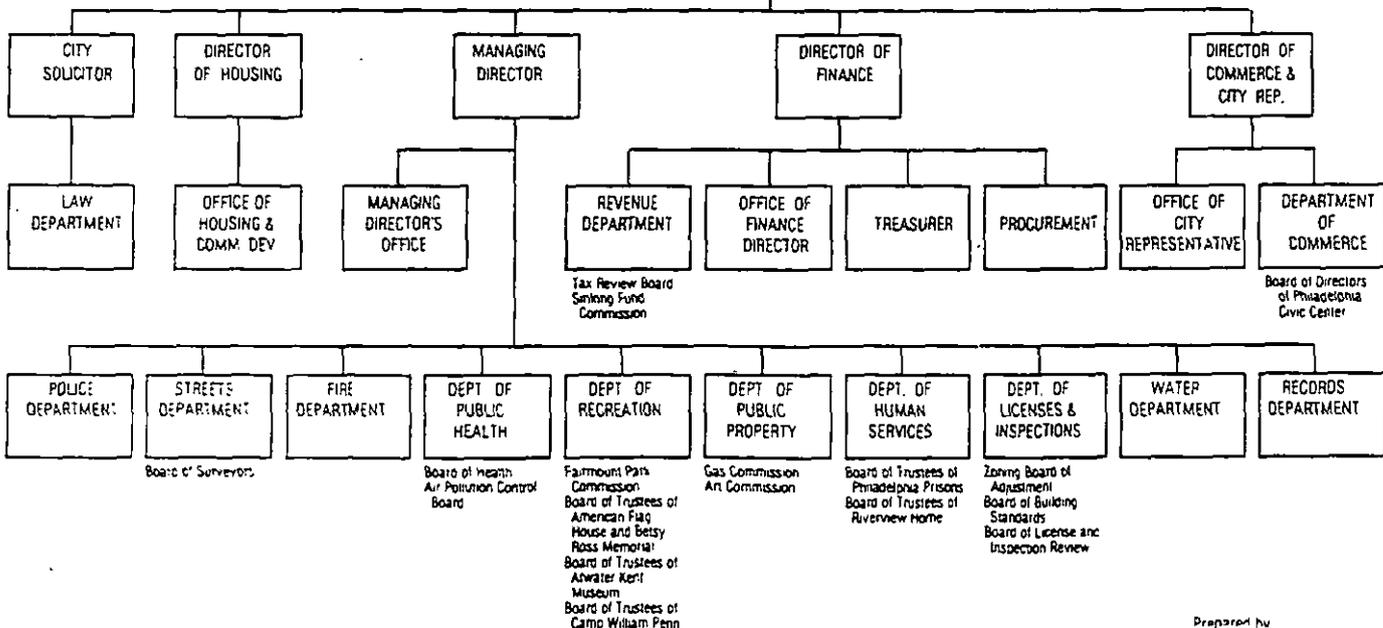
MAYOR'S ADVISORY BOARDS AND COMMISSIONS

Commission on Asian-American Affairs
Criminal Justice Coordinating Commission
Mayor's Commission for Women
Mayor's Commission on Literacy
Mayor's Commission on People with Disabilities
Mayor's Commission on Puerto Rican/Latino Affairs
Mayor's Commission on Services to the Aging
Mayor's Commission on Sexual Minorities
Mayor's Consumer Advisory Council
Mayor's Cultural Advisory Council
Mayor's Drug and Alcohol Abuse Executive Commission
Mayor's Office of Community Services Advisory Board
Mayor's Scholarship Advisory Committee
Mayor's Task Force on Transit Safety
Philadelphia City Scholarship Committee
Veterans Advisory Commission
Youth Services Coordinating Commission

OTHER BOARDS AND COMMISSIONS

Administrative Board
Board of Ethics
Board of Revision of Taxes
Board of Safety and Fire Prevention
Board of Viewers
Child Welfare Advisory Board
Electrical Code Advisory Board
Fair Housing Commission
Historical Commission
Mental Health/Mental Retardation Board

Minority Business Enterprise Council
Parking Adjudication Advisory Panel
Philadelphia Housing Policy Board
Plumbing Advisory Board
Recycling Advisory Committee
Vendor Advisory Board



Prepared by
Law Department

Designed and Composed by
Department of Records
May 1992

The following are brief biographical sketches of the Mayor, his chief of staff and his cabinet:

Edward G. Rendell, Mayor, was elected in November 1991. He served as District Attorney of Philadelphia from 1978 through 1985, and is a former partner in the law firm of Mesirov, Gelman, Jaffe, Cramer & Jamieson. Mayor Rendell received his B.A. from the University of Pennsylvania and a J.D. from Villanova University.

David L. Cohen, Chief of Staff, is a former partner with the law firm of Ballard Spahr Andrews & Ingersoll, where he worked from 1982 to 1991. He received his B.A. from Swarthmore College and a J.D. from the University of Pennsylvania.

Judith E. Harris, City Solicitor, was a partner with the law firm Pepper, Hamilton & Scheetz before assuming her present position. Prior to that, she was managing partner of Harris and Kahn for 14 years. She has served as a member of the boards of the Southeastern Pennsylvania Transportation Authority ("SEPTA") and the Pennsylvania Intergovernmental Cooperation Authority ("PICA"). She received an A.B. from Mount Holyoke and a J.D. from Howard University Law School.

Raymond Eugene Shipman, Managing Director, was formerly the City Manager of the City of Hartford, Connecticut. Prior to that, he was Assistant City Manager for Kansas City, Missouri for 9 years. Mr. Shipman also served as Town Manager of Chapel Hill, North Carolina from 1978 through 1981. He received his B.A. from North Carolina Agricultural and Technical University and a Master of Public Administration from Howard University.

Stephen P. Mullin, Finance Director, served as the Budget Director of the City of St. Louis for seven years, as Director of Corporate Development for the Laclede Gas Company and most recently as Deputy Director of the St. Louis Economic Development Corporation, St. Louis' main economic development agency. He holds an A.B. from Harvard University and an M.A. in Economics from the University of Pennsylvania. Mr. Mullin will be assuming the position of Director of Commerce and City Representative beginning April 1, 1993. A national search is now underway to select a new Finance Director to succeed Mr. Mullin.

James J. Cuorato, Acting City Representative and Director of Commerce, has served in various public sector capacities in Philadelphia for the past eighteen years. Since 1986, he has been a Deputy Director of Commerce and was appointed Acting Director on December 14, 1992. He holds a B.S. in Business Administration from Saint Joseph's University and an M.B.A. from Drexel University. When Stephen Mullin assumes the Commerce Director position in April 1993, Mr. Cuorato will return to the position of First Deputy Director of Commerce.

Governmental Services

Municipal services provided by the City include police and fire protection; health care; construction and maintenance of streets, highways and bridges; trash collection and disposal; provision for recreational programs and facilities; maintenance and operation of the water and sewer systems; acquisition and maintenance of City real and personal property, including vehicles; maintenance of building codes and regulation of licenses and permits; maintenance of records; collection of taxes and revenues; purchase of supplies and equipment; construction and maintenance of airport facilities; and maintenance of a prison system. Funding for most public assistance benefits or payments is provided by the Commonwealth and the Federal government. The City shares responsibility with the Commonwealth for costs of the Children and Youth Program and the Mental Health and Retardation Program.

The Philadelphia Gas Works (the "Gas Works") serves residential, commercial and industrial customers in the City and is the sole utility for natural gas within a service area which is coterminous with the geographical limits of the City. The Gas Works is owned by the City and is operated by Philadelphia Facilities Management Corporation ("PFMC"), a nonprofit corporation specifically organized to manage and operate the Gas Works for the benefit of the City. Rates and charges of the Gas Works are fixed by the Philadelphia Gas Commission and not by the Public Utility Commission of the Commonwealth. The revenues of the Gas Works are segregated from other funds of the City.

There are a number of significant governmental authorities and quasi-governmental non-profit corporations which provide a variety of services to or within the City. These include SEPTA, the Philadelphia Parking Authority, The Philadelphia Municipal Authority (formerly The Equipment Leasing Authority of Philadelphia), the Philadelphia Redevelopment Authority, The Hospitals and Higher Education Facilities Authority of Philadelphia, the Philadelphia Housing Authority, the Philadelphia Industrial Development Corporation ("PIDC"), the Philadelphia Authority for Industrial Development and the Pennsylvania Convention Center Authority. Except for PIDC all have the power to issue revenue bonds. Several contribute monies annually to the City's General Fund or receive specific annual appropriations from the City's General Fund. None may receive such appropriations without annual approval from the City.

The Pennsylvania Intergovernmental Cooperation Authority

The Pennsylvania Intergovernmental Cooperation Authority ("PICA") was created on June 5, 1991 with the passage of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "Act"). PICA was established to provide financial assistance to cities of the first class. The City is currently the only city of the first class in the Commonwealth of Pennsylvania. The Act provides that, upon the request by the City to PICA for financial assistance and for so long as any bonds of PICA remain outstanding, PICA shall have certain financial and oversight functions. First, PICA shall have the power, subject to satisfaction of certain requirements in the Act, to issue bonds and grant or lend the proceeds thereof to the City. Second, PICA also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify noncompliance by the City with its then-existing five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth to cause certain payments due to the City from the Commonwealth to be withheld by the Commonwealth).

On June 16, 1992 PICA issued \$474,555,000 of Special Tax Revenue Bonds (the "PICA Bonds") at the request of the City. The proceeds of the bonds were used, among other things, to (i) make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit, the projected Fiscal Year 1992 General Fund deficit and the projected Fiscal Year 1993 General Fund deficit of the City; (ii) make grants to the City to pay the costs of certain capital projects to be undertaken by the City, and (iii) make a grant to the City to provide other financial assistance to the City to enhance productivity in the operation of City government.

Five-Year Plan of the City

One of the conditions precedent to the issuance of the PICA Bonds was the creation by the City and approval by PICA of a five-year financial plan (the "Five-Year Plan"). The Five-Year Plan, which covers Fiscal Years 1992 through 1996, was prepared by the Mayor, approved by City Council on March 5, 1992 and was approved on April 6, 1992 by PICA. A revised amended Five-Year Plan was approved by City Council on April 29, 1992 and was approved by PICA on May 18, 1992. The Five-Year Plan achieves a balanced budget by Fiscal Year 1994 through a strategy based upon implementation of personnel and benefit initiatives, productivity improvements, cost containments, and revenue enhancements. On January 21, 1993, the Administration submitted an updated Five-Year Plan, which covers Fiscal Years 1994 through 1998, to City Council for their approval. Once City Council approves the revised Plan, it will be submitted to PICA. See "CERTAIN FINANCIAL INFORMATION CONCERNING THE CITY - Quarterly Report to PICA" herein for information relating to the present status of the City's compliance with the Five-Year Plan.

Source of Payment of PICA Bonds

Pursuant to the Act, the City has levied a 1.5% tax on the wages, earnings and net profits of City residents for PICA. Such tax is designated in the Act as the "Pennsylvania Intergovernmental Cooperation Authority Tax" (the "PICA Tax"). Other taxes permitted by the Act to be levied by the City as PICA Taxes are a realty transfer tax and sales and use tax. The PICA Tax is collected by or on behalf of the Department of Revenue of the Commonwealth and the proceeds of the PICA Tax are required to be deposited once every two weeks in a fund for which the State Treasurer is custodian, designated the "Pennsylvania Intergovernmental Cooperation Authority Tax Fund" (the "PICA Tax Fund").

The City estimates that the amount of PICA Tax collected in Fiscal Year 1992 was \$169.5 million. The budgeted amount of PICA Tax to be collected in Fiscal Year 1993 is \$168.1 million.

DISCUSSION BY THE OFFICE OF THE DIRECTOR OF FINANCE OF CERTAIN FINANCIAL INFORMATION

Except as otherwise noted, the financial statements, tables and statistics relating to the City contained in this Official Statement have been prepared by the Office of the Director of Finance.

Independent Audit and Opinion of the City Controller

The combined financial statements of the City for the Fiscal Year ended June 30, 1992, have been audited and reported upon by the Office of the City Controller. The Office of the City Controller also has examined and expressed opinions on the combined financial statements of the City contained in the Annual Financial Report of the Director of Finance for all prior years.

The Office of the City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections set forth in various of the tables contained in this Official Statement or otherwise set forth herein. Consequently, the Office of the City Controller expresses no opinion with respect to any of the data contained in this Official Statement. The financial statements, tables, statistics and other information contained in this Official Statement have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the Annual Financial Reports of the Director of Finance.

Basis of Accounting

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

A. Governmental Funds (which include the General Fund, County Liquid Fuels Tax Fund, Special Gasoline Tax Fund, Grants Revenue Fund, Community Development Fund, Hotel Room Rental Tax Fund, Capital Improvement Funds and Debt Service Funds) and Expendable Trust and Agency Funds are accounted for on the modified accrual basis. Under this method, revenues are recognized in the accounting period in which they become available and measurable. Licenses and permits, charges for service, fines and forfeits and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. General property taxes, self-assessed taxes and investment earnings are recorded when earned as they are measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenditures, and other long term obligations which are recognized when paid.

B. Proprietary Funds (which include the Water Fund, Aviation Fund and Convention and Civic Center Fund) and Pension Trust Funds are accounted for on the accrual basis, in which revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

During Fiscal Year 1979, financial statements for the Proprietary Funds were changed to conform to the description above in order to bring their presentation into accord with generally accepted accounting principles as recommended by the National Council on Governmental Accounting as outlined in Statement No. 1. However, the Proprietary Funds are shown in the tables herein on the modified accrual basis for two reasons: (i) because the City's operating budget is prepared on a modified accrual basis; and (ii) in order to achieve a consistent presentation of the City's finances as a whole.

Budget Adoption Procedure

At least thirty days before the end of each Fiscal Year, as required by the Home Rule Charter, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing years. Within ten days after the adoption of each of such ordinances and its receipt by the Mayor, he must approve or disapprove such ordinance or the ordinance becomes effective.

The operating budget for the next Fiscal Year is prepared by the Mayor in proposed form and is required by the Home Rule Charter to be submitted at least ninety days before the end of the Fiscal Year to City Council for adoption. The budget as adopted must be balanced and provide for discharging any estimated deficit or using any estimated surplus carried over from the current Fiscal Year and make appropriations for all items to be met from City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and of surplus or deficit, if any, for the current Fiscal Year may not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget.

The capital program is prepared annually by the City Planning Commission to show the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total costs of each project and the sources of funding (local, state, federal and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon.

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

The City's Fiscal Year 1993 Budget, was adopted by City Council on April 29, 1992. This was the first budget prepared by the City in connection with the Five-Year Plan and includes general fund revenue enhancement and operating expense reduction measures identified in the Five-Year Plan. In an effort to allow PICA to proceed with the deficit funding in a timely manner, the budget process was expedited through the cooperation of the City Council and the administration. Consequently, the Fiscal Year 1993 budget was adopted a full month earlier than City budgets customarily are adopted.

The City's Fiscal Year 1994 Budget was presented to City Council on January 21, 1993. This year the budget is being introduced approximately 2½ months prior to March 31, the date required by the Home Rule Charter, in order to permit coordinated review of the Fiscal 1994 Budget and the revised Five-Year Plan.

HISTORY OF RECENT FINANCIAL OPERATIONS

Tables 1 and 2 summarize the operations of the City's General Fund and of its Principal Operating Funds (Debt Related), including the General Fund, for the Fiscal Years 1987-1992 and adopted budget for Fiscal Year 1993.

TABLE 1
CITY OF PHILADELPHIA
GENERAL FUND
SUMMARY OF OPERATIONS
 (Modified Accrual Basis)
 (Amounts in Millions of Dollars)

	Actual						Adopted	Current
	1987	1988	1989	1990	1991	1992	1993	1993
Cumulative Fund Balance (Deficit) Beginning of Year	\$4.7	\$12.4	(\$32.1)	(\$75.2)	(\$72.7)	(\$153.5)	\$0.0 (b)	\$0.
REVENUES								
Real and Personal								
Property Taxes	261.3	275.2	286.7	314.0	326.5	343.3	346.6	352.0
Wage and Earnings Tax	803.6	856.7	892.3	927.6	950.7	799.0	791.8	808.0
Net Profits Tax	31.3	31.6	21.7	20.2	23.9	16.9	21.0	14.0
Business Privilege Tax	156.6	165.7	201.7	207.5	217.3	200.3	224.3	203.0
Other Taxes	73.8	86.7	89.0	93.6	72.7	121.6	157.5	150.0
Total Taxes	<u>1,326.6</u>	<u>1,415.9</u>	<u>1,491.4</u>	<u>1,562.9</u>	<u>1,591.1</u>	<u>1,481.1</u>	<u>1,541.2</u>	<u>1,529.0</u>
Locally Generated Non-Tax Revenue	100.4	105.9	123.4	110.6	105.9	98.2	123.2	125.0
Revenue from Other Governments	286.9	288.7	310.8	292.3	316.4	721.0	602.2	608.0
Receipts from Other City Funds	17.4	19.5	20.2	18.5	13.1	10.1	12.2	13.8
TOTAL REVENUE	<u>1,731.3</u>	<u>1,830.0</u>	<u>1,945.9</u>	<u>1,984.3</u>	<u>2,026.5</u>	<u>2,310.4</u>	<u>2,278.9</u>	<u>2,276.8</u>
OBLIGATIONS/APPROPRIATIONS								
Personal Services	753.1	797.0	810.7	821.3	853.0	884.1	879.6	875.0
Purchase of Services	472.0	533.1	623.9	601.6	632.8	665.0	689.3	693.4
Materials, Supplies and Equipment	48.4	51.7	51.3	55.0	53.5	55.1	86.8	76.6
Employee Benefits	286.4	313.4	321.3	339.6	387.9	437.2	404.9	416.7
Indemnities, Contributions and Grants (a)	63.7	93.0	59.9	48.4	54.5	60.2	59.9	67.7
Debt Service	98.8	93.7	129.3	126.1	123.0	133.2	134.5	127.0
Other	--	--	--	4.0	4.0	4.9	19.7	18.8
Payments to Other City Funds	11.6	12.5	14.5	12.9	17.9	15.9	18.7	18.2
TOTAL OBLIGATIONS/ APPROPRIATIONS	<u>1,734.0</u>	<u>1,894.4</u>	<u>2,010.9</u>	<u>2,008.9</u>	<u>2,126.6</u>	<u>2,255.6</u>	<u>2,293.4</u>	<u>2,293.4</u>
Operating Surplus (Deficit) for the Year	(2.7)	(64.4)	(65.0)	(24.6)	(100.1)	54.8	(14.5)	(16.8)
Adjustments to Beginning Fund Balance	10.4	19.9	21.9	27.1	19.3	27.3	14.5	16.8
Adjustments to Ending Fund Balance and prior	--	--	--	--	--	--	--	--
Cumulative Fund Balance (Deficit) End of Year	<u>\$12.4</u>	<u>\$ (32.1)</u>	<u>\$ (72.5)</u>	<u>\$ (72.7)</u>	<u>\$ (153.5)</u>	<u>\$ (71.4)</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>

NOTES:

(a) Includes City's contributions to the School District in Fiscal Year 1988 of \$8.0 million.

(b) Assumes the Fiscal Year 1992 deficit will be eliminated through deficit financing.

FIGURES MAY NOT ADD DUE TO ROUNDING

TABLE 2

CITY OF PHILADELPHIA
PRINCIPAL OPERATING FUNDS (DEBT RELATED)
SUMMARY OF OPERATIONS
(Modified Accrual Basis)
(Amounts in Millions of Dollars)

	Actual						Adopted	Current
	1987	1988	1989	1990	1991	1992	1993	Estimate 1993
Cumulative Fund Balance (Deficit) Beginning of Year	\$ 50.4	\$ 39.9	\$ 18.0	\$ (47.6)	\$ (64.2)	(\$160.1)	(\$0.4) (d)	\$17.8
REVENUES								
General Fund (a)	1,731.3	1,830.0	1,945.9	1,984.3	2,026.6	2,310.4	2,278.9	2,276.6
Water Fund (b)	254.4	282.6	273.2	282.9	285.6	344.3	352.6	349.9
Aviation Fund (c)	61.2	70.2	72.3	77.4	92.3	109.1	134.2	126.3
Other Operating Funds	18.2	18.7	19.4	67.7	27.6	28.4	44.7	30.1
TOTAL REVENUE	<u>2,065.1</u>	<u>2,201.5</u>	<u>2,310.8</u>	<u>2,412.3</u>	<u>2,432.1</u>	<u>2,792.2</u>	<u>2,810.4</u>	<u>2,782.9</u>
OBLIGATIONS/APPROPRIATIONS								
Personal Services	833.4	885.3	905.8	919.2	954.6	994.7	998.1	995.4
Purchase of Services	545.3	605.9	699.9	728.6	721.1	761.1	824.3	804.8
Materials, Supplies and Equipment	84.6	83.5	79.6	87.8	84.7	89.1	128.2	112.9
Employee Benefits	315.9	343.4	355.4	378.6	430.5	483.5	445.3	458.4
Indemnities, Contributions and Grants (a)	65.8	98.4	66.5	52.0	60.2	66.1	67.6	76.7
Debt Service	217.2	214.6	263.8	262.1	273.6	276.0	313.8	297.7
Other	--	--	--	4.0	4.0	4.9	20.2	19.3
Payments to Other City Funds	33.5	34.5	39.6	37.3	31.5	51.0	40.8	41.8
TOTAL OBLIGATIONS/APPROPRIATIONS	<u>2,095.7</u>	<u>2,265.6</u>	<u>2,410.6</u>	<u>2,469.6</u>	<u>2,560.2</u>	<u>2,726.4</u>	<u>2,838.3</u>	<u>2,806.9</u>
Operating Surplus (Deficit) for the Year	(30.6)	(64.1)	(99.8)	(57.3)	(128.1)	(65.8)	(27.9)	(24.0)
Adjustments to Beginning Fund Balance	20.1	42.3	34.2	40.7	32.2	40.8	28.3	28.5
Adjustments to Ending Fund Balance and prior	--	--	--	--	--	--	--	--
Cumulative Fund Balance (Deficit) End of Year	<u>\$ 39.9</u>	<u>\$ 18.0</u>	<u>\$ (47.6)</u>	<u>\$ (64.2)</u>	<u>\$ (160.1)</u>	<u>\$ (53.5)</u>	<u>\$ 0.0</u>	<u>\$ 22.3</u>

NOTES:

- (a) See Table 1 for details.
- (b) Water and Sewer rates were increased January 1, 1991. Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of \$4,994,000 per year provided certain further conditions are satisfied. The City has determined that only \$4,138,000 per year shall be available for transfers from the Water Fund to the General Fund provided certain other conditions are met.
- (c) Airport revenues are not available for other City purposes.
- (d) Assumes the Fiscal Year 1992 deficit will be eliminated through a deficit financing bond.

FIGURES MAY NOT ADD DUE TO ROUNDING.

CERTAIN FINANCIAL INFORMATION CONCERNING THE CITY

Overview of City's Financial Status

Over the past decade, City General Fund spending has been increasing faster than City General Fund revenues have been growing and, until recently, effective adjustments have not been made to bring the two into alignment.

Over the course of the past twelve months, however, progress has been made in formulating and implementing a plan of action to restore fiscal health to the City. Below is a brief description of several of the key events of this period.

Signing of the Intergovernmental Cooperation Agreement (the "Agreement") between PICA and the City. Following months of negotiations, on January 8, 1992 the Agreement was signed. The Agreement sets forth the parameters under which the City could present its financial plans and qualify for financial assistance from PICA. The Agreement also sets out the role of PICA in monitoring the financial performance of the City.

Approval of Five-Year Plan by PICA. The City's Five-Year Plan was initially prepared by the Mayor, approved by City Council on March 5, 1992 and approved by PICA on April 6, 1992. A revised amended Five-Year Plan was approved by City Council on April 29, 1992 and by PICA on May 18, 1992. The Five-Year Plan is designed to produce a balanced budget over a five-year period through a combination of personnel and budget initiatives, productivity improvements, cost containments and revenue enhancements.

Adoption of Fiscal Year 1993 Budget in Conformity with Five-Year Plan. The City's Fiscal Year 1993 budget was adopted by City Council on April 29, 1992. The budget process was expedited through the cooperation of City Council and the Mayor, so that the budget was adopted a full month earlier than City budgets are customarily adopted. Early adoption of the budget permitted an earlier issuance of the PICA Bonds.

Issuance of PICA Bonds. On June 16, 1992, PICA issued \$474,555,000 of the PICA Bonds at the request of the City. The proceeds of the PICA Bonds were used, among other things, (i) to make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit, the then-projected Fiscal Year 1992 General Fund deficit and the projected Fiscal Year 1993 General Fund deficit of the City; (ii) to make grants to the City to pay the costs of certain capital projects to be undertaken by the City; and (iii) to make a grant to the City to provide other financial assistance to the City to enhance productivity in the operation of City government.

A grant of \$153.5 million was made to the City in June 1992 to pay the cumulative General Fund deficit through the end of Fiscal Year 1991. PICA also granted the City \$64.3 million, which is 90% of the unaudited General Fund deficit for Fiscal Year 1992, on October 30, 1992 and granted the City \$7.1 million, the remaining 10% of the unaudited General Fund deficit for Fiscal Year 1992, on January 29, 1993. The City is drawing down \$120 million in PICA grants to fund its capital program as projects are being completed.

Negotiation of New Labor Contracts. All of the City's labor contracts expired on June 30, 1992. Because much of the fiscal savings described by the Five-Year Plan depended upon personnel and benefit initiatives, it was necessary that the City negotiate labor contracts which would allow these initiatives to be achieved. The City and its non-uniformed union employees entered into four-year contracts negotiated in November 1992 and subsequently ratified by the employees that provide for significant savings in personnel and benefit costs and allow the City significant new management rights. The City's uniformed union employees have opted for binding arbitration for their new labor contracts. Hearings before the arbitrators have been completed and a final decision from the arbitrators is expected in February 1993. See "Labor Relations" below.

Recent Financial Operations

The City experienced a series of operating deficits in the General Fund beginning in Fiscal Year 1987 and by the end of Fiscal Year 1991 the City's cumulative ending fund balance deficit was \$153.5 million. The City received a grant from PICA in June 1992 which eliminated the deficit through the end of Fiscal Year 1991. The City experienced a deficit for Fiscal Year 1992 of \$71.4 million. The City received additional grants from PICA to eliminate the Fiscal Year 1992 deficit as well. \$64.3 million, which is 90% of the \$71.4 million, was

paid to the City on October 30, 1992, and \$7.1 million, the remaining 10% was paid to the City on January 29, 1993. The City is projecting a budget deficit for Fiscal Year 1993 of \$1.8 million.

Tables 1 and 2 summarize the operations of the City's General Fund and of its Principal Operating Funds (Debt Related), including the General Fund, for the Fiscal Years 1987 through 1992, the adopted budget for Fiscal Year 1993 and current estimates for Fiscal Year 1993.

Fiscal Year 1992 General Fund Actual Results

Table 1 shows the Fiscal Year 1992 General Fund actual results. The Fiscal Year 1992 General Fund budget proposed the elimination of operating deficit through a combination of a new sales and use tax program, additional Commonwealth and federal aid and \$42 million in proceeds of a PICA grant to be funded through the issuance by PICA of deficit reduction bonds.

The adopted budget provided for \$75 million in revenues from an additional 1% sales and use tax collected over a nine month period. Total collections of this tax for Fiscal Year 1992 were \$51.4 million. Estimated receipts from other taxes were \$31.6 million less than originally budgeted, largely due to the economic recession.

Revenues from other governments were \$64.2 million in excess of the budgeted amount. This difference reflects the reclassification of \$42 million in proceeds of deficit reduction bonds projected to have been issued by PICA and the inclusion of \$153.5 million in PICA Bond proceeds actually received by the City. The remaining difference of \$47.3 million is attributable to budgeted Commonwealth and federal revenue which did not materialize.

On the obligation side, total actual obligations were \$2,255.6 million, \$57.8 million less than budgeted. The reduction in obligations includes \$27.8 million in reduced personnel costs and \$6.9 million in reduced employee benefits due to imposition of a hiring freeze and a policy of leaving vacant positions open where possible; \$5.4 million in reduced expenditures on materials, supplies and equipment; and \$17.5 million in reduced debt service costs.

Adopted Fiscal Year 1993 General Fund Budget

The adopted General Fund budget for Fiscal Year 1993 anticipated revenues of \$2,278.8 million and expenditures of \$2,293.4 million, with the budget balanced by the inclusion of \$12.1 million in PICA Bond proceeds.

In preparing the adopted budget for Fiscal Year 1993, the City has included revenue enhancement and operating expense reduction measures identified in the Five-Year Plan. Revenue estimates prepared for the Fiscal Year 1993 budget are consistent with those in the Five-Year Plan which projected overall revenue growth at below the rate of inflation. All such revenue estimates were approved by PICA as part of the Five-Year Plan review process.

Fiscal Year 1993 Operating Results

The Fiscal Year 1993 operating results to date do not show major deviations from budgeted figures for either revenues or expenditures. The City is projecting a balanced budget for the Fiscal Year after receiving \$1.8 million of deficit financing from PICA, which is included in Revenue from Other Governments. Revenues are approximately \$2.3 million less than budgeted, or approximately 1% less than the total budgeted figure. Tax revenues are estimated to be \$11.9 million less than budgeted, while Locally Generated Non-tax Revenue, Revenue from Other Governments and Receipts from Other City Funds are estimated to be approximately \$9.7 million higher than budgeted.

On the expenditure side, reductions in Personal Services, Materials, Supplies & Equipment and Debt Service were offset by higher than budgeted expenditures for Purchase of Services, Employee Benefits and Indemnities, Contributions and Grants, so that total budgeted expenditures remain constant.

The estimated operating deficit for Fiscal Year 1993 has increased to \$16.8 million, but that is offset by Adjustments to Beginning Fund Balance of \$16.8 million. The amount of the Adjustments to Beginning Fund Balance rose by \$2.3 million compared to the original budget due to an increase in liquidated encumbrances from Fiscal Year 1993 and previous fiscal years.

In order to balance the budget, the City has taken actions to increase revenues and reduce expenses. These actions include more concentrated tax collection efforts, reductions in personnel through attrition and selected layoffs and a variety of small-scale service cuts.

The current estimates for Fiscal Year 1993 assume that the arbitration award for the police and fire arbitration proceedings will contain terms consistent with the contracts with non-uniformed employees. A ruling adverse to those assumptions will require further revenue increases or expenditure reductions to maintain a balanced budget. The City expects that the final arbitration award in the police and fire arbitration proceedings will be issued in February, 1993. See "Labor Relations" below.

Quarterly Report to PICA

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

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

Because the City showed a variance in the General Fund in the November 16, 1992 report submitted to PICA, the City has been filing monthly reports with PICA.

On January 21, 1993 the City submitted a Transfer Ordinance realigning the Fiscal Year 1993 Budget, and ordinances proposing the Fiscal Year 1994 Operating and Capital budgets and the revised Five-Year Plan to City Council. In addition, the City announced its plan for curing the General Fund variance through a program of service and personnel cuts. The City's report to PICA for the period ending December 31, 1992, submitted on February 1, 1993, reports the absence of a variance for Fiscal Year 1993, taking into account, among other things, the actions described above.

Labor Relations

The City conducts collective bargaining with four major bargaining units. Approximately 16,000 non-uniformed employees are represented by District Councils 33 and 47 of the American Federation of State, County and Municipal Employees, AFL-CIO. The bargaining units for uniformed employees include the Fraternal Order of Police of Lodge No. 5 ("FOP") and International Association of Fire Fighters, Local 22 ("AFF"). They collectively represent approximately 9,200 uniformed employees. Uniformed employees bargain under Act 111 of 1968 which provides for final and binding arbitration for collective bargaining disputes.

On July 1, 1992, the four year contract with non-uniformed union members and the two year contract with uniformed union members both expired.

The bargaining units representing the uniformed City workers have opted for binding arbitration for their new labor contract. Hearings have now been completed. A decision is expected from the arbitration team sometime in February, 1993, although the exact timing is uncertain. The PICA Act provides that labor arbitration decisions resulting in increases in wages and fringe benefits shall consider and give weight to the approved Five-Year Plan and the ability of the City to pay the cost of such increases. These arbitration decisions are subject to limited judicial review.

The City recently completed collective bargaining with representatives of the non-uniformed unions. The resulting four year contract calls for 0% wage increases in years one and two, a 2% increase late in the third year and a 3% increase late in the fourth year. The contract also provides for reduced payments by the City to the unions to cover the costs of union-administered health plans, a reduction in the number of paid holidays from 14 to 11 over a three year period, a reduction in sick days for new hires from 20 to 15 and numerous work rule changes which will grant the City greater flexibility in managing its work force. The contract also increases the number of paid administrative leave days from three to four.

A large part of the savings projected in the Five-Year Plan were contingent upon the outcome of these labor negotiations. While the City received most of the terms it sought through the negotiations, the estimated savings from the contract during the term of the Five-Year Plan are approximately \$144 million less than projected. This figure assumes that the binding arbitration award's contract terms are comparable to those of the non-uniformed employees. This difference between the actual contract and the Plan will be made up through other reductions in the City's budget including reductions in service resulting in reductions in the total number of City employees, privatization of certain City services and the introduction of further management and productivity initiatives in addition to those outlined in the Five-Year Plan.

Litigation

Generally, judgments and settlement on claims against the City are payable out of 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 which is then reimbursed by the Water 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," establishes a \$500,000 aggregate limitation in tort cases on damages arising from the same transaction or occurrence or series of 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 that decision to the United States Supreme Court was dismissed for want of jurisdiction. However, under Pennsylvania Rule of Civil Procedure 238, delay damages, which are in effect prejudgment interest, are awardable against the City and are not subject to the \$500,000 limitation. The limit on damages is inapplicable to any suit against the City which does not arise under state tort law.

Various claims, constituting general or special litigation claims, have been asserted against the City. Included among these claims are several actions involving catastrophic injuries. The potential exposure in many of these cases is well in excess of \$500,000, and in certain of these cases the City may be liable to such amounts, notwithstanding the \$500,000 limitation on cases brought under the Political Subdivision Tort Claims Act mentioned above. A City ordinance dated December 4, 1990 (the "Governmental Immunity Ordinance"), provides that (1) persons allegedly injured by the negligence or misconduct of a City employee, whether or not such employee is a police officer, will retain the right to seek recovery against the City only if the alleged unlawful conduct falls within one of the eight waiver areas set forth in the Political Subdivision Tort Claims Act and (2) if the Political Subdivision Tort Claims Act is applicable, the City will be subject to damage liability of not more than \$500,000. The retroactive application of the Governmental Immunity Ordinance is currently the subject of litigation. The conduct of a City employee remains actionable under federal civil rights laws regardless of the provisions of the Political Subdivisions Tort Claims Act or the Governmental Immunity Ordinance.

The aggregate loss for Fiscal Year 1992 which resulted from general and special litigation claims and was paid by June 30, 1992 was \$38.8 million. The City's Five-Year Plan includes provisions for losses and judgments of \$37,411,000, \$31,779,495, \$33,209,578 and \$39,368,108 for the Fiscal Years 1993 through 1996, respectively. The City's adopted budget for Fiscal Year 1993 contains a reserve for losses and judgments of \$37,411,000. Actual claims paid out for such litigation averaged \$23.8 million per year over the past five Fiscal Years. 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. Among the more significant of these proceedings are those that involve: (i) a request for declaratory and injunctive relief directing the City to pay costs associated with hospital care of indigent patients; (ii) a class action seeking recoupment of money allegedly charged by the City for emergency medical services rendered by its fire department; (iii) a pending binding arbitration and a federal district court action to address police pay grievances; (iv) claims against the City for damages arising out of allegations that constitutional rights were violated as a result of police (and other City officials) misconduct in serving warrants and making arrests; (v) a claim against the City for damages arising out of injuries to a minor on land allegedly in possession of the City; (vi) consent decree and/or court ordered prescribed relief addressing prison overcrowding, subjecting the City to possible fines for non-compliance; (vii) a claim for damages as a result of a City ordinance which authorizes the historic designation of private property without consent of the owner; (viii) environmental-related actions against the City for damages and the possible imposition of fines against the City arising out of allegations that the City created certain environmental pollutants, was, in whole or in part, responsible for the clean-up of certain environmental pollutants, was responsible for personal and economic injuries resulting from certain pollutants, failed to comply with certain environmental protection labeling and reporting requirements, and was in breach of its ash-hauling contracts; (ix) an action for injunctive relief and damages for the City's alleged failure to comply with the Americans with Disabilities Act in connection with City streets and roads; (x) a class action seeking a revision to the City's pay evaluation system and back pay to any female dominated job classification in which discrimination is found; and (xi) a putative class action seeking the provision of various child welfare services.

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 claims are reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. As of June 30, 1992, the aggregate loss for Fiscal Year 1992 which resulted from these claims and lawsuits and which was paid out in June 1992 was \$5.0 million. The Water Department's budget for Fiscal Year 1993 contains a reserve for Water Department claims in the amount of \$5.0 million, which has already been spent. For the remainder of Fiscal Year 1993, settlements of Water Department cases will be conditional on payment during Fiscal Year 1994.

SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of over 1.5 million people. The City is in the heart of an eight county metropolitan area with approximately 4.8 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 fourth largest market in the United States. Approximately one-half of the population of the United States lives within an overnight drive.

Quality of Life

The City is a very livable city with relatively low housing and business costs. According to government statistics, the City is among the safest large cities in the country. In a recent survey of crime data, the City had the lowest crime rate of the ten largest cities in America.

The City is rich in history, art, architecture and entertainment. Cultural and historic attractions include the Philadelphia Orchestra, Academy of Music, Pennsylvania Ballet, Pennsylvania Academy of Fine Arts, Philadelphia Museum of Art, Franklin Institute, Mann Music Center, Opera Company of Philadelphia and the Rodin Museum. The South Philadelphia Sports Complex, consisting of Veterans Stadium and the Spectrum, is home to the Philadelphia Phillies, 76ers, Flyers and Eagles. The City also offers its residents and visitors the

Independence National Historical Area, which includes Independence Hall and the Liberty Bell, and one of the largest urban park systems in the world, including Pennypack Park and the 8,000 acre Fairmount Park, containing the country's first zoo.

The City is a center for health, education, and science facilities. With its many hospitals, six medical schools, two dental schools, schools of optometry and podiatry 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.

The City has thirty-one 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 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 teaching medical schools, the Wistar Institute, the Fox Chase Cancer Center and the University City Science Center ("Science Center"). The Children's Hospital of Philadelphia broke ground in 1992 for 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 percent loss of population was less than half of the 13 percent loss experienced during the 1970's.

TABLE 3
POPULATION
CITY, PMSA* & NATION

	<u>1980</u>	<u>1990</u>
Philadelphia	1,688,210	1,585,577
Philadelphia PMSA*	4,716,818	4,856,881
United States	226,500,000	249,632,692

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

* PMSA: Primary Metropolitan Statistical Area is, by definition of the Bureau of the Census, a large urbanized county, or cluster of counties, with very strong internal economic and social links. A PMSA must have a combined total population of one million or more. In addition, a PMSA must also be comprised of counties that conform to: (a) a total population of at least 100,000; (b) a population that is at least 60% urban; and (c) a population where less than 50% of the resident workers commute to jobs outside of the county. The Philadelphia, Pa.-N.J. PMSA includes the counties of Bucks, Chester, Delaware, Montgomery and Philadelphia in Pennsylvania and the counties of Burlington, Camden and Gloucester in New Jersey.

The average age of the City's population is increasing. This trend toward an older population is consistent with the population patterns in the United States as a whole.

TABLE 4
POPULATION AGE DISTRIBUTION

Age	Phila. 1984	% of Total	Phila. 1990	% of Total
0-24	633,899	38.4	563,816	35.6
25-44	435,458	26.4	490,224	30.9
45-64	340,744	20.6	290,803	18.3
65-84	219,272	13.3	217,913	13.7
85...	20,966	1.3	22,801	1.4
ALL AGES	1,650,339	100.0	1,585,577	100.0

* Provisional population projection

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

The Economy

The City economy is composed of diverse industries. Virtually all classes of industrial and commercial businesses are 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 the City 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 country with approximately 86% of office space occupied or committed, while the average cost per square foot for office space also compares favorably.

TABLE 5
RENTAL RATES CBD* OFFICE SPACE
IN \$ PER SQUARE FOOT

	Average
Atlanta	\$20.25
Boston	28.46
Chicago	31.54
Dallas	20.02
Houston	17.67
Los Angeles	29.79
Miami	26.33
New York City (midtown)	38.88
Philadelphia	23.48
Phoenix	19.44
Pittsburgh	20.63
San Francisco	25.31
Washington, D.C.	37.79

*CBD = Central Business District

Source: ONCOR International, Midyear 1991.

Employment

Employment data for the City residents show growth in the City's labor force and in the number of City residents who are employed (see Table 6). In 1990, the City residents represented 30 percent of all employed residents of the PMSA. The number of employed City residents increased by more than 50,000 during the period 1980 to 1990.

The City's 1991 wage and salary employment of 718,400 represented nearly 34 percent of the metropolitan region's (Philadelphia PMSA) total establishment employment. The total number of jobs within the City increased during the period 1983 to 1988 (Table 7), reversing nearly two decades of job losses. The total number of jobs declined again beginning in 1989, as the City and region began to slip into recession.

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 economy is diversified, with strong representation in the health care, government, and education sectors but without the domination of any single employer or industry. This had helped to moderate the effects of national economic downturns on the local economy.

TABLE 6
LABOR FORCE DATA ANNUAL AVERAGE

	<u>1980</u>	<u>1982</u>	<u>1984</u>	<u>1986</u>	<u>1988</u>	<u>1990</u>	<u>1991</u>
Philadelphia (000)*							
Labor Force	695.0	693.2	702.7	724.1	728.9	732.4	727.7
Employment	634.1	621.2	637.3	673.8	686.6	688.2	669.7
Unemployment	60.8	72.0	65.4	50.3	42.3	44.1	58.1
Unemployment Rate (%)	8.8	10.4	9.3	6.9	5.8	6.0	8.0
Philadelphia PMSA (000)*							
Labor Force	2,173.0	2,207.1	2,259.1	2,364.3	2,420.0	2,438.4	2,431.2
Employment	2,025.3	2,015.4	2,103.8	2,239.5	2,320.2	2,324.7	2,274.7
Unemployment	148.5	191.7	155.3	124.8	99.8	113.6	156.5
Unemployment Rate (%)	6.8	8.7	6.9	5.3	4.1	4.7	6.4
United States (000,000)							
Labor Force	106.9	110.2	113.5	117.8	121.7	124.8	125.3
Employment	99.3	99.5	105.0	109.6	115.0	117.9	116.9
Unemployment	7.6	10.7	8.6	8.2	6.7	6.9	8.4
Unemployment Rate (%)	7.1	9.7	7.5	7.0	5.5	5.5	6.7

Re-benchmarked figures.

Source: Commonwealth of Pennsylvania Department of Labor and Industry, Office of Employment Security, Director of Research and Statistics. Pennsylvania Civilian Labor Force Series by County of Residence and Pennsylvania Civilian Labor Force Series by Labor Market Area.

TABLE 7
PHILADELPHIA
NON-FARM PAYROLL EMPLOYMENT
(Amounts in Thousands)

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Total Employment	743.1	752.4	755.4	760.3	772.3	775.9	761.6	746.7	718.4
Manufacturing	109.2	108.6	103.2	99.8	96.0	92.2	87.0	81.6	74.8
Non-Manufacturing	633.9	643.8	652.2	660.5	676.3	683.7	674.6	665.1	643.8
Construction and Mining	17.0	17.2	17.3	17.2	17.3	17.5	17.0	16.0	13.4
Transportation/Public Utilities	46.6	46.4	45.2	44.3	45.0	44.4	40.9	39.9	89.5
Trade	142.5	145.0	145.8	148.1	148.1	149.3	144.3	136.3	126.5
Finance/Insurance/ Real Estate	64.7	66.4	66.6	69.5	72.8	71.5	68.6	64.7	61.3
Services	225.0	228.5	235.9	242.5	250.3	257.2	262.1	265.2	264.4
Government	138.1	140.3	141.5	138.9	142.8	143.8	141.7	143.0	139.5

Source: Commonwealth of Pennsylvania, Department of Labor and Industry, Office of Employment Security, Bureau of Research and Statistics.

TABLE 8
LARGEST 20 NON-GOVERNMENTAL EMPLOYERS
IN THE CITY OF PHILADELPHIA

<u>Employer (1)</u>	<u>No. of Employees</u>
University of Pennsylvania	22,196 (2)
Thomas Jefferson University	7,886
CoreStates Financial Corporation	7,429
Cigna Corporation	5,067
Strawbridge & Clothier	4,739
Albert Einstein Healthcare Foundation	4,630
Philadelphia Electric Company	4,166
Hahnemann University	4,110
Bell of Pennsylvania	3,419
Mellon PSFS	3,411
Provident National Bank	3,381
The Medical College of Pennsylvania	3,381
Consolidated Rail Corporation (Conrail)	3,300
ARA Services Inc.	2,949
Philadelphia Newspapers, Inc.	2,797
Pennsylvania Hospital	2,665
The Children's Hospital of Philadelphia	2,650
Graduate Health System	2,524
Drexel University	2,335
US Air	1,974

(1) Does not include federal, state and city agencies.

(2) Includes Hospital of the University of Pennsylvania.

Source: Philadelphia Business Journal, Book of Business Lists, 1993 Edition; December 28, 1992.

Income

The following Table (9) shows comparable data relating to per-capita income for the City, the PMSA, and the United States.

Over 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 9

CONSUMER PRICES PERSONAL INCOMES

	<u>1985</u>	<u>1990</u>	<u>% change</u> <u>1985-1990</u>
CPI-U (1) Philadelphia PMSA 1982-84=100	108.8	135.8	24.8%
Personal Income Per Capita (2)			
Philadelphia	12,410	16,721	34.7%
Philadelphia PMSA	15,253	21,347	29.5%
United States	13,899	18,696	34.5%

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

(2) U.S. Department of Commerce, Bureau of Economic Analysis. Regional Economic Information System. 1991 data will not be available until April, 1993.

Retail Sales

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

TABLE 10

RETAIL SALES

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988*</u>	<u>1989*</u>	<u>1990*</u>	<u>1991*</u>
Philadelphia (\$ Billions)								
Durable Goods	1.4	1.2	1.1	2.1	N/A	N/A	N/A	N/A
Non-Durable Goods	5.1	5.3	5.1	4.8	N/A	N/A	N/A	N/A
Total	6.5	6.5	6.2	6.9	7.4	8.7	9.1	9.6
Philadelphia PMSA (\$ Billions)								
Durable Goods	8.4	9.8	11.9	11.6	11.9	12.2	12.2	15.2
Non-Durable Goods	16.0	17.3	18.0	18.8	20.0	22.1	22.9	23.0
Total	24.4	27.1	30.3	30.4	31.9	34.3	35.1	38.2
United States (\$ Billions)								
Durable Goods	463.0	511.3	562.8	576.6	627.4	645.5	646.4	653.0
Non-Durable Goods	830.9	866.5	882.7	965.5	1,022.6	1,088.1	1,151.5	1,189.7
Total	1,293.9	1,377.9	1,445.5	1,542.1	1,650.0	1,733.0	6,797.9	1,842.7

Source: 1984-1987 Wharton Econometric Forecasting Associates; for 1988-1990, U.S. Department of Commerce, Current Business Reports, BR89-R.

*The City has ceased its subscription to the Wharton (WEFA) Econometric Philadelphia Model. For 1988-90, Retail Sales per WEFA has been replaced with Retail Sales per U.S. Department of Commerce. The two statistical series may not be exactly equivalent.

Infrastructure

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 surrounding counties. The Pennsylvania General Assembly in 1991 enacted legislation providing a dedicated source of revenue to SEPTA for use in maintaining and upgrading its infrastructure. A high speed train line runs from southern New Jersey to Center City and is operated by the Delaware River Port Authority ("DRPA"). 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 is currently under construction. 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 Delaware and Hudson Railroad 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 as well as high speed rail by virtue of the recent 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 now the "Blue Route" (I-476) in suburban Delaware and Montgomery Counties which feeds into the Schuylkill Expressway (I-76) and thus into Center City Philadelphia.

The City owns the Philadelphia International Airport (PHL) located eight miles southwest of Center City and a smaller airport in Northeast Philadelphia. The PHL is accessible by major highways within the City and from surrounding communities and SEPTA's high speed train line. The PHL annually provides its 15 million passengers with service from seven domestic air carriers, ten commuter airlines, four foreign flag carriers, eleven charter airlines and ten all-cargo carriers. USAir has hub operations in the City. A new terminal with 12 gates for both international and domestic operations opened in March 1991. During 1991, passenger volume decreased by 7.8%, due mainly to the recession and the impact of the Persian Gulf war on air travel.

In 1985, United Parcel Service, Inc. (UPS) selected PHL as its site for construction of a major East Coast hub package handling and sorting facility. This facility began operations in September 1989. More recently, the U.S. Postal Service commenced construction of a new 30-acre airmail facility at the PHL. Airfreight continues as a growth business even during a recession. Outbound tonnage during 1991 exceeded 1990 tonnage by 4.5%.

The City's port is the world's largest freshwater port and one of its highest tonnage ports. It is a distribution center for northeastern United States imports and is now utilized for the cruise business as well. Port facilities can be purchased or leased in a foreign trade zone for international business. General cargo facilities, including two modern container terminals, are publicly owned and privately operated. An automobile import/export terminal further contributes to the port's economic diversity. Plans to update and modernize existing facilities are now being implemented as the Commonwealth of Pennsylvania plans to invest \$56 million to modernize and upgrade port facilities.

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 a relatively smaller quantity of water to the Bucks County Water and Sewer Authority. The City obtains approximately 54 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 503,000 households through 3,300 miles of mains and provides fire protection through more than 26,700 fire hydrants.

The wastewater system services a total of 279 square miles of which 130 square miles are within the City and 149 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, 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 which are considered more stringent than those required to achieve secondary treatment levels as defined in the Federal Water Pollution Control Act Amendments of 1972, as amended.

The City is responsible for collecting solid wastes from sources other than industrial or commercial institutions. Approximately 3,200 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of at various landfills operated outside City limits. The City has entered into a contract with a major private contractor for landfill space.

Some elements of the City's capital plant are aged and in need of repair, maintenance and/or reconstruction. The City's capital improvement program for 1992-97 addresses this need. The City's capital improvement requirements are dictated by the need to provide services and maintain the existing infrastructure. Rebuilding the City's infrastructure is the first priority. New projects are recommended by the City Planning Commission only if they enhance the City's economy, protect public health and safety, improve the City's neighborhoods, make government more efficient, leverage other government and private funds or preserve unique resources. Examples consistent with these priorities are projects such as the modernization of terminal buildings at the PHL, upgrading police and fire facilities, improvement of housing services, libraries, health facilities, the transit system and numerous projects to enhance the City's industrial and commercial development. Also included in the capital improvement program are projects for the City's museums, recreation facilities and parklands.

Housing

The City boasts a diversity of neighborhoods and housing opportunities. There are over 100 neighborhoods, some of which trace their origin to the eighteenth century and the early settlements of the City. Approximately 60 percent 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, homeowners and renters costs in Philadelphia have increased more slowly than costs in Pittsburgh, Baltimore and Washington, D.C.

TABLE 11
HOUSING AFFORDABILITY IN MAJOR CITIES
Third Quarter 1991*

	Median Priced Existing Single Family Home	Mortgage Rate**	Median Household Income	Qualifying Income**	Composite Affordability Index
United States	\$101,800	9.31%	\$30,511	\$32,329	94.4
Atlanta, GA	95,100	9.41	34,490	30,466	113.2
Baltimore, MD	114,000	9.53	33,947	36,902	92.0
Boston, MA	175,500	9.51	36,833	56,734	64.9
Chicago, IL	135,800	9.51	31,902	43,902	72.7
Cleveland, OH	89,400	9.40	30,239	28,607	105.7
Dallas, TX	90,300	9.42	32,920	28,967	113.6
Detroit, MI	83,100	9.58	33,254	26,974	123.3
Houston, TX	76,700	9.52	34,394	24,806	138.7
Kansas City, MO	76,800	9.32	30,378	24,409	124.5
Los Angeles, CA#	220,300	9.74	28,709	72,643	39.5
Miami/Hialeah, FL	99,500	9.63	26,351	32,482	81.1
New York/N. New Jersey, Long Island, NY/NJ/CT	176,200	9.25	33,823	55,663	60.8
Philadelphia, PA	112,100	9.42	30,852	35,948	85.8
Phoenix, AZ	86,500	9.56	30,771	28,079	109.6
San Diego, CA#	191,800	9.74	28,742	63,221	45.5
San Francisco Bay Area#	262,000	9.78	34,038	86,687	39.3
St. Louis, MO	80,700	9.49	31,357	26,036	120.4
Washington, DC/MD/VA	118,200	9.53	43,623	52,190	83.6

* Source: HSH Associates for Metropolitan Areas; FHFB for U.S.

** Based on current leading requirements of the Federal National Mortgage Association using a 20% down payment.

#Note: The California Association of Realtors publishes a housing affordability index for areas within the state which differs significantly from these values because it measures the proportion of households which could theoretically afford to purchase the median price home rather than the ability of a median income family to carry the mortgage. California data is provided for comparison only.

Source: Home Sales; National Association of Realtors, Economic Research Division; December 1991.

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

TABLE 12
CONSTRUCTION AUTHORIZED BY BUILDING PERMIT
Declared Valuation
(Millions of Dollars)

	<u>Residential</u>	<u>Commercial</u>	<u>Other (a)</u>	<u>Total</u>	<u>New Housing Units</u>
1980	116.2	147.0	372.2	635.4	2,704
1981	99.1	176.9	151.9	427.9	2,060
1982	88.0	122.7	166.9	377.6	1,768
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 (b)	26.5	147.1	80.2	253.8	196

(a) Includes construction by government, industrial, medical and educational units.

(b) 1992 data includes first seven months only.

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

TABLE 13
TEN HIGHEST CERTIFIED MARKET AND ASSESSMENT VALUES
FOR TAX YEAR 1992 OF FULLY TAXABLE PROPERTIES

<u>Rank</u>	<u>Location</u>	<u>1992 Certified Market Value</u>	<u>1992 Certified Assessment Value</u>
1.	1500-42 Market Street	\$240,790,000	\$77,052,800
2.	1650 Market Street	192,128,000	61,480,960
3.	2005 Market Street	133,972,600	42,871,232
4.	1600-22 Market Street	115,000,000	36,800,000
5.	1414-38 South Penn Square	113,537,800	36,332,096
6.	1700-40 Market Street	105,000,000	33,600,000
7.	1835 Market Street	104,425,900	33,416,288
8.	701-39 Market Street	100,000,000	32,000,000
9.	1801-21 Market Street	85,000,000	27,200,000
10.	124-48 South 6th Street	85,000,000	27,200,000

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

TABLE 14
TEN HIGHEST CERTIFIED MARKET AND ASSESSMENT VALUES
FOR TAX YEAR 1992 OF REAL ESTATE TAX ABATED PROPERTIES

Rank	Location	1992 Certified Market Value	Taxable Assessment Value	Exempt Assessment Value
1.	4301 Byberry Road	\$146,606,000	\$10,380,093	\$36,533,827
2.	50 South 16th Street	145,328,800	11,391,040	35,114,176
3.	1717 Arch Street	140,400,000	7,471,488	37,456,512
4.	1735 Market Street	126,297,200	6,675,712	33,739,392
5.	1901-19 Market Street	111,400,000	1,108,332	34,539,668
6.	1818-28 Market Street	92,128,800	28,256,911	1,224,305
7.	1301-25 Chestnut Street	74,000,000	15,904,000	7,776,000
8.	200 South Broad Street	71,343,750	6,358,815	16,471,185
9.	1625-37 Market Street	38,155,000	6,570,764	5,638,836
10.	1327-39 Chestnut Street	37,000,000	8,640,000	3,200,000

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

The City has a long tradition of planning and redevelopment. Since the 1950's, the City's Central Business District, known as Center City, has benefited from both commercial and residential revitalization. The Planning Commission's Plan for Center City Philadelphia (1963) established the foundation for public and private investment through the 1960's, 1970's, and early 1980's. In response to evolving development conditions, the Planning Commission in 1988 prepared a new Plan for Center City to guide growth into the 21st Century.

Center City's attractiveness to business recently has been highlighted by the decisions of CIGNA, Bell Atlantic, and Consolidated Rail Corporation to locate their headquarters in the downtown area. In 1991, the Sun Company announced that it would return its corporate offices to Center City from a suburban location.

The concentration of office buildings along the West Market Street corridor has been supplemented by several substantial projects. The largest of these is Rouse and Associates' Liberty Place. Liberty Place is a recently completed \$520 million project consisting of twin office towers connected by an atrium of retail space and a Ritz Carlton Hotel. The atrium contains a food court and two levels of over 40 retail establishments. The second tower has the CIGNA insurance company as its prime tenant, while several large Philadelphia law firms anchor the first tower. Other recent additions to the skyline stretching along West Market Street include the Blue Cross-Linpro Tower, a 50 story office building occupied by Independence Blue Cross and the Mellon Bank Center, an award-winning 53 story office building. A few blocks to the North, the Bell Atlantic and Two Logan Square office buildings have been added.

The second Commerce Square Tower at 20th and Market was completed in 1992. The building houses the corporate offices of Consolidated Rail Corporation. The first Commerce Square building, with IBM as the prime tenant, was completed in 1987. Overall Center City office occupancy rates stood at 85.5% at year end 1991.

To enhance the tourist and retail climate in the Central Business District, City Council passed an ordinance in 1990 that created the Center City District, a special assessment district encompassing the City's central retail and commercial core. In 1991 a special tax assessment on properties in this district began to be used to implement and coordinate additional police, clean-up and tourist aid details there. A centrally coordinated 52-person police detail working out of a new sub-station has facilitated law enforcement and police service, reducing response time. A private contract clean-up detail provides a staff of over 100 covering day and night shifts and cleaning every street and sidewalk every day. Uniformed litter enforcement and community service representatives also patrol the area.

With cooperation from the federal government and the private sector, the City has successfully redeveloped the area adjacent to Independence Mall. The development of a national historic park and new construction of the U.S. Mint, the Federal Reserve Bank of Philadelphia, a Federal Courthouse and office building

complex and the headquarters for the Rohm and Haas Corporation, as well as numerous smaller office and commercial projects, have been completed. In the Franklintown area of Center City, a \$92.5 million project consisting of an office and hotel complex has been completed. The office building houses the U.S. headquarters of the SmithKline Beecham Corporation. The 760 room hotel, currently the City's largest, is known as the Wyndham Franklin Plaza. The Four Seasons Hotel is a major international luxury hotel and is located on nearby Logan Circle.

A substantial amount of development attention has been devoted to the Market East area between City Hall and Independence Mall. The Gallery I retail mall opened in 1977 and was followed by a major expansion in 1984. A new commuter rail transportation center and the ARA Tower office building were also completed in 1984. Enhanced lighting and sidewalk improvements were completed on Market Street from Juniper to 5th Streets, and a privately-funded maintenance association was established. The John Wanamaker building at 13th and Market recently underwent \$150 million of improvements, including the total renovation of the John Wanamaker department store and the conversion of 800,000 square feet of space to office use.

Market East is also the site of the new Pennsylvania Convention Center. This Center, when completed in 1993, will offer more than 500,000 square feet of meeting and exhibit space and significantly boost the demand for hotel and retail services in Center City. A 1,200-room Marriott Hotel is slated for completion in 1994, and more than 2,000 additional rooms are expected to be developed by the end of the decade.

The City is moving ahead with plans to transform the Penn's Landing waterfront development area into an active commercial, entertainment and residential complex. Capital funds already have been used to construct the Great Plaza and to provide road connections and utility service. Two large riverfront piers have now been converted to residential and commercial use. Two hotels have opened and several marinas and a United States Coast Guard Operations Center have been added to the waterfront area. A new boat connecting Penn's Landing with the New Jersey State Aquarium of Camden has attracted significant ridership in the first year of service.

Complementing downtown commercial growth is the substantial residential reinvestment taking place in the Society Hill, Old City, Franklintown, Washington Square West and Rittenhouse Square areas of Center City. In Society Hill, most of the residential structures have been restored and many new houses have been constructed, while Old City has seen the conversion of many warehouses and commercial structures to residential units. Downtown revitalization also has encouraged residential growth in several neighborhoods adjoining Center City.

Four Commonwealth-sponsored enterprise zones have been designated in Philadelphia's inner-city neighborhoods under the Commonwealth's enterprise zone program: American Street, West Parkside, Hunting Park West and the Port Area. The Commonwealth's program provides grants and technical assistance in order to improve the business climate and create jobs in economically depressed neighborhoods. Substantial industrial growth also has occurred in the southeast and northwest sections of the City.

Significant hospital construction projects recently have been completed. These projects include the replacement of substantially all of the patient care rooms at Temple University Hospital, the construction of new patient care facilities at Albert Einstein Medical Center, and the construction of new core buildings at the Hospital of the University of Pennsylvania, Pennsylvania Hospital, and Thomas Jefferson University Hospital.

Health services is a growing and important industry in the regional economy. It functions as an export in a regional balance of accounts, in that revenue and income are attracted to the City from outside the region. Health services payrolls in the City have expanded by 4.9% in the last 12 months. Health-care construction is facilitated by both state and local financing authorities. The Hospitals and Higher Education Facilities Authority of Philadelphia has issued over \$2 billion of revenue bonds since its inception in 1974.

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. Among the many services provided by PIDC are the administration of (1) a tax-exempt financing program that provides low interest mortgage or bond financing for real and personal property, (2) local applications for assistance under the Pennsylvania Industrial Development Authority Program, (3) the Federally funded Inner-city Land Development Program and (4) the City Wide Land Development Program, which offers 700 acres of

industrial land at below appraised market values. Even in the current slow economic environment, PIDC-assisted projects were up nearly 10% in 1991 from 1990.

TABLE 15
RECENTLY COMPLETED PROJECTS

<u>Project</u>	<u>Estimated Cost</u>
Two Liberty Place, 17th & Chestnut Streets	\$310,000,000
Philadelphia Center for Healthcare Sciences	300,000,000
Franklin Mills, Woodhaven Road	300,000,000
Mellon Bank Center, 17th & Market Streets	260,000,000
One Liberty Place, 17th & Market Streets	210,000,000
Vine Street Expressway, 17th Street to I-95	203,000,000
Bell Atlantic Tower, 18th & Arch Streets	200,000,000
Commerce Square, Phase I, 20th & Market Streets	150,000,000
Blue Cross/Linpro Tower, Phase I, 19th & Walnut Streets	150,000,000
John Wanamaker Building	150,000,000
Two Logan Square, 18th & Arch Streets	130,000,000
Philadelphia International Airport Terminal A	115,000,000
The Bellevue, Broad & Walnut Streets	110,000,000
United Parcel Service, Philadelphia International Airport	108,000,000
Commerce Square, Phase II, 20th & Market Street	100,000,000
Hospital of the University of Pennsylvania	100,000,000
Rittenhouse Hotel, 210 West Rittenhouse Square	100,000,000
Temple University Hospital	79,000,000
Jefferson University Life Sciences Building	76,000,000
St. Christophers Hospital	72,000,000
Franklin Futures Center, 20th & the Parkway	70,000,000
Airport Parking Garage A-B	60,000,000
I-95 Central Riverfront Ramps	57,000,000
Pier 5 (Residences), Delaware Waterfront	50,000,000
Lincoln Green, Presidential Boulevard	50,000,000
Walnut Street Bridge	45,000,000
Fox Chase Cancer Center	33,000,000
Walnut Towers, 9th & Walnut Streets	30,000,000
United Parcel Service, Oregon Avenue	25,600,000
Girard/Belmont Bridge Reconstruction	23,000,000
Omni Hotel	22,500,000

Source: Philadelphia City Planning Commission.

TABLE 16
PROJECTS UNDER CONSTRUCTION

<u>Project</u>	<u>Estimated Cost</u>
Frankford Elevated Subway Reconstruction	\$513,000,000
The Pennsylvania Convention Center	500,000,000
Marriott Hotel, 12th and Market Street	200,000,000
Commerce Square, Phase II, 20th & Market Streets	100,000,000
Childrens Hospital Research Facility	100,000,000
Spectrum II, South Philadelphia	100,000,000
30th Street Station Renovation	61,000,000
CONRAIL Computer Operations Facility	29,000,000
Girard/Belmont Bridge Reconstruction	23,000,000
Philadelphia Food Distribution Center Improvements	17,000,000

Source: Philadelphia City Planning Commission

APPENDIX E

Text of Proposed Opinion
of Bond Counsel

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(215) 575-7000

February , 1993

City of Philadelphia
1650 Arch Street
Room 1760
Philadelphia, Pennsylvania 19103

Attention: Finance Department

Re: \$ 376,550,000 City of Philadelphia, Pennsylvania,
Gas Works Revenue Bonds, Fourteenth Series

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the authorization, issuance and sale of City of Philadelphia, Pennsylvania, Gas Works Revenue Bonds, Fourteenth Series (the "Fourteenth Series Bonds"), under and pursuant to authority contained in the Act of the General Assembly of the Commonwealth of Pennsylvania of October 18, 1972 (P.L. 955) (the "Act"), the City of Philadelphia General Gas Works Revenue Bond Ordinance of 1975, as amended (the "General Ordinance"), and the Fourteenth Supplemental Ordinance thereto approved January 28, 1993 (the "Fourteenth Supplemental Ordinance"). The Fourteenth Series Bonds, in the aggregate principal amount of \$376,550,000, bear interest at the rates set forth in the bond authorization dated February 3, 1993 of the bond committee, consisting of the Mayor, the City Controller and the City Solicitor, payable each January 1 and July 1 commencing July 1, 1993. They have been issued for the purpose of funding a portion of the capital improvement program of the Philadelphia Gas Works ("PGW"), refunding certain outstanding maturities of the City of Philadelphia Gas Works Revenue Bonds,

To: City of Philadelphia

making a deposit to the sinking fund reserve created under the General Ordinance and paying the costs of issuance of the Fourteenth Series Bonds.

Thirteen series of Gas Works Revenue Bonds have heretofore been issued pursuant to the General Ordinance and as of November 30, 1992, \$634,132,000 in aggregate principal amount of such bonds were outstanding. The Fourteenth Series Bonds are equally and ratably secured with all such prior bonds and will be equally and ratably secured with all bonds issued in the future under the General Ordinance (all such prior bonds, the Fourteenth Series Bonds and all bonds to be issued under the General Ordinance in the future, collectively, the "Bonds").

The City of Philadelphia (the "City") has made a pledge of, and granted a security interest in, all Project Revenues (as defined in the General Ordinance) and all accounts, contract rights and general intangibles representing Project Revenues to secure the payment of the Bonds. The General Ordinance provides that except upon the occurrence of a default, Project Revenues shall be applied in the following order of priority: (1) Net Operating Expenses, as defined therein; (2) required payments into the sinking fund to pay principal of and interest on the Bonds and to accumulate, or to restore any deficiency in, the sinking fund reserve in respect thereof; (3) payment of general obligation bonds which have been adjudged to be self-liquidating on the basis of expected revenues from PGW; (4) payment of interest and sinking fund charges of other general obligation debt incurred for PGW; and (5) payment of City Charges, as defined therein. Under certain circumstances, the remaining balance may be applied to other proper purposes of the City. In the Fourteenth Supplemental Ordinance, the City has covenanted that, as long as any of the Fourteenth Series Bonds remain outstanding, all Project Revenues shall be deposited in, held in, and disbursed from one or more unsegregated accounts of PGW which shall be separate from and not commingled with moneys or accounts of the City not held exclusively for PGW purposes.

We have examined (a) such constitutional provisions, statutes and regulations as we deemed necessary, including the Act, the General Ordinance and the Fourteenth Supplemental Ordinance, (b) the proceedings authorizing the issuance and sale of the Fourteenth Series Bonds, and (c) such certificates, opinions, receipts and other documents as we have deemed necessary, including a non-arbitrage certificate of the City. In making the aforesaid examinations, we have assumed the authenticity of all original documents and the conformity to original documents of all conformed copies and photocopies of documents, the genuineness of all signatures, the due authorization, execution and delivery of all documents and the authority to do so of all persons executing such documents.

To: City of Philadelphia

On the basis of the foregoing, we are of the opinion that:

1. The City has the power to perform its obligations under the General Ordinance, the Fourteenth Supplemental Ordinance and the Fourteenth Series Bonds and is authorized to issue the Fourteenth Series Bonds.

2. The terms of the Fourteenth Series Bonds comply with the requirements of the Act, the General Ordinance and the Fourteenth Supplemental Ordinance, and the purposes for which the Fourteenth Series Bonds have been issued are lawful purposes under the Act and the General Ordinance.

3. The Fourteenth Series Bonds constitute valid, legal and binding obligations of the City, enforceable in accordance with their terms (subject to any applicable bankruptcy, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally).

4. Under existing statutes, regulations, rulings and court decisions, interest on the Fourteenth Series Bonds (and any original issue discount on Fourteenth Series Bonds to the extent properly allocable to each holder of such Fourteenth Series Bonds) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings which may subject a portion of such interest to the alternative minimum tax. Ownership of the Fourteenth Series Bonds may give rise to certain collateral federal income tax consequences as to which co-bond counsel express no opinion.

The initial public offering price of the Fourteenth Series Bonds scheduled to mature on July 1 of the years 1998, 1999, 2000, 2001, 2003, 2004, 2008, 2014 and 2026 (the "Discount Bonds") is less than the amount payable on such Fourteenth Series Bonds at stated maturity. The difference between the initial public offering price of the Discount Bonds and the principal amount payable thereon at maturity, constitutes interest. A portion of such interest (the "Original Issue Discount"), depending on the holding period of any Discount Bond by each owner, will, upon the disposition of such Discount Bond by each owner (including redemption or payment at maturity), be treated as interest excludable from gross income for federal income tax purposes. Owners of any of the Discount Bonds should consult their own tax

To: City of Philadelphia

advisors with respect to the consequences of owning such Discount Bonds, including the effect of such ownership under applicable state and local law.

The initial public offering price of the Fourteenth Series Bonds scheduled to mature on July 1, 2002 is greater than the amount payable on such Fourteenth Series Bonds at stated maturity. We express no opinion regarding the tax treatment or consequences of the payment of any premium in connection with the purchase of any of such Fourteenth Series Bonds.

5. Under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), as enacted and construed on the date hereof, the Fourteenth Series Bonds, their transfer and the income therefrom (including any profits made on the sale thereof) are exempt from personal property taxes in the Commonwealth, the Commonwealth personal income tax and the Commonwealth corporate net income tax.

In providing this opinion, we advise you as follows:

(a) It may be determined in the future that interest on the Fourteenth Series Bonds, retroactive to the date of issuance thereof or prospectively, will not be excluded from gross income of the owners of the Fourteenth Series Bonds for federal income tax purposes if certain requirements of the Internal Revenue Code of 1986, as amended, are not met subsequent to the issuance of the Fourteenth Series Bonds. The City has covenanted in the bond authorization of the City relating to the Fourteenth Series Bonds to comply with these requirements.

(b) The Fourteenth Series Bonds constitute limited obligations of the City and are payable solely from the Project Revenues, as defined in the General Ordinance, and amounts in the sinking fund, including the sinking fund reserve created under the Act and the General Ordinance. The Fourteenth Series Bonds do not pledge the credit or taxing power of the City or create any debt or charge against property of the City other than the Project Revenues and amounts in such sinking fund, including the sinking fund reserve.

To: City of Philadelphia

(c) We do not express any opinion as to the accuracy or completeness of the preliminary or final Official Statement of the City relating to the Fourteenth Series Bonds, including the appendices thereto.

Very truly yours,

DILWORTH, PAXSON, KALISH & KAUFFMAN

RONALD A. WHITE, P.C.

Approved the fourth day of November, A.D. 1992.

EDWARD G. RENDELL,

Mayor of Philadelphia

*Bill No. 245

*AN ORDINANCE

Constituting the Fourteenth 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 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 (325,000,000.00) 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 (400,000,000.00) 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; 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; 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 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 interest 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 City may obtain credit enhancement for all or a portion of 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 (400,000,000.00) 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 (75,000,000.00) 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 (325,000,000.00) 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 (400,000,000.00) 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.

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 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 an escrow or similar account 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 refunded Prior Bonds and applied to payment of the Prior Bonds in accordance with a certificate of the Director of Finance (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 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 filed with the City 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, 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 order that the Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code of 1986, as amended.

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.

Approved the thirteenth day of November, A.D. 1992.

EDWARD G. RENDELL,

Mayor of Philadelphia

*Bill No. 339

*AN ORDINANCE

Explanation:
[Brackets] indicate matter deleted.
Italics indicate new matter added.

Amending Section 14-508 of The Philadelphia Code, relating to the "G-2" General Industrial District, by adding a new subsection to establish penal and correctional institutions as permitted uses and by making certain technical amendments, under certain terms and conditions.

WHEREAS, Penal and Correctional Institutions have been uses permitted in Commercial zoning classifications and therefore also permitted in General Industrial and Least Restricted zoning classifications since the first Philadelphia Zoning Code was adopted in 1932 and accordingly, over the years, such existing institutions have been zoned industrial and new institutions have been built upon land zoned industrial; and

WHEREAS, In December, 1987 City Council passed and the Mayor signed Bill No. 1442 which amended the "G-2" General Industrial zoning classification. This Bill was sponsored by the Commerce Department and the Philadelphia Industrial Development Corporation (P.I.D.C.) and was intended to remove commercial uses

from the "G-2" and "Least Restricted" zoning classifications in order to preserve industrially-zoned land for industrial uses and to stop the development of industrial land with commercial uses and shopping centers; and

WHEREAS, Bill No. 1442 accomplished this change by deleting the term "uses permitted in any Commercial ... District" from the "G-2" General Industrial District. As a result of the passage of Bill No. 1442, a number of existing commercial uses in industrial districts became non-conforming uses and as such have limited expansion and reuse rights; and

WHEREAS, Penal and Correctional Institutions were unintentionally removed as permitted uses in "G-2" and "Least Restricted" Industrial Districts by Bill No. 1442, since these were not the type of "commercial uses" that the Commerce Department and P.I.D.C. wanted to remove from these districts; now therefore

The Council of the City of Philadelphia hereby ordains:

SECTION 1. Section 14-508 of The Philadelphia Code, relating to the "G-2" General Industrial District, is amended as follows:

§14-508. "G-2" General Industrial District.

(1) Use Regulations — General. The specific uses permitted in this District shall be the erection, construction, alteration, or use of buildings and/or land for:

. . .

PGW - IR - Exhibit 1.4

9/28/00

Photos, PD

MS

DOCUMENT
FOLDER

OCT 10 2000



BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RESPONSE TO SECRETARIAL LETTER
DATED SEPTEMBER 7, 2000

RECEIVED
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P.A.P.U.C.
SECRETARY'S BUREAU

Docket Nos. P-00001831
R-00005654

VOLUME II OF III

SEPTEMBER, 2000

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 - B. \$50,420,551.45 City of Philadelphia, Pennsylvania
Gas Works Revenue Bonds
Twelfth Series A
 - C. \$75,220,000 City of Philadelphia, Pennsylvania
Gas Works Revenue Bonds
Thirteenth Series
 - D. \$376,550,000 City of Philadelphia, Pennsylvania
Gas Works Revenues Bonds
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and
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(1998 General Ordinance), Second Series
7. Debt Service Schedules for Each Outstanding Bond Ordinance
(Merrill Lynch and Co., June 23, 1999)

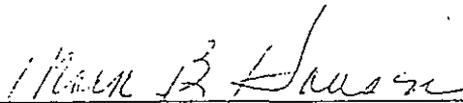
CERTIFICATE OF CHIEF CLERK
OF THE COUNCIL OF THE
CITY OF PHILADELPHIA

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

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

as to correctness

City Solicitor

A.D. 1975.

L. RIZZO,
Mayor of Philadelphia.

sale by the City of Philadelphia, execution, transfer, describing the concrete series of bonds, ordinance, pledging the City as security, the Gas Company to comply therewith, as fund depository, a Sinking Fund payment, providing amendments and modifications

he hereby ordains:

PURPOSE—

to the provisions of Act approved October 18, 1974 (Act No. 234 to 15924) for the term from time to time of

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 Depository 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 of 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-

notice by publication in not less than three newspapers published in Philadelphia, less than thirty days prior to the date given and provided from funds on hand Depository, accruing after and the holders for redemption under the 1975 Ordinance of the redemp-

tion by the registrar attorney duly qualified in Philadelphia office subject to the provisions provided in the Ordinance and cancellation in exchange, the interest of the registered owner, as authorized by the Ordinance hereof or by resolution and in each attached representative and, in each interest at the same designation

transfer and the proceeds on the sale of the distribution of the proceeds within and this exemption to gift, succe-

sion 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 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 registered 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 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 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

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.

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OF
PHILADELPHIA

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Fiscal Agent

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Fiscal Officer

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Fiscal Officer

Form of Coupon
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PENNSYLVANIA

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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

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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

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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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

Controller

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

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.

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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-

stroyed, 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-

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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 6.04. *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.

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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.

imately 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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of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City.

The proceeds of the sale of the Fifth Series Bonds shall be used to pay financing costs, to make additional payments into the Sinking Fund Reserve as required by the General Ordinance and to pay other project costs (as defined in the Act), which may include, without limitation, the repayment to the City or to accounts of the Gas Works of amounts advanced for project costs, and the funding or refunding of outstanding bond anticipation temporary loan notes of the City issued in anticipation of bonds previously authorized by the Council for capital improvements to the Gas Works system of the City.

The City covenants that the proceeds of the sale of the Fifth Series Bonds which remain available for the payment of project costs, after payment of the financing costs, the required payment into the Sinking Fund Reserve, and the repayment to the City of amounts previously advanced for project costs or for the funding or refunding of bond anticipation temporary loans as described above, shall be deposited, held and disbursed in and 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.

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. The City covenants that, so long as any of the Fifth Series Bonds shall remain outstanding, all reve-

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.

Bill No. 2068

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 TIME

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

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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

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

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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.

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(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 by 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

Marie 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

Bergeant-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
44 East Millin St., Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, NY 10004
Telephone: (212) 668-0340

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 shall 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 of 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 appurtenant to a Bond. As used herein, "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a maturity 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.

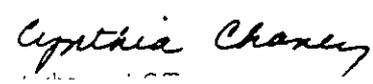
In witness whereof, AMBAC has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon AMBAC by virtue of the counter-signature of its duly authorized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


President




Secretary

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

Authorized Representative


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.

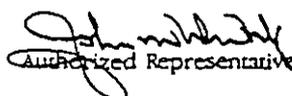
This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at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

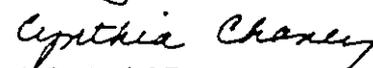
In witness whereof, AMBAC has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon AMBAC by virtue of the counter-signature of its duly authorized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

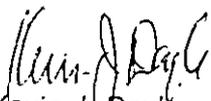
In connection with my opinion herein, I have examined the Policy, such statutes, documents and proceedings as I have considered necessary or appropriate in the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the 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.*

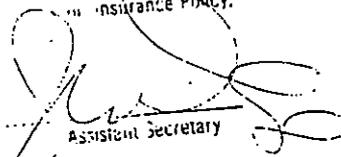
Very truly yours,


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 _____ Insurance Policy.
Policy No. 965715
INDEMNITY CORPORATION

Date Jan 21, 1994


Assistant Secretary



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.

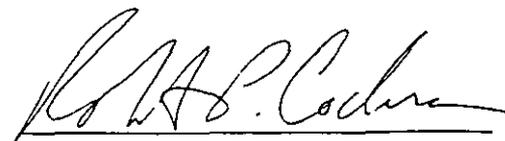
2. No event shall occur which would permit the underwriter, or if there is no underwriter, the purchaser, of the Bonds, otherwise required under the terms of the bond purchase agreement, not to be required to purchase the Bonds on the date scheduled for the issuance and delivery thereof.
3. There shall 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.
350 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]

EXHIBIT C

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.

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

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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

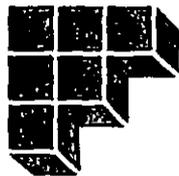
Financial Security will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated on the closing date to Lillie Cadlett (212) 339-3537.



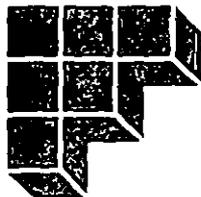
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**CERTIFICATE REQUIRED PURSUANT TO
FSA MUNICIPAL BOND INSURANCE COMMITMENT**

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.

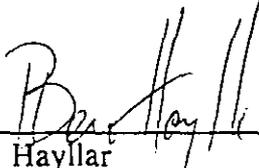
4. No event has occurred and is continuing, or would result directly or indirectly from the issuance of the Bonds, which constitutes or would, with the giving of notice or lapse of time, or both, constitute a payment default or other event of default with respect to the Bonds when issued.

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

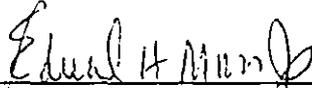
- (A) affect the security for the Bonds;
- (B) cause any of the documentation or information previously submitted to Financial Security by or on behalf of the City or PGW to be untrue or misleading; or
- (C) give cause to allow underwriter, or if there is no underwriter, the purchaser, of the Bonds, 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.

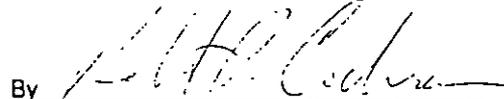
This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect 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. Stancigan*
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. Begelfer
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 *Pauline M. Cull*
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).

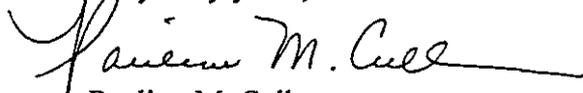
In so acting, I have examined a copy of the Policy and such other relevant documents as I have deemed necessary.

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

**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.

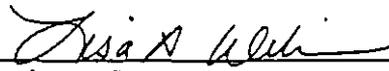
11. Compliance with Insurer's Standard Refunding Conditions - see attached.

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 ~~e~~

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.

NBIA

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 presentation and surrender of such Bonds or presentation 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" Time 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.

I. 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

Attest:

Assistant Secretary

City, State

STD-RMS-PA-5
1/1/84

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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 *Raouf 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.

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 or of 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.
- I. 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.

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.

COUNTERSIGNED:

MUNICIPAL BOND INVESTORS
ASSURANCE CORPORATION

Resident Licensed Agent

President

City, State

Attest: _____
Assistant Secretary

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