

City of Philadelphia



January 29, 2002

CERTIFICATION: This is to certify that Bill No. 010694, was presented to the Mayor on the twentieth day of December, 2001, and was not returned to the Council with his signature at a meeting held January 29, 2002 (being more than ten days after it has been presented to him).

THEREFORE, Pursuant to the provisions of Section 2-202 of the Philadelphia Home Rule Charter, the ordinance becomes effective as if the Mayor had approved it.

A handwritten signature in cursive script, appearing to read "Marie B. Hauser".

Marie B. Hauser
Chief Clerk of the City Council

(Bill No. 010694)

AN ORDINANCE

Authorizing and approving (i) the execution and delivery of a Service Agreement between the City of Philadelphia and the Redevelopment Authority relating to a comprehensive neighborhood transformation program for revitalization, renewal, redevelopment and transformation of blighted areas within the City of Philadelphia and other activities to promote the health, safety and welfare of the residents of the City of Philadelphia; (ii) the issuance by the Redevelopment Authority of bonds, notes or other evidence of indebtedness in one or more series, to pay the costs of the neighborhood transformation program; and (iii) the obligation of the City of Philadelphia to pay in full when due the Service Fee and other amounts payable under the Service Agreement; authorizing certain City officers to take certain actions required to issue bonds; covenanting that the City of Philadelphia will make necessary appropriations in each of the City's fiscal years to provide for Service Fee and other amounts due under the Service

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Agreement; and covenanting that the City of Philadelphia will make payments of the Service Fee and other amounts due under the Service Agreement; all under certain terms and conditions.

WHEREAS, The City of Philadelphia (the “City”) and the Redevelopment Authority of the City of Philadelphia (the “RDA”) have determined that the RDA will, at the direction and with the cooperation of the City, undertake a comprehensive neighborhood transformation program for revitalization, renewal, redevelopment and transformation of blighted areas within the City and other activities to promote the health, safety and welfare of the residents of the City (the “Program”); and

WHEREAS, The City is authorized by the Redevelopment Cooperation Law, 35 P.S. §1741 et seq., as amended (the “Redevelopment Cooperation Law”), to enter into agreements with the RDA respecting action to be taken by the City pursuant to any of the powers granted by the Redevelopment Cooperation Law; to make such appropriations to the RDA as is deemed necessary to assist the RDA in carrying out its public purposes; and to designate the RDA as the City’s agent within the RDA’s field of operation to perform any specified activity or to administer any specified program which the City is authorized by law to do in furtherance of the public purposes specified in the Urban Redevelopment Law, 35 P.S. §1701 et seq., as amended (the “Urban Redevelopment Law”), including, without limitation, redevelopment, renewal, rehabilitation, housing, conservation, urban beautification or comprehensive programs for the development of entire sections or neighborhoods; and

WHEREAS, The Council of the City of Philadelphia has, by this Ordinance, determined that it is in the best interests of the City to authorize and approve (i) the execution and delivery of a Service Agreement (the “Service Agreement”) by and between the City and the RDA; (ii) the issuance by the RDA of bonds, notes or other evidence of indebtedness in such amount as will be supported by an Annual Debt Service Requirement (as defined in the Service Agreement) of \$20 million, in one or more series, to pay the costs of the Program together with amounts necessary for any reserves, capitalized interest, costs of issuance and costs of credit or liquidity enhancement; and (iii) the obligation of the City to pay in full when due the Service Fee and other amounts payable under the Service Agreement; and

WHEREAS, The City and the RDA are authorized by the Urban Redevelopment Law and the Redevelopment Cooperation Law to enter into the Service Agreement and to undertake the Program; now, therefore,

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

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SECTION 1. The Council of the City of Philadelphia hereby authorizes and approves: (i) the execution and delivery of a Service Agreement (the "Service Agreement"), substantially in the form of Exhibit A hereto, with the Redevelopment Authority of the City of Philadelphia (the "RDA"); (ii) the issuance by the RDA of bonds, notes or other evidence of indebtedness (the "Bonds") in such amount as will be supported by an Annual Debt Service Requirement (as defined in the Service Agreement) of \$20 million (provided that no more than \$160 million of Bond proceeds shall be used for demolition), in one or more series, to pay the costs of the Program together with amounts necessary for any reserves, capitalized interest, costs of issuance and costs of credit or liquidity enhancement; and (iii) the obligation of the City to pay in full when due the Service Fee payable under the Service Agreement (the "Service Fee") and other amounts payable under the Service Agreement.

SECTION 2. The Director of Finance is hereby authorized to execute and deliver, on behalf of the City, the Service Agreement in substantially the form of Exhibit A hereto, with such changes as the City Solicitor shall advise and the Director of Finance shall approve, consistent with the terms of this Ordinance. No amendment or supplement to the Service Agreement (other than an amendment or supplement relating to a series of Additional Bonds (as defined in the Service Agreement) which does not cause the Annual Debt Service Requirement (as defined in the Service Agreement) to exceed \$20 million) shall be executed unless first approved by ordinance of Council.

SECTION 3. The Service Agreement authorized by this Ordinance shall be executed in conjunction with the issuance by the RDA of its Bonds for the purpose of funding the Program, in such amount as will result in an Annual Debt Service Requirement (as defined in the Service Agreement) not in excess of \$20 million. Subject to the provisions of Section 7 hereof, the proceeds of such Bonds shall be applied to the funding of the Program (provided that no more than \$160 million of Bond proceeds shall be used for demolition), to the funding of required reserves, if any, capitalized interest, if any, and to payment of costs of issuance and costs of credit and/or liquidity enhancement. The Bonds shall not be executed or delivered until the Director of Finance has approved the terms thereof. No series of Bonds shall be issued more than seven years after the effective date of this Ordinance, and no series of Bonds shall mature later than thirty years after the date of execution and delivery of the Service Agreement.

SECTION 4. The Director of Finance and all other proper officials of the City are hereby authorized, jointly and severally, on behalf of the City, to execute all documents (including one or more continuing disclosure agreements) and to take all actions as may be required by the Constitution and the laws of the Commonwealth in order to issue the Bonds.

SECTION 5. The City covenants to make appropriations beginning in Fiscal Year 2002 in each and every fiscal year in such amounts as shall be required in order to make all

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Service Fee payments and all other amounts due and payable under the Service Agreement.

SECTION 6. As long as Bonds issued by the RDA to finance costs of the Program are outstanding, the City covenants unconditionally to make all Service Fee payments and all other amounts due as provided for under the Service Agreement directly to any trustee (the "Trustee") to which the Service Fee may be assigned as security for payment of the Bonds and the obligations of the RDA under any credit facility and/or liquidity facility securing the Bonds or any interest rate swap or similar agreement relating to the Bonds, only out of current revenues of the City, which payments shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever and regardless of any rights of set-off, recoupment or counterclaim that the City may have against the RDA or the Trustee or any Bondholder or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise after the date thereof.

SECTION 7. The Service Agreement authorized by this Ordinance shall provide that no Bond proceeds shall be spent except in accordance with the provisions of this Section 7, and shall further provide that City Council is an intended beneficiary of such provision and may sue for its specific enforcement.

(a) The Mayor shall submit to Council for its approval by resolution the following items:

(i) A detailed Program Statement setting forth plans for expenditure of Bond proceeds and any other source of funds to be used for the Program. At least sixty days before the Mayor submits the Program Statement to Council for its approval by resolution, the Mayor shall send to each member of Council a preliminary Program Statement in the same detail that will be contained in the final Program Statement for which the Mayor will request approval of Council.

(ii) A detailed plan for reorganization of the City's housing agencies.

(iii) A report setting forth the findings and recommendations of Hill International, the City's Project Manager, or any successor thereto, resulting from its completion of Phase I and Phase II of its consulting contract.

(iv) An economic opportunity plan for the participation of Minority Owned Disadvantaged Business Enterprises, Female Owned Disadvantaged Business Enterprises, and Disabled Owned Disadvantaged Business Enterprises (as those terms are defined in Section 17-501 of The Philadelphia Code) in all work to be performed as part

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of the Program. Such plan shall provide for the selection by the President of Council of a person or organization to monitor compliance with the plan.

(b) Prior to each operating year of the Program, the RDA shall submit to Council for its approval by resolution an annual budget setting forth proposed Program expenditures for the upcoming operating year in such form and detail as is acceptable to Council. Such line-item budget shall be consistent with the Program Statement approved pursuant to subsection (7)(a)(i), and shall include provision for a City Council Project Manager. After it is approved, the annual line-item budget may be amended only with the approval of Council by resolution.

(c) A Project Review Team is hereby created, consisting of one member to be appointed by the Mayor and one member to be appointed by the President of Council, each of whom shall serve at the pleasure of the appointing authority. Whenever this Ordinance requires the approval of the Project Review Team, such approval shall consist only of the written approval of both members of the Project Review Team. Before approving or disapproving any matter for which the approval of the Project Review Team is required, the member of the Project Review Team appointed by the President of Council (“President’s appointee”) shall first provide each District Councilperson whose district is directly affected by such matter the immediate opportunity to meet with the Project Review Team, at the discretion of the District Councilperson, in order for the District Councilperson to review, comment upon and make recommendations concerning such matter, and the President’s appointee shall not approve any matter for which the approval of the Project Review Team is required without first obtaining written authorization from each District Councilperson whose district is directly affected by such matter.

(d) No proceeds of any Bonds may be expended for the Program, or for the funding of required reserves, if any, or for capitalized interest, if any, or for payment of costs of issuance and costs of credit and/or liquidity enhancement until all approvals required under subsection (7)(a) have been obtained, and except in accordance with an annual line-item budget approved in accordance with subsection (7)(b), except:

(i) Bond proceeds may be used at any time for the demolition of buildings that are declared by a public authority to be “imminently dangerous.” Before making any such expenditure outside of an approved line-item budget, the RDA shall provide the Project Review Team with at least five (5) days’ notice, except that if immediate demolition is required to protect public safety, the RDA shall provide the Project Review Team as much notice as is practicable in the circumstances. Such required notices to the Project Review Team shall include a list of buildings by address and documentation of an “imminently dangerous” declaration for each such building.

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(ii) With the approval of the Project Review Team, expenditures may be made at variance with an approved annual line-item budget, provided such changes do not affect more than ten percent (10%) of any line-item.

(iii) Start-up expenditures of \$20 million may be made prior to approval of the first annual line-item budget, provided that the provisions of subsections 7(e) and 7(f) shall apply to such expenditures as if they were being made under an approved annual line-item budget.

(e) Any bid package for work funded by Bond proceeds through an approved annual line-item budget shall be approved by the Project Review Team prior to release, and no contract shall be awarded for any such work without the approval of the Project Review Team, except that approval of the Project Review Team shall not be required for any contract awarded by the City to the lowest responsible bidder pursuant to a bid package approved by the Project Review Team.

(f) No real estate or any interest in any real estate shall be acquired with the proceeds of any Bonds until the Mayor shall have submitted to Council and Council shall have approved by resolution a Land Bank management program, unless Council shall have specifically approved such acquisition by resolution or ordinance. The approval of the Project Review Team shall not be required for any acquisition of real estate or any interest in real estate in accordance with this subsection 7(f).

(g) The RDA shall submit a quarterly report to the Project Review Team summarizing all expenditures made during the previous quarter by budget category.

(h) The provisions of this Section 7 are not severable from the remaining provisions of this Ordinance, but are essentially and inseparably connected with all other provisions of this Ordinance. It is hereby declared to be the legislative intent of Council that Council would not have enacted this Ordinance or any portion of this Ordinance unless all provisions of this Section 7 were a valid part of such enactment.

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SERVICE AGREEMENT

BETWEEN

REDEVELOPMENT AUTHORITY OF THE CITY OF PHILADELPHIA

AND

CITY OF PHILADELPHIA, PENNSYLVANIA

Dated as of _____, 2001

CITY OF PHILADELPHIA
Neighborhood Transformation Program

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SERVICE AGREEMENT

This Service Agreement made and entered into as of the ___ day of _____, 2001, between REDEVELOPMENT AUTHORITY OF THE CITY OF PHILADELPHIA, a public body and a body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania (the "Authority"), and the CITY OF PHILADELPHIA, PENNSYLVANIA, a city of the first class of the Commonwealth of Pennsylvania (the "City").

WITNESSETH:

WHEREAS, the Authority is a public body and a body corporate and politic, exercising public powers of the Commonwealth of Pennsylvania (the "Commonwealth") as an agency thereof, created under and pursuant to the Pennsylvania Urban Redevelopment Law, Act No. 385 of the General Assembly of the Commonwealth approved May 24, 1945 (P.L. 991), as amended and supplemented (the "Authority Law"); and

WHEREAS, the Authority exists and operates under the Authority Law for the public purposes of the elimination of blighted areas through economically and socially sound redevelopment of such areas, as provided by the Authority Law, in conformity with the comprehensive general plan of the City, for residential, recreational, commercial, industrial or other purposes, and otherwise encouraging the provision of healthful homes, a decent living environment and adequate places of employment of the people of the Commonwealth; and

WHEREAS, under the Authority Law the Authority has all powers necessary or appropriate to carry out and effectuate the purposes and provisions of the Authority Law, including, *inter alia*, the powers to cooperate with the City; to act as agent for the City for the public purposes set out in the Authority Law; to acquire real property by eminent domain; to own, hold, clear, improve and manage real property; to make and execute contracts and other instruments necessary or convenient to the exercise of the powers of the Authority; to make loans to any purchaser or owner of a residential housing or a commercial or an industrial project for the purpose of financing the purchase, construction, rehabilitation, demolition or equipping of a residential housing or a commercial and industrial redevelopment program; and to issue bonds of the Authority for any of its corporate purposes; and

WHEREAS, the City is authorized by the Pennsylvania Redevelopment Cooperation Law, Act No.383 of the General Assembly of the Commonwealth approved May 24, 1945 (P.L. 982), as amended and supplemented (the "Redevelopment Cooperation Law") to enter into agreements with the Authority respecting action to be taken by the City pursuant to any of the powers granted by the Redevelopment Cooperation Law; to make such appropriations to the Authority as is deemed necessary to

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assist the Authority in carrying out its public purposes; and to designate the Authority as the City's agent within the Authority's field of operation to perform any specified activity or to administer any specified program which the City is authorized by law to do in furtherance of the public purposes specified in the Authority Law, including, without limitation, redevelopment, renewal, rehabilitation, housing, conservation, urban beautification or comprehensive programs for the development of entire sections or neighborhoods; and

WHEREAS, the Authority and the City have determined that (i) the Authority will, at the direction and with the cooperation of the City, and following certain additional approvals of City Council, undertake a comprehensive neighborhood transformation program for revitalization, renewal, redevelopment and transformation of blighted areas within the City to promote the health, safety and welfare of the residents of the City (the "Program"); (ii) the Authority will issue its revenue bonds to finance the costs of the Program; and (iii) the City will pay to the Authority the Service Fee described herein; and

WHEREAS, the City Council of the City of Philadelphia, by Ordinance (Bill No. _____) adopted _____, 2001, approved by the Mayor on _____, 2001 ("the 2001 Ordinance") has authorized and approved (i) the execution and delivery of this Service Agreement; (ii) the issuance by the Authority of bonds, notes or other evidence of indebtedness for which the Annual Debt Service Requirement (as defined herein) will not exceed \$20,000,000, in one or more series, to pay the costs of the Program; and (iii) the obligation of the City to pay in full when due the Service Fee payable hereunder; and

WHEREAS, at the request of the City, the Authority has determined to provide initial financing for the Program by issuing its Revenue Bonds (City of Philadelphia Neighborhood Transformation Program), Series 2001, in the aggregate principal amount of \$_____ (the "2001 Bonds") for the purpose of (i) funding the Program, (ii) [providing a debt service reserve fund for the 2001 Bonds, (iii) providing capitalized interest on the 2001 Bonds, (iv)] paying the costs of issuance of the 2001 Bonds [and (v) paying the costs of credit and/or liquidity enhancement for the 2001 Bonds]; and

WHEREAS, the Authority is entering into a trust indenture of even date herewith (the "Indenture") between the Authority and _____, as trustee (the "Trustee") for the purpose of issuing the 2001 Bonds and securing the payment thereof; and

WHEREAS, to secure the payment of the 2001 Bonds and any Additional Bonds (as defined in the Indenture), the Authority will assign to the Trustee all of its right, title and interest in and to this Service Agreement, as amended and supplemented from time to time (except for the Reserved Rights, as defined herein), for the equal and ratable benefit of the holders from time to time of the 2001 Bonds and any Additional Bonds, including the Authority's right to receive the payments of the Service Fee due from the City hereunder; and

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[WHEREAS, the payment of principal of and interest on the 2001 Bonds is insured by a policy of municipal bond insurance (the “Bond Insurance Policy”) issued by _____ (the “Bond Insurer”); and]

WHEREAS, the execution and delivery of this Service Agreement has been in all respects duly and validly authorized by the Authority and the City;

NOW, THEREFORE, in consideration of the mutual agreements hereinafter contained, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I

Definitions

Section 101. Definitions of Terms. Unless otherwise defined herein, all words and terms defined in the recitals hereto and in Article I of the Indenture shall have the meanings set forth therein and herein. All references herein to the “Debt Service Fund” and the “Clearing Fund” shall mean the Funds so designated which are established with the Trustee pursuant to Article __ of the Indenture. In addition, the following terms shall have the following meanings unless the context otherwise requires:

“Administrative Expenses” shall mean the reasonable fees and expenses of the Authority [(including the Authority’s initial fee)] and the Trustee and any paying agent, remarketing agent or other fiduciary or agent appointed under the Indenture, including reasonable legal fees and expenses, in connection with the funding and administration of the Program, the issuance of any Bonds, the administration of the Indenture, the performance of the Authority’s obligations under this Service Agreement, or in connection with inquiring into, or enforcing the performance of, the City’s obligations under this Service Agreement or the Indenture. Administrative Expenses shall not include Costs of the Program.

“Annual Debt Service Requirement” shall mean, with respect to each Fiscal Year,

a) the sum of the amounts required to be paid by the Authority in such Fiscal Year for (i) the payment of principal or mandatory redemption price of and interest on the Bonds and (ii) the payment of any Credit Facility Payment Obligations or Swap Payment Obligations, less

b) an amount equal to earnings on the Debt Service Reserve Fund, if any is established under the Indenture, in such Fiscal Year.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations thereunder, as the same may be amended from time to time. Reference herein to any specific provision of the Code shall be deemed to refer to any successor provision of the Code.

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“**Costs**” shall mean all costs of the Program which the City or the Authority or either of them is authorized to incur under applicable law (including the Authority Law and the Redevelopment Cooperation Law).

“**Commonwealth**” shall mean the Commonwealth of Pennsylvania.

“**Event of Default**” shall mean any of the events described in Section 601 hereof.

“**Fiscal Year**” shall mean the annual accounting year of the City, which currently begins on July 1 of each year.

“**Indenture**” shall mean the Trust Indenture dated as of the date hereof between the Authority and the Trustee, as amended or supplemented from time to time.

“**Program**” shall mean the comprehensive neighborhood transformation program undertaken by the Authority and the City, following the approval process set forth in Section 305 hereof, for revitalization, renewal, redevelopment and transformation of blighted areas within the City to promote the health, safety and welfare of the residents of the City. The Program may include, but shall not be limited to, (i) demolition and clearing of vacant, unsafe, unfit or imminently dangerous structures, (ii) encapsulation, stabilization and sealing of structures, (iii) environmental remediation, (iv) acquisition, whether by purchase or exercise of powers of eminent domain or otherwise, of property, (v) holding, maintaining, improving, marketing, redeveloping and sale or lease of property, (vi) fencing, graffiti removal and other measures for safety or beautification of property, (vii) relocation of affected residents, and payment of the costs thereof, (viii) provision of financial assistance, including grants, loans or guarantees, for the acquisition, improvement or redevelopment of property for industrial, commercial or residential purposes, (ix) repair or provision of streets, curbs, sidewalks, driveways, retaining walls, utility infrastructure and public facilities, and (x) development and maintenance of databases and management information systems with respect to the foregoing.

“**Reserved Rights**” shall mean the rights of the Authority to Administrative Expenses under subsections 404(a) and 404(b) hereof and the rights of the Authority under Sections 505, 507 and 710 hereof, and the right to enforce each of the same.

“**Service Fee**” shall mean the Service Fee payable from the City hereunder as set forth in Section 401 hereof.

“**Trustee**” shall mean _____, as trustee under the Indenture, and its successors as trustee thereunder.

[End of Article I]

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ARTICLE II

Representations and Warranties

Section 201. Representations and Warranties of the Authority. The Authority hereby represents and warrants as follows:

(a) it is a public body and a body corporate and politic duly organized and existing under the laws of the Commonwealth with the power to enter into this Service Agreement and to carry out its obligations hereunder and has duly authorized the execution and delivery of this Service Agreement, the 2001 Bonds and the Indenture;

(b) the issuance and sale of the 2001 Bonds, the execution and delivery of this Service Agreement and the Indenture by the Authority and the performance of all covenants and agreements of the Authority contained in this Service Agreement and of all other acts and things required under the Constitution and laws of the Commonwealth to make this Service Agreement a valid and binding obligation of the Authority in accordance with its terms, are authorized by the Authority Law and have been duly authorized by proceedings of the Authority adopted or passed at meetings thereof duly called and held; and

(c) this Service Agreement has been duly executed on behalf of the Authority by its duly authorized officers and is the legal, valid and binding obligation of the Authority, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws or legal or equitable principles affecting creditors' rights generally.

Section 202. Representations and Warranties of the City. The City hereby represents and warrants as follows:

(a) it is a city of the first class of the Commonwealth duly organized and existing under the laws of the Commonwealth with the power to enter into the transactions contemplated by this Service Agreement and to carry out its obligations hereunder and, pursuant to the 2001 Ordinance, has duly authorized the execution and delivery of this Service Agreement and has duly approved the 2001 Bonds and the Indenture;

(b) the authorization and undertaking of the Program, the execution and delivery of this Service Agreement by the City and the performance of all covenants and agreements of the City contained in this Service Agreement and of all other acts and things required under the Constitution and laws of the Commonwealth to make this Service Agreement a valid and binding obligation of the City in accordance with its terms, are authorized by the Philadelphia Home Rule Charter, the Authority Law and the Redevelopment Cooperation Law and have been duly authorized by the 2001 Ordinance duly adopted by the City Council of the City and approved by the Mayor; and

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(c) this Service Agreement has been duly executed on behalf of the City by its duly authorized Director of Finance and is the legal, valid and binding obligation of the City, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws or legal or equitable principles affecting creditors' rights generally.

[End of Article II]

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ARTICLE III

The Program

Section 301. Funding of the Program. Upon the issuance of the Bonds of any series, the Authority shall cause the proceeds thereof to be deposited in the funds and accounts established under the Indenture in such amounts as the Authority shall direct in an Authority Certificate approved by the Director of Finance.

Section 302. The Program. (a) The City and the Authority hereby agree to undertake the Program. Subject to Section 305, the determination of which portions of the Program are to be implemented from time to time, and the method of funding such portions (including the expenditure of proceeds of Bonds to pay Costs of the Program) shall be made by the City, provided that no more than \$160 million of the proceeds of Bonds may be used for demolition. Portions of the Program may be implemented directly by the Authority or by the City or by their respective contractors and subcontractors. The City may act as agent of the Authority in connection with the implementation of portions of the Program.

(b) Amounts deposited in the Program Fund shall be applied to pay or reimburse such Costs of the Program as are specified in an Authority Certificate approved by the Director of Finance, as set forth in the Indenture. [Proceeds of the 2001 Bonds deposited in the Program Fund shall be applied solely to the payment or reimbursement of costs of demolition, clearing, sealing, environmental remediation, and encapsulation and related activities (including relocation necessitated by the foregoing) undertaken after _____, 2001 with respect to properties which pose a threat to health and safety, as determined by the City.] Proceeds of Additional Bonds shall be applied to pay such Costs of the Program as are specified in the Supplemental Indenture or supplement to this Service Agreement relating to such Additional Bonds.

(c) The Director of Finance shall transmit to the President of City Council, with copies to the Chief Clerk of Council and each member of Council, and to the Executive Director of the Authority, not later than 90 days after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2002, a written report with respect to Program activities conducted during such Fiscal Year, which shall include in reasonable detail:

(i) a description of any Bonds issued during such Fiscal Year, including the principal amount, interest rate, yield, maturity date, any provision for credit or liquidity enhancement, any provision for interest rate swaps or other similar agreements, and costs of issuance;

(ii) Administrative Expenses paid during such Fiscal Year;

(iii) a summary of debt service on Bonds and other costs paid in such Fiscal Year and included in the Service Fee;

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(iv) a projection of the Service Fee and Administrative Expenses to be payable in the then current Fiscal Year and the next succeeding Fiscal Year;

(v) a description of Program activities undertaken and costs paid (other than debt service and related costs and Administrative Expenses) during such Fiscal Year, including

(A) a general description of the Program elements undertaken, by category, and the amount expended on each such category; and

(B) such other information as, in the judgment of the Director of Finance, will assist City Council and the Authority in evaluating the Program; and

(vi) such other items as the President of Council or Council as a whole shall from time to time request.

The Authority shall cooperate with the Director of Finance in the preparation of each report required to be prepared under this subsection.

Section 303. Appointment of Authority as Agent. In accordance with Section 1746.1 of the Redevelopment Cooperation Law, the City hereby appoints and designates the Authority as the City's agent within the Authority's field of operation to administer the Program and to perform any element thereof in accordance with the terms of this Service Agreement. The Authority hereby accepts the foregoing appointment and designation and, in consideration of the Service Fee, agrees to administer the Program and implement such elements thereof as the City shall from time to time direct.

Section 304. Additional Bonds. Upon the written request of the Director of Finance of the City, the Authority may, but shall have no obligation to, issue Additional Bonds to pay Costs of the Program. In connection therewith, the Authority and the City shall enter into a supplement to this Service Agreement in accordance with Section 709 hereof providing for an increase in the Service Fee payable hereunder to pay the amounts required for principal or redemption price of and interest on such Additional Bonds, subject to the provisions of the 2001 Ordinance or any ordinance subsequently enacted by City Council relating to the financing of the Program.

Section 305. Approval Process.

Notwithstanding any other provision of this Agreement to the contrary, no proceeds of any Bonds of any series shall be spent unless there is full compliance with the approval process set forth in Section 7 of the 2001 Ordinance, and all required approvals are obtained. The Council of the City of Philadelphia ("Council") is an intended beneficiary of the requirements of this Section 305. Council shall have standing to sue for specific enforcement of the requirements of this Section 305, and the City and the Authority agree not to challenge the standing of Council in any action for such specific enforcement.

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[End of Article III]

ARTICLE IV

Service Fee

Section 401. Service Fee. In consideration of the undertakings by the Authority under this Service Agreement with respect to the Program, the City agrees to pay as a Service Fee in each Fiscal Year directly to the Trustee, as the assignee of the Authority, the following sums:

(a) The Annual Debt Service Requirement for such Fiscal Year, payable as follows:

(i) On or before the second Business Day prior to the date such amount is required to be paid to the holders of the Bonds, the amount which is equal to the principal or mandatory redemption price of the Bonds becoming due on the immediately succeeding principal maturity or mandatory redemption date, subject to credit for other available funds in the manner provided in the Indenture.

(ii) On or before the second Business Day prior to the date such amount is required to be paid to the holders of the Bonds, the amount which is equal to interest on the Bonds becoming due on the immediately succeeding Interest Payment Date, subject to credit for other available funds in the manner provided in the Indenture.

(iii) On or before the dates specified in any Credit Facility or Swap Agreement, the amounts which are equal to any Credit Facility Payment Obligations or Swap Payment Obligations becoming due on such dates, subject to credit for other available funds in the manner provided in the Indenture.

(b) On or before the dates required by the Indenture, the amounts which are necessary to restore any deficiency in the Debt Service Reserve Fund, if any, established under the Indenture.

In lieu of the portion of the payments due under subsection (a)(i) above, the City, or at its written direction, the Trustee, may purchase for cancellation Bonds of the Series and term next becoming due at maturity or upon mandatory redemption, subject to the applicable requirements set forth in Section _____ of the Indenture.

Notwithstanding the foregoing, in no event shall the Annual Debt Service Requirement in any Fiscal Year exceed \$20,000,000 for any Bonds issued by the Authority for the Program unless a higher Annual Debt Service Requirement shall have been approved by an ordinance of the City in accordance with Section 709(c).

The Service Fee shall be payable only out of the current revenues of the City, and the City agrees to provide for the payment of the Service Fee and include the same in its annual operating budget for each year. If the current revenues are insufficient to pay the total Service Fee in any Fiscal Year as the same becomes due and payable, the City covenants to include amounts not so paid in its operating budget for the ensuing Fiscal

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Year in order to provide sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of Service Fee due for such ensuing year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Service Fee payments due and payable hereunder in each of the City's Fiscal Years.

Section 402. No Set-Off. The obligation of the City to make the payments required under this Service Agreement shall be absolute and unconditional. The City will pay without suspension, abatement, reduction, abrogation, waiver or diminution all payments required hereunder regardless of any cause or circumstance whatsoever, which may now exist or may hereafter arise, including, without limitation, any defense, set-off, recoupment or counterclaim which the City may have or assert against the Authority, the Trustee, any Bondholder or any other person.

Section 403. Prepayment. The City shall be permitted, at any time and from time to time, to prepay all or any part of the amounts payable under Section 401 hereof together with such other amounts as shall be sufficient to redeem or otherwise pay all or a portion of the Bonds of any series in accordance with the provisions of the Indenture.

Section 404. Other Payments by City. The City shall make the following payments:

(a) [contemporaneously with the execution and delivery hereof, the Authority's initial fee with respect to the 2001 Bonds of \$_____];

(b) the Authority's other Administrative Expenses incurred from time to time; and

(c) directly to the Trustee, on behalf of the Authority, upon invoice therefor, the Administrative Expenses of the Trustee as provided in Section _____ of the Indenture.

The Administrative Expenses shall be payable only out of the current revenues of the City, and the City agrees to provide for the payment of the Administrative Expenses and include the same in its annual operating budget for each year. If the current revenues are insufficient to pay the total Administrative Expenses in any Fiscal Year as the same become due and payable, the City covenants to include amounts not so paid in its operating budget for the ensuing Fiscal Year in order to provide sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of Administrative Expenses due for such ensuing year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Administrative Expense payments due and payable hereunder in each of the City's Fiscal Years.

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Section 405. Assignment of Service Agreement. The Authority hereby notifies the City that all the Authority's right, title and interest in and to this Service Agreement, including its rights to receive the above payments (except for the Reserved Rights), shall be irrevocably assigned by the Authority to the Trustee as security for the Bonds as provided in the Indenture, and in furtherance of said assignment the Authority hereby irrevocably assigns all payments by the City hereunder (except for the Reserved Rights) to the Trustee for deposit or application in accordance with this Service Agreement and the Indenture. The City hereby consents to such assignment. The Authority consents to the payment by the City of, and directs the City to pay, all such assigned amounts directly to the Trustee.

Section 406. Excess Funds. After all of the Bonds have been paid or payment thereof has been provided for and all interest and applicable premium, if any, due thereon and all other amounts required to be paid under the Indenture have been paid or provision for such retirement and payment has been made in accordance with the Indenture, excess moneys in the funds and accounts established under the Indenture from whatever source derived will be paid to the City. This paragraph shall survive the termination of this Service Agreement.

[End of Article IV]

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ARTICLE V

Further Agreements

Section 501. Compliance With Laws. The City covenants that all actions heretofore and hereafter taken by the City or by the Authority upon the request of any officer of the City in connection with the Program, including the making of contracts, have been and will be in full compliance with all pertinent laws, ordinances, rules, regulations and orders applicable to the City. The City acknowledges that any review by the Authority's staff or counsel of any action heretofore or hereafter taken by the City has been or will be solely for the protection of the Authority. Such reviews shall not prevent the Authority from enforcing any of the covenants made by the City.

Section 502. Investments. The City and the Authority agree that all moneys in any fund or account established by the Indenture may be invested in such Investment Securities (as defined in the Indenture) as the City may direct in writing, as provided in the Indenture.

Section 503. City to Perform Certain Covenants Under Indenture. The City acknowledges that it has received an executed copy of the Indenture, and that it is familiar with its provisions, and agrees to be bound to the fullest extent permitted by law to all provisions thereof directly or indirectly relating to it, and that, in consideration of the service of the Authority rendered to the City under this Service Agreement, it will take all such actions as are required of it under the Indenture to preserve and protect the rights of the Trustee, the Bondholders, the Credit Issuers and the Swap Providers thereunder and that it will not take or effect any action which would cause a default thereunder or impair such rights. The City hereby assumes and agrees to perform all of the covenants and other obligations of the Authority under the Indenture, excepting only any approvals or consents required to be given by the Authority thereunder, and those covenants contained in the Indenture which are not within the control of the City.

Section 504. Compliance with the Internal Revenue Code. Each of the City and the Authority covenants that it will neither make nor instruct the Trustee to make any investment or other use of the proceeds of the Bonds, the interest on which is intended to be excludable from gross income of the holders thereof, which would cause such Bonds to be "arbitrage bonds" as that term is defined in Section 148(a) of the Code; that it will comply with the requirements of the Code throughout the term of such Bonds so that the interest on such Bonds shall be excluded from gross income for federal income tax purposes; and that it will not apply the proceeds of such Bonds in such a manner as would result in the loss of the exclusion of interest on such Bonds from gross income of the owners for federal tax purposes.

The City further covenants that it will calculate and pay directly to the United States the amount of arbitrage rebate payable to the United States Treasury under the Code pursuant to Section _____ of the Indenture.

Section 505. No Personal Recourse Against Authority; Assumption of Financial Responsibility.

(a) In the exercise of the power of the Authority and its members, officers, employees and agents under this Service Agreement or the Indenture including (without limiting the foregoing) the application of moneys and the investment of funds, neither the Authority nor its members, officers, employees or agents shall be accountable to the City for any action taken or omitted by it or them except actions constituting bad faith, willful misconduct, [negligence,] fraud or deceit of the Authority or of any member, officer, employee or agent. The Authority and such other persons shall be protected in its or their acting upon any paper or document believed by it or them to be genuine, and it or they may conclusively rely upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by the City for any claims against any member, officer, employee or agent of the Authority alleging personal liability on the part of such person based on this Service Agreement or on the Indenture or based on the Authority's participation in the Program.

(b) To the extent authorized by applicable law, and in consideration of the service being rendered by the Authority to the City pursuant to the Authority Law, the City agrees to indemnify, defend and hold harmless the Authority and each of its directors, officers, employees, agents and representatives (each an "Indemnified Party" and collectively, the "Indemnified Parties"), against any and all suits, claims or causes of action (collectively, "Claims"), and all liabilities, losses, costs, expenses, judgments and amounts paid in settlement (including without limitation, reasonable attorneys' fees) of every kind (collectively, "Losses"), relating to or arising in connection with the Authority's entering into this Service Agreement, the Indenture or any other documents executed by the Authority in connection with the transactions contemplated in connection with the Program, the performance of any of the Authority's obligations hereunder or thereunder, any acts or omissions with respect to the Authority's interest under this Service Agreement, the Indenture or any other documents executed by the Authority in connection with the transactions contemplated thereby, or any other acts or omissions relating to the Authority's involvement in the Program; except in each case to the extent that the Claims and Losses are attributable to the willful misconduct, [negligence,] bad faith, fraud or deceit of any such Indemnified Party.

(c) In the event any such Claim is made or action brought against any Indemnified Party, the City shall assume the defense of the Claim and any action brought thereon and the City shall pay all expenses incurred therein; or the Authority, with the consent of the City Solicitor, may assume the defense of any such Claim or action, the reasonable costs of which shall be paid by the City; provided, however, that Counsel selected by the Authority to conduct such defense shall be approved by the City and further provided that the City may engage its own Counsel to participate in the defense of any such action.

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(d) The City shall have the right to control the defense of any legal proceedings involving any Claims (other than Claims relating to the inherent powers of the Authority), but shall keep the Authority advised as to all material developments in such proceedings. Notwithstanding anything herein to the contrary, the City shall not be required to indemnify or defend any Indemnified Party against any Claims or Losses to the extent such Claim or Loss is the result of the willful misconduct, bad faith, [negligence,] fraud or deceit of the Authority or such Indemnified Party; provided, however, the Authority's taking of any action, or the failure to take any action, which it is permitted to take under the terms of this Service Agreement, the Indenture or any of the documents involved in the Program, shall under no circumstances be deemed to constitute willful misconduct, bad faith, [negligence], fraud or deceit; and furthermore, the taking of any action by the Authority at the written direction of the City or the Trustee shall not under any circumstances be deemed to constitute willful misconduct, bad faith, [negligence], fraud, or deceit.

(e) The City shall not be obligated under Section 505(b), (c) or (d) of this Service Agreement unless the Indemnified Party has given the City prompt and timely notice of matters contemplated by Section 505 (b), (c) or (d); provided however, the failure to so notify the City will not relieve the City from any obligation under Section 505(b), (c), or (d) except to the extent such failure has materially injured the ability of the City to defend such matter successfully or to minimize the economic exposure resulting therefrom. Nothing in this Section 505 shall be deemed to preclude the City from asserting any claim against an Indemnified Party for expenses arising from such Indemnified Party's willful misconduct, bad faith, [negligence], fraud or deceit.

Section 506. Liabilities of the Trustee. The City shall at all times assume complete financial responsibility for all liabilities, losses, claims, causes of action and reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, including the actual and reasonable allocated costs and expenses of in-house counsel) incurred by, imposed upon or asserted against the Trustee, including its officers, directors, employees and agents, or any of them, for following any instruction or direction upon which the Trustee is authorized to rely pursuant to the terms of this Service Agreement, the Indenture or the Bonds or which arise on account of or result from any actions taken or omitted to be taken by the Trustee, except as a result of its or their negligence or willful misconduct, relating to or arising out of this Service Agreement, the Indenture or the Bonds.

Section 507. No Waiver of Immunity. Nothing herein shall waive or amend any defense or immunity which the City or the Authority, their officers, employees or agents may have under the Pennsylvania Political Subdivision Tort Claims Act, 42 Pa. C.S.A. §8541 et seq. or the Commonwealth Agency Law, 42 Pa. C.S.A. §8521 et seq.

[End of Article V]

ARTICLE VI

Events of Default and Remedies

Section 601. Events of Default. Each of the following shall constitute an Event of Default hereunder:

(a) The failure of the City to make any payment to the Trustee of the Service Fee when due pursuant to Section 401 (a) or (b) of this Service Agreement;

(b) The failure of the City to make any other payment or to perform any other covenant, condition or agreement herein on its part to be performed; and

(c) If the City proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the City or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, state or federal, by or against the City and if such is not vacated, dismissed or stayed on appeal within sixty (60) days.

Section 602. Notice of Defaults; Opportunity to Cure Such Defaults.

(a) No default under 601 (a) hereof shall constitute an Event of Default if the City's failure to make any payment due under this Service Agreement is cured within two (2) Business Days after the due date of the payment; provided, however, that in no event shall such cure period extend beyond the date and time the payment is due to the Bondholders or any Credit Issuer or Swap Provider.

(b) No default under Section 601(b) hereof shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the City by the Authority or the Trustee and the City shall have had 30 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, if the default cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the City within the period and diligently pursued until the default is corrected.

Section 603. Remedies. If any Event of Default shall occur and be continuing, the Authority (or the Trustee as assignee of the Authority) may at its option exercise any one or more of the following remedies:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the City to perform its duties and obligations under this Service Agreement; or

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(b) by action or suit in equity require the City to account as if it were the trustee of an express trust for the Authority; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.

In no event shall the due dates for payments of the Service Fee hereunder be accelerated.

Section 604. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Service Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission 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 thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Section 605. No Additional Waiver Implied by One Waiver. In the event the breach of any agreement contained in this Service Agreement should be waived by either party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

[End of Article VI]

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ARTICLE VII

Miscellaneous

Section 701. Notices. (a) Except as otherwise permitted herein and in the Indenture, all communications hereunder shall be in writing and, unless otherwise required under this Service Agreement, shall be sufficiently given or made if delivered personally to the Person who is to receive the same or if mailed to such person by certified mail, return receipt requested, addressed as follows:

- (i) if to the Authority:

Redevelopment Authority of the City of Philadelphia
1234 Market Street, 16th Floor
Philadelphia, PA 19107
Attention: Executive Director

with a copy to:

Robert Guerra, Esquire
1234 Market Street, 16th Floor
Philadelphia, PA 19107

- (ii) if to the City:

City of Philadelphia
c/o Director of Finance
1401 John F. Kennedy Boulevard
MSB - Room 1330
Philadelphia, PA 19102-1693

With a copy to each of:

Law Department
City of Philadelphia
1515 Arch Street, 17th Floor
Philadelphia, PA 19102-1595
Attention: City Solicitor

City Treasurer
1401 John F. Kennedy Boulevard
MSB - Room 640
Philadelphia, PA 19102-1693

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(iii) if to the Trustee to:

Section 702. Severability. If any provision of this Service Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 703. Redemption of Bonds. The Authority, at the written direction of the City, at any time the aggregate moneys in the funds or accounts created under the Indenture are sufficient to effect such redemption in whole or in part, and if the same are then redeemable under the provisions of the Indenture, shall forthwith take steps that may be necessary under the applicable provisions of the Indenture to effect redemption of all or as many of the then Outstanding Bonds on such redemption date as may be specified in writing by the City.

Section 704. Counterparts. This Service Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same Service Agreement.

Section 705. Benefit of Service Agreement. This Service Agreement shall inure to the benefit of and shall be binding upon the Authority, the City and their respective successors and assigns. In addition, the agreements and representations of the City and the Authority herein contained shall inure to, but only to, the Trustee for the benefit of the Holders from time to time of all Bonds issued and Outstanding under the Indenture, any Credit Issuers and Swap Providers secured pursuant to the Indenture, and to the Trustee for its own benefit.

Section 706. Termination. This Service Agreement shall terminate on such date as the principal or redemption price of and interest on all Bonds and all other amounts required under the Indenture to be paid and all other expenses payable by the City hereunder shall have been paid (or provision for such payment shall have been made as provided in the Indenture) and all other conditions of this Service Agreement and the Indenture shall have been fully satisfied. Notwithstanding foregoing, the City's obligations under Section 504, Section 505 and Section 506 hereof shall survive any such termination.

Section 707. Governing Law. This Service Agreement shall be governed by, and construed in accordance with, the substantive laws of the Commonwealth.

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Section 708. Entire Agreement. This Service Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the Authority and the City with respect to the subject matter hereof.

Section 709. Amendments and Supplements.

(a) If the Authority issues Additional Bonds as contemplated by the Indenture, the Authority and the City shall execute an appropriate supplement or amendment to this Service Agreement. In addition, the parties hereto from time to time may enter into any written amendments hereto (which thereafter shall form a part hereof) as shall not adversely affect the rights of or the security of the holders of the Bonds, only for the following purposes:

(i) to cure any ambiguity, defect, or inconsistency or omission herein or in any amendment hereto; or

(ii) to grant to or confer upon the Authority or the Trustee any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon the Authority or the Trustee; or

(iii) to reflect a change in applicable law;

(iv) to modify the Program; or

(v) to provide terms not inconsistent with the Indenture or this Service Agreement; provided, however, that this Service Agreement as so amended or supplemented shall provide at least the same security for holders of Bonds issued under the Indenture as the Service Agreement in this form.

(b) All other amendments must be approved by the Trustee and, if the Indenture must be amended with the Bondholders' and/or the Bond Insurer's consent, by the Bondholders and the Bond Insurer also, in the same manner and to the same extent as is set forth in Section _____ of the Indenture.

(c) Any amendment or supplement to this Service Agreement (other than an amendment or supplement relating to a series of Additional Bonds pursuant to Section 709(a) which does not cause the Annual Debt Service Requirement to exceed \$20,000,000) shall be approved by ordinance of the City Council of the City and a copy of any such amendment or supplement, together with a copy of such ordinance, certified by the Clerk of the City Council, shall be filed with the Trustee.

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Section 710. Limitation on Liability of the Authority. No provision of this Service Agreement shall be construed so as to give rise to a pecuniary liability of the Authority or any of its members, officers or employees, or to give rise to a charge upon the general credit of the Authority or such members, officers or employees, including without limitation in respect of general liability for repayment of the Bonds; any pecuniary liability hereunder of the Authority shall be limited exclusively to its interest in this Service Agreement and the lien of any judgment shall be restricted thereto.

Section 711. Construction; Conflict with 2001 Ordinance. If any provision of this Service Agreement conflicts with the provisions of the 2001 Ordinance, the 2001 Ordinance shall control.

[End of Article VII]

City of Philadelphia

BILL NO. 010694 *continued*

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Service Agreement, all as of the day and year first above mentioned.

REDEVELOPMENT AUTHORITY OF
THE CITY OF PHILADELPHIA

By:

Chairman

CITY OF PHILADELPHIA,
PENNSYLVANIA

By:

JANICE DAVIS
Director of Finance

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