

NEW ISSUE – BOOK-ENTRY ONLY

**RATING: Standard & Poor's: AAA
AMBAC ASSURANCE CORPORATION**

In the opinion of Bond Counsel, interest on the 2005 A-2 Bonds is not excluded from gross income for federal income tax purposes. The 2005 A-2 Bonds are exempt from Pennsylvania personal property taxes; and the interest on the 2005 A-2 Bonds is exempt from Pennsylvania Corporate Net Income Tax and from personal income taxation by the Commonwealth of Pennsylvania, or by any of its political subdivisions, under present statutory and case law. (See "Tax Matters" herein.)

\$9,000,000

**REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG
Federally Taxable Guaranteed Revenue Bonds (Stadium Project),
Series A-2 of 2005**

**Dated Date: February 1, 2005
Due: May 15, as shown on inside cover**

**Interest Payable: May 15 and November 15
First Interest Payment: November 15, 2005**

The Redevelopment Authority of the City of Harrisburg (the "Authority") will issue a series of bonds, designated Federally Taxable Guaranteed Revenue Bonds (Stadium Project), Series A-2 of 2005 (the "2005 A-2 Bonds") in the aggregate principal amount shown above. The 2005 A-2 Bonds will be issued as fully registered bonds, without coupons, in denominations of \$5,000 and integral multiples thereof and, when issued initially, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2005 A-2 Bonds. Purchases of the 2005 A-2 Bonds will be made in book-entry form, and purchasers will not receive certificates representing their interests in the 2005 A-2 Bonds.

The 2005 A-2 Bonds will be limited obligations of the Authority, and will be issued and secured under the provisions of a Trust Indenture, dated as of January 1, 2005, as amended and supplemented by a First Supplemental Trust Indenture, dated as of February 1, 2005 (collectively, the "Indenture"), between the Authority and Commerce Bank/Pennsylvania, National Association, Philadelphia, Pennsylvania, as trustee (the "Trustee").

The 2005 A-2 Bonds are limited obligations of the Authority payable from: (i) Revenues as defined in the Indenture, certain funds or accounts established under the Indenture, subject to certain terms thereof, and all other property from time to time pledged under the Indenture; (ii) money which may be made available pursuant to a Stadium Guaranty Agreement, dated as of January 1, 2005 (the "Guaranty Agreement"), among the City of Harrisburg, Dauphin County, Pennsylvania (the "City"), as guarantor, the Authority and the Trustee; and (iii) a financial guaranty insurance policy to be issued by Ambac Assurance Corporation.

Under the Guaranty Agreement, the City has unconditionally guaranteed, for the benefit of the registered owners of the 2005 A-2 Bonds, the full and prompt payment of principal of and interest on the 2005 A-2 Bonds when due according to the terms of the Guaranty Agreement, for which obligation the City has pledged its full faith, credit and taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2005 A-2 BONDS - Guaranty Agreement" herein.

Interest on the 2005 A-2 Bonds will be payable by the Trustee, as registrar and paying agent. So long as DTC or its nominee, Cede & Co., is the registered owner of the 2005 A-2 Bonds, payment of the principal of, redemption premium, if any, and interest on the 2005 A-2 Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC Participants and the Indirect Participants. See "Book-Entry-Only System" under the caption "THE 2005 A-2 BONDS" herein.

THE 2005 A-2 BONDS SHALL BE SUBJECT TO MANDATORY SINKING FUND REDEMPTION PRIOR TO MATURITY. THE 2005 A-2 BONDS ARE NOT SUBJECT TO OPTIONAL REDEMPTION. (SEE "THE 2005 A-2 BONDS - REDEMPTION" HEREIN.)

Payment of the principal of and interest on the 2005 A-2 Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the 2005 A-2 Bonds.

Ambac

THE 2005 A-2 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND NOT A DEBT OF THE COMMONWEALTH OF PENNSYLVANIA (THE "COMMONWEALTH"), OR ANY POLITICAL SUBDIVISION THEREOF EXCEPT THE CITY AS PROVIDED IN THE GUARANTY AGREEMENT. NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE TAXING POWER OR THE GENERAL CREDIT OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF EXCEPT THE CITY AS PROVIDED IN THE GUARANTY AGREEMENT IS PLEDGED FOR PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2005 A-2 BONDS. THE AUTHORITY HAS NO TAXING POWER.

The 2005 A-2 Bonds will be offered when, as and if issued by the Authority and accepted by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of the legality of the 2005 A-2 Bonds by Obermayer Rebmann Maxwell & Hoppel LLP, Harrisburg and Philadelphia, Pennsylvania and James H. Rowland, Jr., Esquire, Harrisburg, Pennsylvania. Certain legal matters will be passed upon for the Authority by its counsel, Smigel, Anderson & Sacks, LLP, Harrisburg, Pennsylvania, for the City by Steven R. Dade, City Solicitor, for the Underwriters by their counsel, Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania and for Harrisburg Civic Baseball Club, Inc. by its counsel, Obermayer Rebmann Maxwell & Hoppel LLP, Harrisburg and Philadelphia, Pennsylvania. It is expected that the 2005 A-2 Bonds will be available for delivery in New York, New York on or about February 10, 2005.

Mesirov Financial, Inc.

RBC Dain Rauscher

The Williams Capital Group, L.P.

Dated: January 31, 2005

\$9,000,000
Redevelopment Authority of the City of Harrisburg
Federally Taxable Guaranteed Revenue Bonds (Stadium Project),
Series A-2 of 2005

<u>Year (May 15)</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Year (May 15)</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2007	\$210,000	3.90%	100.000%	2014	\$280,000	4.76%	100.000%
2008	220,000	4.07%	100.000%	2015	295,000	4.83%	100.000%
2009	225,000	4.25%	100.000%	2016	310,000	4.89%	100.000%
2010	235,000	4.40%	100.000%	2017	325,000	4.95%	100.000%
2011	245,000	4.51%	100.000%	2018	340,000	5.00%	100.000%
2012	260,000	4.60%	100.000%	2019	360,000	5.04%	100.000%
2013	270,000	4.69%	100.000%	2020	375,000	5.08%	100.000%

\$2,200,000	5.20%	Term Bonds due May 15, 2025	-	Price: 100.000%	to Yield 5.20%
\$2,850,000	5.29%	Term Bonds due May 15, 2030	-	Price: 100.000%	to Yield 5.29%

**MEMBERS OF THE REDEVELOPMENT AUTHORITY OF THE
CITY OF HARRISBURG**

Theresa A. Martini
Charles R. Peguese
Harold E. Dunbar
Mark S. Stewart
Andrew J. Giorgione

Chair
Vice Chair
Secretary/Treasurer
Assistant Secretary
Member

ACTING EXECUTIVE DIRECTOR

Theresa A. Martini

CITY OF HARRISBURG

MAYOR

Stephen R. Reed

MEMBERS OF CITY COUNCIL

Richard K. House, Sr.
Linda D. Thompson
Otto V. Banks
Gloria Martin Payne
Eric L. Waters
Vera Jean White
Susan Brown Wilson

President
Vice President
Member
Member
Member
Member
Member

CITY SOLICITOR

Steven R. Dade, Esquire

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FINANCIAL ADVISOR

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Harrisburg & Philadelphia, Pennsylvania

James H. Rowland, Jr., Esq.
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RBC Dain Rauscher Inc.
The Williams Capital Group, L.P.

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Harrisburg, Pennsylvania

TRUSTEE, REGISTRAR AND PAYING AGENT

Commerce Bank/Pennsylvania, National Association
Philadelphia, Pennsylvania

COUNSEL TO HARRISBURG CIVIC BASEBALL CLUB, INC.

Obermayer Rebmann Maxwell & Hippel LLP
Harrisburg and Philadelphia, Pennsylvania

In connection with this offering, Mesirow Financial, Inc., RBC Dain Rauscher Inc. and The Williams Capital Group, L.P. (collectively, the "Underwriters") may overallocate or effect transactions which stabilize or maintain the market price of the 2005 A-2 Bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

This Official Statement, including the cover page hereof and the Appendices attached hereto, does not constitute an offering of any security other than the 2005 A-2 Bonds specifically offered hereby. No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the Authority, the City, Harrisburg Civic Baseball Club, Inc. ("HCBC") and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation or warranty of, the Authority, the City, HCBC or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2005 A-2 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall create any implication, under the circumstances, that there has been no change in the affairs of the Authority, the City or HCBC since the date hereof. No member or officer of the Authority shall have any liability with respect to this Official Statement.

No quotations from or summaries or explanations of the provisions of laws or documents described herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the 2005 A-2 Bonds. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or matters of opinion and not as representations of fact. The cover page hereof and any Appendices attached hereto are part of this Official Statement.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The offering of the 2005 A-2 Bonds is made only by means of this entire Official Statement.

Other than with respect to information concerning Ambac Assurance Corporation contained under the caption "FINANCIAL GUARANTY INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by Ambac Assurance Corporation and Ambac Assurance Corporation makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the 2005 A-2 Bonds; or (iii) the tax-exempt status of the interest on the 2005 A-2 Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement, in accordance with, and as part of, their responsibilities to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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The Table of Contents is for convenience of reference only and does not list all of the subjects in this Official Statement. In all instances, reference should be made to the complete Official Statement to determine the subjects discussed in it.

The following Official Statement contains a general description of the 2005 A-2 Bonds, the Authority, the Stadium Facility, the Stadium Project and the Guaranty Agreement, and sets forth certain provisions of the Act, the Indenture and the Loan Agreement. The descriptions and summaries herein do not purport to be complete. Persons interested in purchasing the 2005 A-2 Bonds should review carefully the Appendices attached hereto as well as copies of the documents referred to herein, which will be on file with the Trustee at its corporate trust office in Philadelphia, Pennsylvania, and during the period of the initial offering of the 2005 A-2 Bonds, with Mesirow Financial, Inc., at its office in Pittsburgh, Pennsylvania.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

Certain capitalized terms and phrases used in this Official Statement and not otherwise defined herein shall have the meanings set forth in "Summary of Certain Legal Documents" in Appendix B hereto unless the context clearly requires otherwise.

OFFICIAL STATEMENT

\$9,000,000

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG
Federally Taxable Guaranteed Revenue Bonds (Stadium Project)
Series A-2 of 2005

INTRODUCTION

Purpose of this Official Statement. The purpose of this Official Statement, including the cover page and the Appendices attached hereto, is to provide certain information in connection with the offering by the Redevelopment Authority of the City of Harrisburg (the "Authority") of its \$9,000,000 aggregate principal amount of Federally Taxable Guaranteed Revenue Bonds (Stadium Project), Series A-2 of 2005 (the "2005 A-2 Bonds"). The 2005 A-2 Bonds will be issued pursuant to a Trust Indenture, dated as of January 1, 2005 (the "Original Indenture"), as amended and supplemented by a First Supplemental Trust Indenture, dated as of February 1, 2005 (the "First Supplemental Indenture," and with the Original Indenture, the "Indenture"), between the Authority and Commerce Bank/Pennsylvania, National Association, Philadelphia, Pennsylvania, as trustee (the "Trustee"). The Trustee shall also act as registrar and paying agent under the Indenture. The proceeds of the sale of the 2005 A-2 Bonds will be used by the Authority to finance a portion of the costs of the Stadium Project as described herein. For a more detailed description of the application of the proceeds of the 2005 A-2 Bonds, see "PURPOSE AND PLAN OF FINANCING - The Stadium Project" and "PURPOSE AND PLAN OF FINANCING - Estimated Sources and Uses of Funds" herein.

The 2005 A-2 Bonds are being issued under the Indenture on a parity with the Authority's \$9,000,000, principal amount, Federally Taxable Guaranteed Variable Rate Revenue Bonds (Stadium Project), Series A-1 of 2005 (the "2005 A-1 Bonds"), issued by the Authority on January 7, 2005. The 2005 A-1 Bonds and 2005 A-2 Bonds are sometimes collectively referred to herein as the "2005 Bonds."

The Authority. The Authority is a body corporate and politic existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") pursuant to the Pennsylvania Urban Redevelopment Law, Act of May 24, 1945, P.L. 991, as amended and supplemented (the "Act"). The Authority was created by the Council of the City of Harrisburg, Dauphin County, Pennsylvania (the "City") in 1949. See "THE AUTHORITY" herein.

The Stadium Facility. The stadium, known as Commerce Bank Park (and formerly known as RiverSide Stadium), presently consists of a 6,302-seat stadium, a playing field, clubhouses and administrative offices (collectively, the "Stadium Facility") located within the Authority's Commercial and Industrial Redevelopment Program area of the City on City Island.

The Stadium Project. The Stadium Project, which will be funded from the proceeds of the 2005 A-2 Bonds and other funding sources described herein, consists of: (i) funding the costs of the renovation and upgrade of the Stadium Facility, (ii) funding necessary reserves and capitalized interest under the Indenture and (iii) paying financing costs. See "PURPOSE AND PLAN OF FINANCING" herein. Proceeds of the 2005 A-2 Bonds will be loaned by the Authority to Harrisburg Civic Baseball Club, Inc. ("HCBC"), a Pennsylvania for profit corporation (the stock of which is wholly owned by the City), pursuant to a Loan and Security Agreement, dated as of January 1, 2005 (the "Original Loan Agreement"), as amended and supplemented by a First Supplemental Loan and Security Agreement,

dated as of February 1, 2005 (the "First Supplemental Loan Agreement," and with the Original Loan Agreement, the "Loan Agreement"), between the Authority and HCBC.

The balance of the costs of the Stadium upgrade and renovation are expected to be paid from proceeds of (i) the 2005 A-1 Bonds, and (ii) a redevelopment assistance capital project matching grant (the "Commonwealth Matching Grant") from the Commonwealth which has been applied for by the City but as to which no award has yet been made. See "PURPOSE AND PLAN OF FINANCING - The Commonwealth Matching Grant" herein.

Sources of Payment of the 2005 A-2 Bonds. The 2005 A-2 Bonds shall be secured on a parity with the 2005 A-1 Bonds under the Indenture by a pledge of payments made by HCBC under the Loan Agreement or other Stadium Revenues (as such phrase is defined in the Loan Agreement) payable under the Loan Agreement, together with cash and investments from time to time held in certain funds by the Trustee under the Indenture, including a debt service reserve fund account to be funded by 2005 A-2 Bond proceeds which secures the 2005 A-2 Bonds only.

Payment of the principal of and interest on the 2005 A-2 Bonds when due has also been guaranteed by the City pursuant to a Stadium Guaranty Agreement, dated as of January 1, 2005 (the "Guaranty Agreement"), among the City, as guarantor, the Authority and the Trustee. In addition, payment of the principal of and interest on (but not the prepayment premium, if any) on the 2005 A-2 Bonds when due, other than by acceleration, will be insured by a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") to be issued by Ambac Assurance Corporation ("Ambac Assurance").

For additional information relating to the sources of payment for the 2005 A-2 Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2005 A-2 BONDS" herein.

Additional Bonds and Other Indebtedness. The Indenture sets forth the terms and conditions under which Additional Bonds or other indebtedness may be issued or incurred by the Authority and the terms and conditions under which such Additional Bonds or other indebtedness may be secured, including on a parity with the 2005 A-2 Bonds. See "Summary of Certain Legal Documents -- Summary of Certain Provisions of the Trust Indenture - Additional Bonds" in Appendix B hereto for a summary description of the provisions of the Indenture relating to the issuance or incurrence of and security for Additional Bonds and other indebtedness.

For a more detailed discussion of the Indenture, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2005 A-2 BONDS" herein and Appendix B, "Summary of Certain Legal Documents -- Summary of Certain Provisions of the Trust Indenture".

PURPOSE AND PLAN OF FINANCING

The Stadium Project

Proceeds of the 2005 A-2 Bonds will be used to pay a portion of the costs of the Stadium Project, which consists of: (i) funding the renovation and upgrade of the Stadium Facility, (ii) funding necessary reserves and capitalized interest under the Indenture, and (iii) paying financing costs.

Renovation and Upgrade of Stadium Facility

The City created HCBC to own and operate a minor league baseball franchise and to operate the Stadium Facility. HCBC presently owns the Harrisburg Senators (the "Senators"), a Class AA baseball team of Major League Baseball, and pursuant to an agreement with the City operates and maintains the Stadium Facility. Because of the upgrading and construction of new stadia throughout both major and minor league professional baseball, the City and HCBC have determined that a thorough renovation and upgrading of the Stadium Facility is necessary. The renovation and upgrading includes the construction of new skybox suites, club level seating, significantly expanded concession areas, and expanded picnic areas. Further, a new grand entry plaza will be constructed, to include a multi-purpose building containing ticket booths, office space and a novelty store. The playing field surface will be reconfigured to match the field dimensions at Oriole Park at Camden Yards in Baltimore, Maryland. Stadium capacity will be expanded from approximately 6,300 to approximately 10,000.

Based on estimates received from its professional advisors and engineers, HCBC estimates the aggregate construction cost of the Stadium Project to be approximately \$30 million (exclusive of reserves required under the Indenture and financing costs). The City has received a verbal commitment from the Commonwealth for the receipt of approximately \$17 million in matching grant funds under the Commonwealth's Redevelopment Assistance Capital Program for the financing of the Stadium Project, with the balance of the required funding to be provided from the proceeds of the 2005 Bonds. Although the grant has been included in the Commonwealth's Capital Budget Project Authorization Act, a grant agreement must be finalized and executed. No assurances can be made that the grant agreement will be funded or that the grant agreement will be finalized and executed. See "PURPOSE AND PLAN OF FINANCING - The Commonwealth Matching Grant" herein.

Design and engineering services for the Stadium Project are being provided by HOK Sport, Inc. ("HOK"), Brinjac Engineering, Hayes Large Architects and Navarro & Wright. HOK is the lead consultant and one of the preeminent sport venue architectural firms in the country, having designed hundreds of sports venues including Oriole Park at Camden Yards in Baltimore. The Stadium Project is in the final design phase.

In January, 2004 HCBC entered into a 15-year naming rights agreement for the Stadium Facility with Commerce Bank/Harrisburg, N.A.

On April 16, 2004, the City issued a Park Permit for use of the Stadium Facilities to an affiliate of the Baltimore Orioles to relocate and play its home games at the improved Stadium Facility. The Park Permit is conditioned on the City and HCBC selling and relocating the existing Senators baseball franchise. If such sale and relocation occurs, net proceeds from the sale of the Senators baseball franchise would be applied first, to the retirement of all or a portion of the 2005 A-1 Bonds and second, to the payment of debt service on the 2005 A-2 Bonds, but only to the extent that there are any net sale proceeds remaining after retirement of the 2005 A-1 Bonds. Payment of the debt service on the remaining outstanding 2005 A-1 Bonds not so redeemed and on the 2005 A-2 Bonds will be made from revenues paid pursuant to the Park Permit from the Baltimore Orioles affiliate and from revenues received from the sale of naming rights for the Stadium Facility, as discussed below.

The Stadium Project is a part of the City's overall program of enhancement of City Island facilities. Recently the Harrisburg Parking Authority completed construction of a 450-space public parking facility on City Island near the Stadium Facility. The City is also in the midst of a widening project for the underpass beneath the Market Street Bridge to increase vehicular access from the Harrisburg Parking Authority's parking facility and the remaining facilities on City Island including the Stadium Facility.

The Commonwealth Matching Grant

The City has completed a grant application to the Commonwealth for the Commonwealth Matching Grant in the amount of \$16,997,102 for the Stadium Project, under the Commonwealth's Redevelopment Assistance Capital Program. Based on its previous experience with such grants and the history of such Commonwealth grants under the Redevelopment Assistance Capital Program, the City believes it is likely to obtain the Commonwealth Matching Grant. **If the City is unable to secure the Commonwealth Matching Grant, or if the Commonwealth Matching Grant is awarded in an amount less than the amount applied for, the Stadium Project will have to be delayed, downsized, financed from other sources or abandoned.**

A condition of the Commonwealth Matching Grant is that the City expend at least an equal amount on the Stadium Project. Proceeds of the 2005 Bonds spent on eligible costs of the Stadium Project will be treated by the City as matching funds. Payment under the Commonwealth Matching Grant would be made in installments to reimburse the City for eligible costs incurred and paid under the Stadium Project. Proceeds received by the City under the Commonwealth Matching Grant will be deposited into the Construction Fund established under the Indenture and applied to pay costs of the Stadium Project.

See "SPECIAL BONDHOLDER CONSIDERATIONS" herein.

Estimated Sources and Uses of Funds

In connection with the issuance of the 2005 A-2 Bonds, it is estimated that moneys will be provided, and applied, substantially in accordance with the following table:

ESTIMATED SOURCES OF FUNDS

2005 A-2 Bond Proceeds	\$ 9,000,000.00
Accrued Interest	<u>11,272.53</u>
TOTAL SOURCES	\$ 9,011,272.53

ESTIMATED USES OF FUNDS

Construction Fund	\$ 7,580,046.75
Bond Fund ⁽¹⁾	355,710.79
Debt Service Reserve Fund	658,234.00
Costs of Issuance ⁽²⁾	<u>417,280.99</u>
TOTAL USES	\$ 9,011,272.53

⁽¹⁾ Capitalized interest; interest expense on the 2005 A-2 Bonds is expected to be capitalized through November 15, 2005.

⁽²⁾ Includes all issuance costs, including Underwriters' discount, legal fees, printing costs, rating fees, consultant fees, Trustee fee, financial advisor fee, and bond insurance premium.

THE 2005 A-2 BONDS

General Provisions of the 2005 A-2 Bonds

Subject to the provisions discussed below under "THE 2005 A-2 BONDS – Book-Entry-Only System," the 2005 A-2 Bonds are fully-registered bonds without coupons and registered in the name of Cede & Co., as the registered owner of the 2005 A-2 Bonds (the "Bondowner") and nominee for The

Depository Trust Company, New York, New York ("DTC" or the "Securities Depository"). Each actual purchaser of a beneficial interest in the 2005 A-2 Bonds is known as the Beneficial Owner (the "Beneficial Owner"). SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2005 A-2 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE 2005 A-2 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2005 A-2 BONDS. For a description of DTC and the book-entry system, see "Book-Entry-Only System" below. So long as the 2005 A-2 Bonds are registered in the name of DTC or its nominee, interest and principal will be paid by the Trustee to DTC, or its nominee, and then paid by DTC to the Direct Participants (as defined below under "Book-Entry-Only System") and thereafter paid by the Direct Participants and the Indirect Participants (as defined below under "Book-Entry-Only System") to the Beneficial Owner when due. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

General Description of the 2005 A-2 Bonds

The 2005 A-2 Bonds, designated "Redevelopment Authority of the City of Harrisburg Federally Taxable Guaranteed Revenue Bonds (Stadium Project), Series A-2 of 2005" are issuable in fully-registered form (without coupons), in denominations of \$5,000 and integral multiples thereof. The 2005 A-2 Bonds are dated February 1, 2005 and will mature as set forth on the inside cover hereof.

Interest is payable semiannually on May 15 and November 15 of each year commencing November 15, 2005 (each, an "Interest Payment Date"). Interest on the 2005 A-2 Bonds will be computed on the basis of a 360-day year consisting of 12 30-day months.

Payment of Principal and Interest

Subject to the provisions discussed below under "Book-Entry-Only System," principal of and premium, if any, on the 2005 A-2 Bonds will be paid to the registered owners thereof or registered assigns, when due, upon surrender thereof at the designated corporate trust office of the Trustee. Principal and premium, if any, on 2005 A-2 Bonds, at the written request of the owner of at least \$1,000,000 aggregate principal amount of such 2005 A-2 Bonds, will be paid by wire transfer within the continental United States in immediately available funds to the bank account number of such owner appearing in the registration books (the "Bond Register") maintained by the Trustee on behalf of the Authority but only upon presentation and surrender of such 2005 A-2 Bonds.

Interest on the 2005 A-2 Bonds is payable to the registered owners from the Interest Payment Date next preceding the date of registration and authentication of the 2005 A-2 Bonds, unless: (a) a 2005 A-2 Bond is registered and authenticated as of an Interest Payment Date, in which event the 2005 A-2 Bond shall bear interest from said Interest Payment Date; or (b) a 2005 A-2 Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding Interest Payment Date, in which event the 2005 A-2 Bond shall bear interest from such Interest Payment Date; or (c) a 2005 A-2 Bond is registered and authenticated prior to the Record Date (hereinafter defined) preceding November 15, 2005, in which event the 2005 A-2 Bond shall bear interest from February 1, 2005; or (d) as shown by the records of the Trustee, interest on the 2005 A-2 Bond shall be in default, in which event the 2005 A-2 Bond shall bear interest from the date on which interest was last paid on the 2005 A-2 Bonds, until the principal sum thereof is paid. The interest on each 2005 A-2 Bond is payable by check drawn on the Trustee, which shall be mailed on the applicable Interest Payment Date to the registered

owner whose name and address shall appear, at the close of business on the Record Date on the Bond Register, irrespective of any transfer or exchange of the 2005 A-2 Bonds subsequent to such Record Date and prior to such Interest Payment Date, unless the Authority shall be in default in payment of interest due on such Interest Payment Date. "Record Date" shall mean with respect to the 2005 A-2 Bonds, the May 1 or November 1 (whether or not such day is a Business Day) next preceding any Interest Payment Date. In the event of any such default, such defaulted interest shall be payable to the persons in whose names the 2005 A-2 Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered owners of 2005 A-2 Bonds not less than 15 days preceding such special record date. Such notice shall be mailed to the person in whose name each 2005 A-2 Bond is registered at the close of business on the 5th day preceding the date of mailing. The interest becoming due on the 2005 A-2 Bonds shall, at the written request of the registered owner of at least \$1,000,000 aggregate principal amount of such 2005 A-2 Bonds received by the Trustee at least two Business Days before the corresponding Record Date, be paid by wire transfer within the continental United States in immediately available funds to the bank account number of such registered owner appearing in the Bond Register.

Transfer, Exchange and Registration of 2005 A-2 Bonds

The 2005 A-2 Bonds are transferable or exchangeable by the registered owners thereof only upon surrender of 2005 A-2 Bonds to the Trustee at its designated corporate trust office in Philadelphia, Pennsylvania, accompanied by a written instrument or instruments in form, with instructions of transfer in form and with guaranty of signature satisfactory to the Trustee, duly executed by the registered owner of such 2005 A-2 Bond or his attorney-in-fact or legal representative. The Trustee shall enter any transfer of ownership of 2005 A-2 Bonds in the Bond Register and shall authenticate and deliver in the name of the transferee or transferees a new fully registered 2005 A-2 Bond or 2005 A-2 Bonds of authorized denominations of the same maturity and bearing interest at the same rate for the aggregate principal amount which the registered owner is entitled to receive. The Authority and Trustee may deem and treat the registered owner of any 2005 A-2 Bond as the absolute owner thereof for the purpose of receiving payment of the principal of, premium, if any, and interest due on the 2005 A-2 Bonds and for all other purposes, and neither the Authority nor the Trustee shall be affected by any notice to the contrary.

The Authority and the Trustee shall not be required to issue or to register the transfer or exchange of any 2005 A-2 Bonds then considered for redemption during a period beginning at the close of business on the 15th day next preceding any date of selection of 2005 A-2 Bonds to be redeemed and ending at the close of business on the day of mailing of the applicable notice of redemption, or to register the transfer or exchange of any 2005 A-2 Bonds selected for redemption, in whole or in part, until after the redemption date. 2005 A-2 Bonds may be exchanged for a like aggregate amount of 2005 A-2 Bonds of the same maturity and interest rate of other authorized denominations.

Book-Entry-Only System

Certificates representing ownership of the 2005 A-2 Bonds will not be issued to the purchasers of the 2005 A-2 Bonds. DTC will serve as securities depository under a book-entry system for the 2005 A-2 Bonds. Unless such system is discontinued, the provisions described under this caption, "Book-Entry-Only System" (including provisions regarding payments to and transfers by the owners of beneficial interests in the 2005 A-2 Bonds) will be applicable to the 2005 A-2 Bonds. If such system is discontinued, the provisions described under "Discontinuance of Book-Entry-Only System" will be applicable.

Information contained in this section concerning DTC and DTC's book-entry system has been extracted from information provided by DTC. No representation is made by the Authority or the

Underwriters as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the 2005 A-2 Bonds. The 2005 A-2 Bonds will be issued as fully-registered securities and registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Initially one fully registered 2005 A-2 Bond will be issued for each maturity of the 2005 A-2 Bonds in the principal amount of each such maturity, and all certificates will be deposited with, or held by the Trustee on behalf of, DTC. DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. "Direct Participants" include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC in turn is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and with Direct Participants, "DTC Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to the Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2005 A-2 Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the 2005 A-2 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2005 A-2 Bond (each, a "Beneficial Owner") is in turn to be recorded on the records of the Direct Participants and Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2005 A-2 Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the 2005 A-2 Bonds, except as specifically provided in the Indenture in the event the book-entry system for the 2005 A-2 Bonds is discontinued.

To facilitate subsequent transfers, all 2005 A-2 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the 2005 A-2 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2005 A-2 Bonds;

DTC's records reflect only the identity of the Direct Participants to whose accounts such 2005 A-2 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

All notices that are to be given to owners of the 2005 A-2 Bonds by the Trustee will be given only to DTC as registered owner. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2005 A-2 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2005 A-2 Bonds, such as redemptions, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of 2005 A-2 Bonds may wish to ascertain that the nominee holding the 2005 A-2 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2005 A-2 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2005 A-2 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2005 A-2 Bonds are credited on the record date (identified on a listing attached to the Omnibus Proxy).

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2005 A-2 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE 2005 A-2 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2005 A-2 BONDS. BENEFICIAL OWNERS OF THE 2005 A-2 BONDS OR INTERESTS IN THE 2005 A-2 BONDS WILL NOT RECEIVE OR HAVE THE RIGHT TO RECEIVE PHYSICAL DELIVERY OF SUCH 2005 A-2 BONDS .

Under the Indenture, payment made by the Trustee to DTC or its nominee shall satisfy the Authority's obligation under the Indenture to the extent of such payments.

Principal and interest payments on the 2005 A-2 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. Upon receipt of moneys, DTC's current practice is to credit the accounts of the Direct Participants on payment dates in accordance with their respective holdings shown on the records of DTC unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participants and Indirect Participants and not of DTC, the Authority or the Trustee, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

For every transfer and exchange of the 2005 A-2 Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

THE AUTHORITY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 2005 A-2 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE 2005 A-2 BONDS; (2) CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN THE 2005 A-2 BONDS; OR (3) NOTICES OF REDEMPTION, AND OTHER NOTICES SENT TO DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE 2005 A-2 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE AUTHORITY NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A 2005 A-2 BONDHOLDER WITH RESPECT TO: (1) THE 2005 A-2 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2005 A-2 BONDS; (4) ANY NOTICE WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO 2005 A-2 BONDHOLDERS UNDER THE TERMS OF THE INDENTURE; (5) THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2005 A-2 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS 2005 A-2 BONDHOLDER.

Discontinuance of Book-Entry-Only System

DTC may determine to discontinue providing its services as securities depository with respect to the 2005 A-2 Bonds at any time by giving notice to the Authority and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be delivered as described in the Indenture. A Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondholder.

The Authority, in its sole discretion, may discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, bond certificates will be delivered as described in the Indenture.

In the event that the Book-Entry-Only System is discontinued, the provisions set forth below with respect to notice of redemption would apply to the 2005 A-2 Bonds.

Redemption

Optional Redemption

The 2005 A-2 Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption

The 2005 A-2 Bonds stated to mature on May 15, 2025 and May 15, 2030 are subject to mandatory redemption prior to maturity by lot as selected by the Trustee in such a manner as the Trustee in its discretion may determine at 100% of the principal amount plus accrued interest on the dates and in the amounts as follows:

<u>Term Bonds due May 15, 2025</u>		<u>Term Bonds due May 15, 2030</u>	
<u>Dates</u> <u>(May 15 of each year)</u>	<u>Principal Amount</u>	<u>Dates</u> <u>(May 15 of each year)</u>	<u>Principal Amount</u>
2021	\$395,000	2026	\$510,000
2022	420,000	2027	540,000
2023	440,000	2028	570,000
2024	460,000	2029	600,000
2025*	485,000	2030*	630,000

*Maturity

Any such mandatory redemption shall be upon application of money available for such purpose in the General Account (as such phrase is defined in the Indenture) of the Bond Fund (as such phrase is defined in the Indenture).

Notice of Redemption

Any redemption of the 2005 A-2 Bonds shall be made after notice given by the Trustee by first class mail to the registered owners of 2005 A-2 Bonds to be redeemed in whole or in part not more than 60 days but not less than 30 days prior to the date fixed for redemption at their last address appearing on the Bond Register. Failure to mail any notice of redemption or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for the redemption of 2005 A-2 Bonds otherwise properly called for redemption. Notice having been given or waived and provision having been made for the payment of the redemption price of the 2005 A-2 Bonds so called for redemption, on the date fixed for redemption, interest on 2005 A-2 Bonds so called for redemption shall cease to accrue, whether such 2005 A-2 Bonds shall be presented for redemption or not.

So long as DTC or its nominee is the registered owner of the 2005 A-2 Bonds, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a Participant or otherwise) to notify the Beneficial Owner affected by any redemption of such redemption shall not affect the validity of the redemption.

Selection of 2005 A-2 Bonds

So long as DTC or its nominee is the registered owner of the 2005 A-2 Bonds, if less than all of the 2005 A-2 Bonds shall be called for redemption, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 2005 A-2 Bonds to be redeemed. If a 2005 A-2 Bond is of a denomination in excess of \$5,000, portions of the principal amount in the amount of \$5,000 or any multiple thereof may be redeemed.

SECURITY AND SOURCES OF PAYMENT FOR THE 2005 A-2 BONDS

The 2005 A-2 Bonds will constitute limited obligations of the Authority payable solely from, and secured by a pledge and assignment under the Indenture of, (i) all moneys receivable by the Authority, or the Trustee for the account of the Authority, as loan payments under the Loan Agreement or as payments by the City under the Guaranty Agreement, (ii) certain Funds and Accounts held under the Indenture until disbursed in accordance therewith, and all moneys and investments held therein, and (iii) all other "Revenues" as defined in the Indenture. Payment of the principal of and interest on the 2005 A-2 Bonds when due will also be insured by the Financial Guaranty Insurance Policy issued by Ambac Assurance.

Guaranty Agreement

Under the terms of the Guaranty Agreement, the City unconditionally covenants that, if the Authority at any time should fail to pay the full amount of all principal of and interest on the 2005 A-2 Bonds when due, the City shall pay an amount sufficient to cure such deficiency. The Guaranty Agreement provides that the City shall (a) include the amounts payable in respect of the Guaranty Agreement less the amount estimated to be on deposit and available in the Bond Fund and the 2005 A-2 Bonds Debt Service Reserve Account after the November 15 debt service payment of the immediately preceding fiscal year in which such sums are payable in its budget for that fiscal year, and (b) appropriate such amounts from its general revenues for payment to the Trustee, and (c) punctually pay from any of its revenues or funds to the Trustee such amounts as are payable in respect of the Guaranty Agreement so that the Trustee may pay principal of and interest on the 2005 A-2 Bonds, when due. For such budgeting, appropriation and payment, the City pledges its full faith, credit and taxing power, and, as provided in the Local Government Unit Debt Act (the "Debt Act"). This covenant is enforceable specifically against the City.

The foregoing provisions notwithstanding, in the event that the Trustee shall have made the transfers to the Bond Fund required by the Indenture, including transfers from the 2005 A-2 Bonds Debt Service Reserve Account, and determines there is still a deficiency in the Bond Fund, the Trustee will give the Authority and the City notice of the deficiency. Such notice shall be accompanied by an instruction from the Trustee to the City, instructing the City to make deposit with the Trustee of the specified amounts no later than six days preceding the next Interest Payment Date, so that the Trustee shall be able to make payments of the principal of and interest on the 2005 A-2 Bonds, as scheduled on such Interest Payment Date. Upon receipt of such instruction, the City shall make such deposit with the Trustee at the times specified in the Indenture.

If payments are required to be made by the City under the Guaranty Agreement, and sufficient funds shall not be available in the City's then current budget, and if the City shall be unable to incur debt lawfully in the current fiscal year for the purpose of paying debt service on the 2005 A-2 Bonds or to issue tax anticipation notes or otherwise to satisfy its obligations under the Guaranty Agreement, the City shall include any amounts so payable in its budget for the next succeeding fiscal year and shall appropriate such amounts to the payment of such obligations and punctually shall pay its obligations incurred under the Guaranty Agreement, and for such budgeting, appropriation and payment the City pledges its full faith, credit and taxing power. As provided in the Debt Act, this covenant is enforceable specifically against the City.

Loan Documents

The Authority is loaning proceeds of the 2005 A-2 Bonds to HCBC on a non-recourse basis pursuant to the Loan Agreement. The Authority is assigning the Loan Agreement (except for certain

rights of the Authority to payment of administrative expenses and indemnification) to the Trustee to secure the 2005 A-2 Bonds.

Pledged Revenues

The 2005 A-2 Bonds are secured by the pledge, to the extent provided in the Indenture, of Revenues, as such phrase is defined in the Indenture. Reference is made to the Indenture, an executed counterpart of which is on file at the designated office of the Trustee, for a description of the Revenues, as such phrase is defined in the Indenture, pledged, the nature, extent and manner of enforcement of the security of the 2005 A-2 Bonds and a statement of the rights, duties and obligations of the Authority and the Trustee and the rights of the owners of the 2005 A-2 Bonds.

Debt Service Reserve Fund

There is established under the Indenture a Debt Service Reserve Fund, and within the Debt Service Reserve Fund, there shall be established a 2005 A-2 Bonds Debt Service Reserve Account, which shall secure the 2005 A-2 Bonds. Upon issuance of the 2005 A-2 Bonds, \$658,234 shall be deposited in the 2005 A-2 Bonds Debt Service Reserve Account from proceeds of the 2005 A-2 Bonds. Moneys and investments in the 2005 A-2 Bonds Debt Service Reserve Account shall secure the 2005 A-2 Bonds only. Under the Indenture, the Authority is required to maintain or cause HCBC to maintain such amount in the 2005 A-2 Bonds Debt Service Reserve Account as the Debt Service Reserve Requirement for the 2005 A-2 Bonds.

THE 2005 A-2 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. THE 2005 A-2 BONDS DO NOT PLEDGE THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, EXCEPT THE CITY PURSUANT TO THE GUARANTY AGREEMENT; NOR SHALL THE 2005 A-2 BONDS BE DEEMED A GENERAL OBLIGATION OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, EXCEPT THE CITY PURSUANT TO THE GUARANTY AGREEMENT; NOR SHALL THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE CITY PURSUANT TO THE GUARANTY AGREEMENT) BE LIABLE FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2005 A-2 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Additional Bonds and Other Indebtedness

See Appendix B, "Summary of Certain Legal Documents -- Summary of Certain Provisions of the Trust Indenture - Additional Bonds" for a summary of the conditions pursuant to which the Additional Bonds, or other indebtedness may be issued, incurred or assumed, and secured, under the Indenture.

SPECIAL BONDHOLDER CONSIDERATIONS

If certain events or circumstances occur or do not occur, such as the Stadium Project is not successfully completed, or upon completion of the Stadium Project, the revenues generated are less than revenue projections of the Authority and the City, debt service on the 2005 A-2 Bonds would have to be paid substantially or solely to the extent of payments made by the City pursuant to the Guaranty Agreement. These circumstances include, without limitation, the following:

(1) Failure by the Commonwealth to fund the anticipated approximately \$17 million grant agreement to the City under the Commonwealth's Redevelopment Assistance Capital Program;

(2) Failure by HCBC to obtain contracts from qualified contractors and equipment suppliers for the Stadium Project for a total cost including contingencies that does not exceed the currently estimated costs of the Stadium Project;

(3) Delay in completion of the Stadium Project beyond the period for which debt service on the 2005 A-2 Bonds is capitalized with 2005 Bond proceeds;

(4) Failure of the Stadium Facility after completion of the Stadium Project to generate projected revenues sufficient to pay operating expenses, debt service and other payments with respect to the 2005 A-2 Bonds;

(5) Inability of HCBC to obtain sufficient net sale proceeds from the sale of the Senators franchise to redeem sufficient 2005 A-1 Bonds to enable the debt service on the remaining outstanding 2005 A-1 Bonds and 2005 A-2 Bonds to be paid from available revenues produced under the Park Permit; or

(6) Failure of HCBC and the City to receive sufficient revenues after sale of the Senators franchise and operation of the Stadium under the Park Permit to pay all debt service on the 2005 A-2 Bonds.

FINANCIAL GUARANTY INSURANCE POLICY

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the 2005 A-2 Bonds effective as of the date of issuance of the 2005 A-2 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the 2005 A-2 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 2005 A-2 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2005 A-2 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 2005 A-2 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding 2005 A-2 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 2005 A-2 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a 2005 A-2 Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of

competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

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

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

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of 2005 A-2 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2005 A-2 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2005 A-2 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such 2005 A-2 Bond and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **\$8,069,000,000** (unaudited) and statutory capital of approximately **\$5,015,000,000** (unaudited) as of **September 30, 2004**. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Authority as issuer of the 2005 A-2 Bonds.

Ambac Assurance makes no representation regarding the 2005 A-2 Bonds or the advisability of investing in the 2005 A-2 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "FINANCIAL GUARANTY INSURANCE POLICY."

Available Information

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

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

Incorporation of Certain Documents by Reference

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

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004;
2. The Company's Current Report on Form 8-K dated April 21, 2004 and filed on April 22, 2004;
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2004 and filed on May 10, 2004;
4. The Company's Current Report on Form 8-K dated July 21, 2004 and filed on July 22, 2004;
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2004 and filed on August 9, 2004;
6. The Company's Current Report on Form 8-K dated August 19, 2004 and filed on August 20, 2004;
7. The Company's Current Report on Form 8-K dated October 20, 2004 and filed on October 20, 2004;
8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2004 and filed on November 9, 2004;
9. The Company's Current Report on Form 8-K dated November 12, 2004 and filed on November 12, 2004; and

10. The Company's Current Report on Form 8-K dated January 26, 2005 and filed on January 26, 2005.

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

THE AUTHORITY

Introduction

The Authority, a body corporate and politic under the laws of the Commonwealth, was created pursuant to the Act. Pursuant to the Act, the Authority is empowered to eliminate blighted areas located in the City through economically and socially sound redevelopment of such areas, to take steps to prevent blight within the City and otherwise to provide adequate places of employment for residents of the City. The term of existence of the Authority is perpetual. The Authority's address is the Rev. Dr. Martin Luther King, Jr. City Government Center, 10 North Second Street, Harrisburg, Pennsylvania 17101.

The governing body of the Authority is a Board of Directors consisting of five members appointed by the Mayor of the City. Board members' terms of office are staggered. None of the Board members of the Authority are members of the Council of the City, nor is any Board member of the Authority an elected official of the City.

<u>Member</u>	<u>Office</u>
Theresa A. Martini	Chair
Charles R. Peguese	Vice Chair
Harold E. Dunbar	Secretary/Treasurer
Mark S. Stewart	Assistant Secretary
Andrew J. Giorgione	Member

Authority Bonds and Notes

The Authority has issued revenue bonds and notes for various projects. Each of the bond and note issues is payable from receipts and revenues derived by the Authority from the facility on whose behalf the bonds or notes were issued and is secured separately and distinctly from the issues for every other facility.

None of the revenues of the Authority with respect to any of the other revenue bonds and notes issued by it, other than revenues pledged for the 2005 A-1 Bonds, are pledged as security for any of the 2005 A-2 Bonds, and, conversely, none of the other revenue bonds and notes issued by it (other than the 2005 A-1 Bonds) are payable from or secured by the revenues of the Authority or other moneys securing any of the 2005 A-2 Bonds.

The Authority has issued, and may continue to issue, other series of bonds or notes for the purpose of financing other projects. Each such series of bonds or notes is or will be secured by instruments separate and apart from the Indenture securing the 2005 A-2 Bonds unless such bonds are the 2005 A-1 Bonds or are bonds issued as Additional Bonds under the Indenture.

Payment History

On no occasion has the Authority defaulted on the payment of interest on or principal of any of its debt service obligations.

THE STADIUM FACILITY

The Stadium Facility

The City originally built the Stadium Facility, now known as Commerce Bank Park, and opened it for the 1987 baseball season. The Stadium Facility, located on City Island in Harrisburg, includes 6,302 fixed seats, playing field, clubhouses and administrative offices. The Stadium Facility is currently known as Commerce Bank Park, pursuant to a long-term Naming Rights Agreement between HCBC and Commerce Bank/Harrisburg, N.A. executed in January 2004.

HCBC and CIC

In 1995 in order to avoid the relocation of the Harrisburg Senators, a Class AA minor league baseball franchise (the "Senators"), the City agreed to purchase the Senators, which was approved by Harrisburg City Council pursuant to Resolution No. 58-1995. The City, pursuant to Harrisburg City Council's Resolution No. 58-1995, created HCBC for the purposes of (i) owning and operating the Senators and (ii) operating the Stadium Facility. The City, owning 100% of the stock in HCBC, assigned to HCBC its rights to the Senators.

The City subsequently created (and owns all of the stock of) City Island Catering, Inc. ("CIC"), a Pennsylvania business corporation, and pursuant to an agreement with HCBC, CIC became the exclusive concessionaire for home games of the Senators. CIC also provides food services at other venues on City Island adjacent to the Stadium Facility. Together with CIC's assignment of its net revenues to HCBC, HCBC under the presently effective contracts receives all the revenue streams at the Stadium Facility including admissions, advertising, concessions and parking.

The Stadium Facility Agreement

After the creation of HCBC, the City and HCBC entered into an Agreement dated June 10, 1998 (the "Stadium Facility Agreement"). HCBC has operated and maintained the Stadium Facility since 1996. Presently, the term of the Stadium Facility Agreement is on a year to year basis following the initial five-year term. The Stadium Facility Agreement is expected to be revised, terminated or otherwise modified to the extent necessary to accommodate a new user of the Stadium Facility if the Park Permit described below under the Section entitled "New User for the Stadium Facility" becomes operative.

The Franchise Agreement

HCBC has been issued a "Player Development Contract" by the National Association of Professional Baseball Leagues, Inc. (the "National Association"). The Player Development Contract constitutes HCBC's franchise agreement for and right of the Senators to play professional baseball in the "Harrisburg Territory" (as identified in the National Association Agreement between the National Association and Major League Baseball which governs operation of the minor leagues). The Senators are members of a division of the National Association, called the Eastern League of Professional Baseball Clubs, Inc. (the "Eastern League"). If HCBC were to sell the Senators, it would be selling its Player Development Contract; the National Association, the Eastern League and Major League Baseball would

each have to approve any sale of HCBC's Player Development Contract and the relocation of the team to any other territory.

New User for the Stadium Facility

On April 16, 2004, the City issued a Park Permit (the "Park Permit") for use of Commerce Bank Park to an affiliate of the Baltimore Orioles (the "Orioles Affiliate") to relocate and play its home games at the improved Stadium Facility for a 29-year term. The Park Permit is conditioned on the City and HCBC selling and relocating to another venue the existing baseball franchise (the Senators), upon the receipt of various required approvals from baseball regulatory organizations and upon the new Stadium Facility being available for the 2005 baseball season. The Park Permit allowed either party to terminate the Park Permit if the sale conditions were not satisfied by December 31, 2004. The City and the Orioles Affiliate are currently negotiating an addendum to the Park Permit, which would extend the deadline for satisfaction of the sale condition to December 31, 2005.

Should HCBC sell its Player Development Contract for the Senators, the sale and relocation of the team would have to be approved by the necessary baseball authorities listed above. If such occurred and the conditions precedent of the Park Permit were satisfied, the Baltimore Orioles affiliate would relocate to Harrisburg and play its home games at the Stadium Facility. The net proceeds resulting from the sale of the Player Development Contract, after payment of expenses and income tax ("Net Sale Proceeds"), would be applied to redemption of all or a portion of the 2005 A-1 Bonds.

Under the Park Permit, the Orioles Affiliate would pay annual rental of \$125,000 per year, with annual consumer price index (CPI) inflation, and would receive and retain all ticket sales revenues except \$1.00 per ticket (subject to a \$.20 per ticket capital improvement set aside for City ticket sale revenues in excess of \$300,000 in each year), all concession and alcohol sales revenues, all City Island parking revenues, all broadcasting, program, billboard and advertising revenues, sky-box revenues and a portion of naming rights revenues, principally after the 14th year of the Park Permit). The City must provide, maintain, repair and insure at its expense all Stadium Facility elements except routine maintenance, janitorial and housekeeping and playing surface and cover maintenance. However, the City is responsible for any flood damage resulting from the Stadium Facility's location in a flood plain. The new Stadium Facility design will address flood plain issues in a better fashion than the existing design by providing for construction of all critical facilities above the 100-year flood plain. The City is also required to fund necessary capital improvements every fifth year.

Pursuant to an Assignment of Permit Consideration, dated as of January 1, 2005, the City assigned to HCBC payments to be received by the City under the Park Permit (the "Permit Consideration"). In sum, under the Assignment of Permit Consideration, HCBC would be entitled to the Permit Consideration, to be applied to pay debt service on the remaining 2005 A-1 Bonds, after application of the Net Sale Proceeds to redeem 2005 A-1 Bonds, and on the 2005 A-2 Bonds. Under the terms of the Park Permit, HCBC and the City would receive materially less annual revenues for payment of debt service on the 2005 A-1 Bonds and 2005 A-2 Bonds; however, the principal amount of 2005 A-1 Bonds outstanding would be reduced by application of Net Sale Proceeds to redeem 2005 A-1 Bonds. The City and HCBC anticipate that the revenues available to HCBC under the Park Permit would be sufficient to pay debt service on any remaining 2005 A-1 Bonds, after the redemption of a portion of 2005 A-1 Bonds with the Net Sale Proceeds, and the 2005 A-2 Bonds. However, such result is not assured.

Employee Relations

Twelve (12) full-time and approximately 135 part-time, seasonal Stadium Facility workers are employed by HCBC and CIC at the Stadium Facility. HCBC and CIC consider their relations with employees to be good. None of the employees are represented by a union bargaining agent.

TAX MATTERS

The following is a summary of certain anticipated federal income tax consequences relating to the purchase, ownership and disposition of the 2005 A-2 Bonds. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change or possible differing interpretations. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. This summary focuses primarily on investors who will hold the 2005 A-2 Bonds as "capital assets" (generally, property held for investment within the meaning of Code Section 1221) but much of the discussion is applicable to other investors. Potential purchasers of the 2005 A-2 Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the 2005 A-2 Bonds.

General Provisions

Interest on the 2005 A-2 Bonds is not excluded from gross income for federal income tax purposes.

In general, interest paid on the 2005 A-2 Bonds and market discount, if any, will be treated as ordinary income to the 2005 A-2 Bondholders and principal payments on the 2005 A-2 Bonds, other than those attributable to any market discount, will be treated as a return of capital. Interest paid to holders of the 2005 A-2 Bonds who are not exempt from federal income taxation and who report their income on the cash receipts and disbursements method should be taxable to them when received. Interest accrued by holders of the 2005 A-2 Bonds who are not exempt from federal income taxation and who report their income on the accrual method will be taxable when accrued, regardless of when it is actually paid. Market discount will be taxable, in general, when the 2005 A-2 Bonds are sold or redeemed. The Trustee will report annually to both the IRS and to holders of the 2005 A-2 Bonds who are not exempt from the reporting requirements, amounts treated as interest paid or accrued on the 2005 A-2 Bonds.

Market Discount on the 2005 A-2 Bonds

A holder who purchases a 2005 A-2 Bond (other than at original issuance) at a price less than its issue price has purchased the 2005 A-2 Bond at a market discount. Any holder who purchases a 2005 A-2 Bond at a market discount price in excess of a prescribed *de minimis* amount will recognize income upon receipt of each scheduled or unscheduled principal payment. In particular, such a holder will generally be required (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a 2005 A-2 Bond as ordinary income to the extent of any remaining accrued market discount (as described herein at "Sale or Redemption of 2005 A-2 Bonds") or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such a holder on or after the first day of the taxable year to which such election applies.

A holder of a 2005 A-2 Bond acquired at a market discount also may be required to defer, until the maturity date of such 2005 A-2 Bond or its earlier disposition in a taxable transaction, the deduction of a portion of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry the 2005 A-2 Bond. The deferred portion would be the amount in excess of the aggregate amount of interest includable in such holder's gross income for the taxable year with respect to such 2005 A-2 Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the 2005 A-2 Bond for the days during the taxable year on which the holder held the 2005 A-2 Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the 2005 A-2 Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is recognized only in part, any remaining deferred deduction will be allowed to the extent of the gain recognized. The deferral rule does not apply if the holder elects to include the market discount in income currently as it accrues. The election, once made, will apply to all market discount obligations acquired by a holder in the taxable year the election is made and all subsequent years.

Amortizable Acquisition Premium

The holder of a 2005 A-2 Bond purchased at a price exceeding its stated redemption price at maturity may elect to amortize the amount of such premium under a constant yield method. The Code provides that such amortizable bond premium will be treated as an offset to interest income on the 2005 A-2 Bond, and the Code requires a reduction in basis of a 2005 A-2 Bond for which amortizable bond premium is applied to offset interest income.

Sale or Redemption of 2005 A-2 Bonds

A holder's tax basis for a 2005 A-2 Bond is the price such holder pays for the 2005 A-2 Bond increased by any accruals of market discount, if applicable, and reduced by payment received other than "qualified stated interest" and amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a 2005 A-2 Bond, measured by the difference between the amount realized and the 2005 A-2 Bond's basis as so adjusted, will generally give rise to capital gain or loss if the 2005 A-2 Bond is held as a capital asset. In the case of a subsequent purchaser, a portion of any gain will generally be treated as ordinary income to the extent of any market discount accrued to the date of disposition which was not previously reported as ordinary income.

In the case of an individual taxpayer, capital gains are taxed at a lower rate than ordinary income. Limitations remain on the extent to which capital losses may be deducted from ordinary income. In the case of a corporate taxpayer, ordinary income and capital gains continue to be taxed at the same rate.

Backup Withholding

A non-corporate 2005 A-2 Bondholder may, under certain circumstances, be subject to "backup withholding" with respect to interest accrued on the 2005 A-2 Bonds (during 2005, the backup withholding rate is 28 percent). This withholding generally applies if the holder of a 2005 A-2 Bond (a) fails to furnish the Trustee with his taxpayer identification number ("TIN"); (b) furnishes to the Trustee an incorrect TIN; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or his securities broker with a certified statement, signed under penalty of perjury, that the "TIN" provided is his correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to payments made to certain 2005 A-2 Bondholders, including payments to certain exempt recipients (such as certain exempt organizations) and to certain nonresidents (as defined below).

Holders of the 2005 A-2 Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The Trustee will report to the 2005 A-2 Bondholders and to the IRS for each calendar year the amount of any "reportable payments" during such year and the amount of tax withheld, if any, with respect to payments on the 2005 A-2 Bonds.

Foreign Bondholders

Under the Code, interest on 2005 A-2 Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the 28 percent United States withholding tax if the Trustee (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the Beneficial Owner of a 2005 A-2 Bond is a Nonresident. The withholding tax, if applicable, may be reduced or eliminated by an applicable tax treaty. However, interest that is effectively connected with a United States business conducted by a nonresident Bondholder will generally be subject to the regular United States income tax.

State and Local Tax

Bond Counsel is of the opinion that the 2005 A-2 Bonds are exempt from personal property taxes in Pennsylvania, and the interest on the 2005 A-2 Bonds is exempt from Pennsylvania Corporate Net Income Tax and from personal income taxation by the Commonwealth, or by any of its political subdivisions, under present statutory and case law.

RATING

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), will assign a rating of "AAA" to the 2005 A-2 Bonds with the understanding that, upon delivery of the 2005 A-2 Bonds, the Financial Guaranty Insurance Policy will be delivered by Ambac Assurance. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from S&P at 55 Water Street, 38th Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2005 A-2 Bonds.

UNDERWRITING

Mesirow Financial, Inc., RBC Dain Rauscher Inc. and The Williams Capital Group, L.P. (the "Underwriters") have agreed, subject to certain conditions specified in the Bond Purchase Agreement with the Authority, to purchase all of the 2005 A-2 Bonds from the Authority for a purchase price of \$8,913,060.00 (the principal amount of the 2005 A-2 Bonds, less Underwriters' discount of \$86,940), plus accrued interest. The 2005 A-2 Bonds may be offered and sold to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed without notice, from time to time, by the Underwriters.

FINANCIAL ADVISOR

Milt Lopus Associates, Harrisburg, Pennsylvania, has acted as financial advisor to the Authority (the "Financial Advisor") in connection with the preparation, authorization and issuance of the 2005 A-2 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Milt Lopus Associates has also prepared the self-liquidating debt report submitted to the Department of Community and Economic Development in connection with the City's guarantee of the 2005 A-2 Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the Authority will undertake, pursuant to the terms of a Continuing Disclosure Certificate, to provide certain annual financial information and notices of certain events. These undertakings are summarized below:

The Authority or its designated dissemination agent shall, not later than 270 days following the end of each of its fiscal years, beginning with its fiscal year ending December 31, 2004, file with each Nationally Recognized Municipal Securities Information Repository (within the meaning of the Rule)(each being referred to herein as a "NRMSIR") and with the State Information Depository (within the meaning of the Rule) for the Commonwealth (if any) (the "SID"), a copy of its annual audited financial statements for such fiscal year;

The Authority or its designated dissemination agent shall, in a timely manner, give, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, if any, notice of the occurrence of any of the following events with respect to the 2005 A-2 Bonds, if such event is material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults under the Indenture;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the 2005 A-2 Bonds;
- (g) modifications to the rights of holders of the 2005 A-2 Bonds;
- (h) calls of 2005 A-2 Bonds for redemption (other than mandatory sinking fund redemption);
- (i) defeasance of the 2005 A-2 Bonds or any portion thereof;
- (j) release, substitution or sale of property securing repayment of the 2005 A-2 Bonds; and
- (k) rating changes.

Any or all of the information listed above may be incorporated by reference from other documents, as permitted by the Rule.

The Authority may, from time to time, choose to provide notice of the occurrence of certain other events, in addition to those listed above, if in the judgment of the Authority such other event is material with respect to the 2005 A-2 Bonds, but the Authority does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The Authority reserves the right to terminate its obligation to provide annual financial information and notices of material events, as summarized above, if and when the Authority no longer remains an "obligated person" with respect to the 2005 A-2 Bonds within the meaning of the Rule.

The Continuing Disclosure Certificate shall provide that the undertakings of the Authority summarized under this heading are intended to be for the benefit of the holders of the 2005 A-2 Bonds and shall be enforceable by the holders of such 2005 A-2 Bonds; provided that the holders' right to enforce the provision of these undertakings shall be limited to a right to obtain specific enforcement of the obligations of the Authority, as appropriate, and any failure by the Authority to comply with its obligations summarized under this heading shall not be an event of default with respect to the 2005 A-2 Bonds.

Pursuant to Continuing Disclosure Certificates executed by the Authority in connection with bonds it issued in 1998 and 2001, certain annual financial information concerning the Authority was to have been provided by 270 days after December 31, 1998 and by 270 days after December 31 of each year thereafter while any such bonds remain outstanding. In connection with the preparation of the offering of the 2005 A-2 Bonds, the Authority discovered that it is unable to verify that all of such filings were timely made and determined that perhaps due to a reorganization of its operations and a change of personnel all of such filings may not have been made. Accordingly, out of an abundance of caution, the Authority is undertaking to transmit such annual financial information to the NRMSIRs together with the required notice of such failure to file (to be filed with the MSRB also), for the purpose of assuring that the filings of such annual financial information are made promptly. The Authority is in the process of implementing procedures to assure future verifiable compliance with its continuing disclosure undertakings, including that entered into for the benefit of beneficial owners of the 2005 A-2 Bonds.

The City, as the obligated party under the Guaranty Agreement, and HCBC, as the obligated party under the Loan Agreement, also will each undertake, pursuant to the terms of a Continuing Disclosure Certificate, to provide certain annual financial information and notices of certain events.

MISCELLANEOUS

Vested Rights

In the Act, the Commonwealth pledges that it will not limit or alter the rights vested in authorities organized thereunder until all bonds of any such authority, together with the interest thereon, are fully met and discharged.

Negotiable Instruments

The Act provides that all bonds issued thereunder including the 2005 A-2 Bonds shall be negotiable instruments.

Limited Obligations

The 2005 A-2 Bonds are limited obligations of the Authority. The 2005 A-2 Bonds are not a debt of the City, the Commonwealth or any of its political subdivisions, agencies or instrumentalities other than the Authority as provided in the Indenture and the City as provided in the Guaranty Agreement and then, only to the limited extent described herein. The Authority has no taxing power.

Absence of Litigation

There is no litigation pending or threatened against the Authority at the date of this Official Statement (i) seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2005 A-2 Bonds; or (ii) in any way contesting or affecting the validity of the 2005 A-2 Bonds, or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any money or the security provided for the payment of the 2005 A-2 Bonds, or the existence or powers of the Authority.

There is no litigation pending or threatened against the City at the date of this Official Statement seeking to restrain or enjoin the execution, delivery or implementation of the Guaranty Agreement.

Legal Matters

Legal matters incident to the authorization, issuance and sale of the 2005 A-2 Bonds by the Authority are subject to approval as to legality by Obermayer Rebmann Maxwell & Hippel LLP, Harrisburg and Philadelphia, Pennsylvania, Bond Counsel and James H. Rowland, Jr., Esquire, Harrisburg, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the City by Steven R. Dade, Esquire, City Solicitor, for the Authority by Smigel, Anderson & Sacks, LLP, Harrisburg, Pennsylvania, Counsel to the Authority, for the Underwriters by their counsel Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania and for HCBC by its counsel Obermayer Rebmann Maxwell & Hippel LLP, Harrisburg and Philadelphia, Pennsylvania.

CERTAIN RELATIONSHIPS

A member of the Board of the Authority is a partner in Obermayer Rebmann Maxwell & Hippel LLP, which is acting as Co-Bond Counsel and counsel to HCBC.

OTHER MATTERS

The Authority has furnished all information herein relating to the Authority. Any statements herein involving matters of opinion or forecasts of the occurrence of future matters or circumstances, whether or not expressly so stated, are intended as such and not as representations of fact.

The summaries or descriptions of provisions of the 2005 A-2 Bonds, the Loan Agreement, the Indenture and the Guaranty Agreement and all references to other materials not purported to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference must be made to the aforesaid documents, instruments, certificates and materials for the complete statement of the provisions thereof. Copies of the aforesaid documents are available from the Trustee at its designated corporate trust office.

The Authority has authorized the issuance and distribution of this Official Statement.

**REDEVELOPMENT AUTHORITY OF
THE CITY OF HARRISBURG**

By: _____
Chair

APPENDIX A

The City of Harrisburg, Dauphin County, Pennsylvania
Economic, Demographic and Financial Data

GENERAL INFORMATION

The City of Harrisburg (the “City”) has a “Mayor/Council” form of government and has been the capital of the Commonwealth of Pennsylvania (the “Commonwealth”) since 1812, as well as the County Seat of Dauphin County (the “County”), since the County’s creation in 1785. It is the center of the Harrisburg-Lebanon-Carlisle Metropolitan Statistical Area (the “Harrisburg MSA”), which is composed of the four counties of Dauphin, Cumberland, Lebanon and Perry in central Pennsylvania. The Harrisburg MSA was the second fastest growing area in Pennsylvania during the past decade.

The Harrisburg area has a diverse economic base. During 2003, 19% of the labor force of the Harrisburg Labor Market Area was employed in the government sector; 22% in the wholesale and retail trades; 31% in the services sector; 10% in manufacturing industries; 7% in finance, insurance and real estate; 7% in transportation and public utilities; and 4% in mining and construction. Major employers located in or near the City include the Commonwealth, the United States Government, Hershey Foods, Tyco Electronics, Giant Food Stores, Inc., Hershey Entertainment & Resorts Company, M&T Bank, and Capital Blue Cross.

In the past sixteen years, Harrisburg has sixteen times attained the highest national award for governmental accounting and financial reporting, the Certificate of Achievement for Excellence in Financial Reporting. The City also won the highest national award for budgeting, the Distinguished Budget Presentation Award, for the past fourteen consecutive years. Today, only three of the 2,638 Pennsylvania municipalities can claim the distinction of attaining both awards.

In city governmental management the City has become a nationally recognized leader in insurance and risk management and in the application of advanced technology to expanded municipal services. The City’s program to control health care costs has been cited as a pioneer example by hospital associations and has been recognized with the State Achievement Award from the Hospital Association of Pennsylvania.

The City’s aggressive flood control and emergency management system, named as a model by the Pennsylvania Emergency Management Agency, continues to be the influencing factor that the Community Rating System utilizes in determining premium reductions. Since 1990, the residents of the City have experienced an overall 15% reduction in base flood insurance premiums. Those persons with property outside the flood plain experienced a 5% reduction in premium costs. These economic savings are the result of the outreach programs, monitoring of flood plain construction projects and flood maintenance programs.

Harrisburg is second only to Philadelphia, a city more than thirty times the population of Harrisburg, in the amount of certified historic rehabilitation. The restoration of existing structures is a key part of the City’s economic development and historic preservation programming that is essential for older, more densely developed cities and towns. Seven areas of the City have been designated historic districts, allowing investment protection, design standards, and investment tax credits for the rehabilitation of income-producing structures.

The National Arbor Day Foundation has for the seventeenth consecutive year, including 2003, designated Harrisburg as a “Tree City U.S.A.”

The Mayor of the City was presented with the Distinguished Leader Award by the PA Planning Association in 1998. In 2002, the Harrisburg region was named the 2002 Community of the Year by the Pennsylvania State Chamber of Business and Industry, and Harrisburg, as well as the Counties of Dauphin, Cumberland and Perry, were recognized by such award.

The Harrisburg Advanced Wastewater Treatment Facility (“AWTF”) received the United States Environmental Protection Agency’s 1991 National Pretreatment Program Excellence Award. The Award is given in four categories based on the actual daily flow of the publicly owned treatment works. Harrisburg’s AWTF won first place in the nation in the “over 20 million gallons per day” category. The award recognizes Harrisburg as implementing effective and innovative environmental protection and pollution control programs and acknowledges the municipality as demonstrating commitment to the protection and improvement of the nation’s waters through the operation of exemplary pretreatment programs. The AWTF won the Pennsylvania Operations Challenge in 1992, 1993 and 1995 through 2001 and continued on to the national competition where it placed 16th in 1992, 10th in 1993, 13th in 1995, 4th in 1996, 8th in 1997, 6th in 1998, 7th in 1999, 7th in 2000 and 12th in 2001. The AWTF has elected not to enter the Pennsylvania Operations Challenge since 2001.

In 2003, the City’s Police Bureau was again approved as a national accredited law enforcement agency by the National Commission on Accreditation for Law Enforcement Agencies. This is the second consecutive accreditation award received by the City Police Bureau. It is the highest national recognition which can be awarded to a police agency. Out of over 21,000 law enforcement agencies on a federal, state, county, regional or municipal level, less than 600 have achieved or retained accreditation.

The Forum 2000 & Beyond Series, the City’s comprehensive planning program, began in 1992 with the first phase which was the visioning and goal-setting stage of the effort. Phase II, the policy-formulation stage, commenced in 1995 and reached a major benchmark in the adoption of a new citywide Land Use Plan during 2002 by the Harrisburg Planning Commission. Phase III, the action stage, is also underway and has resulted in the preparation of a new citywide Zoning Code and Land Use Plan intended to be submitted to City Council for consideration. The start of neighborhood strategies linked to the new Land Use policies began in 1998 with the South Allison Hill Neighborhood Action Strategy, followed by a similar strategy for the Uptown area in 2002. In both areas, Urban Renewal Plans have also been prepared to assist in the implementation of the strategies. Several other neighborhood plans are also being considered, one for Summit Terrace, Central Allison Hill and the East End area and another for the Shreinertown neighborhood and adjoining hillside residential development along Cameron Street. The latter two plans will be done in concert with the Harrisburg Housing Authority.

The City’s Department of Building and Housing Development (“DBHD”) has been recognized by the National Community Development Association and the Pennsylvania Association of Housing and Redevelopment Agencies (“PAHRA”) for innovative concepts and design excellence in the development of the John Crain Kunkel Center for the YWCA of Greater Harrisburg. The McFarland Building apartment project also received recognition for innovation from PAHRA. DBHD received the U.S. Department of Housing and Urban Development Best Practices Award in 2000 for Housing Programs and was recognized by the National Association of Housing and Redevelopment Officials with four awards for community revitalization efforts through the Homeownership Opportunities Program and the availability of affordable housing through the Homeownership Impact Loan Program. DBHD also received recognition from the Pennsylvania Department of Community and Economic Development for community building efforts and most recently was presented with the coveted William C. Bellamy Award from PAHRA, for a new homes project on Swatara Street in Melrose Gardens.

In 2003, the City was recognized for its support of community medical services by Mission of Mercy, an organization that provides free medical services to non-insured and under-insured citizens.

TAXES

Overlapping Tax Jurisdiction

The City and The School District of the City of Harrisburg (the “School District”) impose real property taxes, and the City collects taxes imposed pursuant to the Local Tax Enabling Act on behalf of itself and the School District. In all instances, however, the School District is a separate governmental entity located within the corporate limits of the City. These separate taxes are discussed below.

In May 2000, the Commonwealth enacted legislation entitled the Education Empowerment Act, requiring the Pennsylvania Department of Education (the “Department”) to identify school districts with a history of low test performance on certain standardized tests, designated as “empowerment districts,” and to establish an academic advisory committee to work with each such school district’s “empowerment team” to develop a school district improvement plan. Under the legislation, the Department was directed to immediately certify the School District as an empowerment district, and the Mayor was empowered to appoint a 5-member Board of Control to assume most of the duties of the School District’s board of school directors. The School District thereafter filed with the Commonwealth Court of Pennsylvania a legal challenge to the initial legislation as it related to the Mayor’s control of the Harrisburg schools.

While such legal proceedings were pending, in November 2000, the Commonwealth enacted legislation amending the Education Empowerment Act, which the School District again challenged as it relates to the Mayor’s control of the Harrisburg schools and requested immediate injunctive relief. The Commonwealth Court of Pennsylvania denied the injunction, thus permitting the implementation of the Education Empowerment Act, and in January 2001, the Department certified the School District as an empowerment district. The Mayor thereupon appointed five individuals to serve on the Board of Control, and the Board of Control assumed governance of the School District. Despite denying the injunction, the Commonwealth Court declared unconstitutional the provision of the Act under which the Department designated the School District as an empowerment district and under which the Mayor appointed the Board of Control. On appeal, the Pennsylvania Supreme Court, by order entered July 22, 2003, ruled in favor of the Mayor and the Board of Control, by upholding the constitutionality of the Education Empowerment Act. The Education Empowerment Act imposes no financial responsibilities on the City with respect to the School District.

Real Property Tax

The Real Property Tax imposed by the City in 2005, is 4.069 mills on improvements and 24.414 mills on land, the same millage imposed by the City in 2004. In January 2002, the City’s assessed values for real estate changed following completion and implementation of a court-ordered county-wide reassessment for Dauphin County, the first such county-wide reassessment since 1972. As a result of the reassessment, the assessed value of real estate in the City increased nearly two-fold, and resulted in a concomitant reduction in the millage rate of the City’s Real Property Tax. It is estimated that this tax will provide approximately 23.1% of General Fund receipts for the year ending December 31, 2005.

The City also levies a number of taxes pursuant to the Local Tax Enabling Act, as amended. These taxes are described in the following discussion.

Taxes Pursuant to Local Tax Enabling Act

Earned Income Tax. City residents pay an Earned Income Tax of 1%, which tax is shared equally with the School District. Non-residents who work within the City and who do not pay an earned income tax to the municipality of their residence also pay the 1% Earned Income Tax. It is estimated that

the Earned Income Tax will provide approximately 5.2% of the receipts of the General Fund for the year ending December 31, 2005.

Emergency and Municipal Services Tax. Legislation providing for the Emergency and Municipal Services Tax (“EMST”) was enacted by the Pennsylvania General Assembly on November 21, 2004 and signed into law by the Governor of Pennsylvania on November 30, 2004. The EMST replaces the Occupational Privilege Tax (“OPT”) levied by the City, which in 2004 was levied at the rate of \$10.00 per person for anyone working within the City, and which was allocated \$5.00 to the City and \$5.00 to the School District. The EMST enables Pennsylvania municipalities to increase their levy of the tax up to \$52.00 per year. On November 23, 2004, as part of his 2005 budget presentation, the Mayor submitted to City Council legislation authorizing imposition of the EMST at the rate of \$52.00. City Council approved a budget on December 22, 2004 which anticipated imposition of the EMST, and City Council enacted on January 11, 2005 legislation so imposing the EMST. The City must share the EMST with the School District; however, the School District’s share of the \$52.00 tax is limited to \$5.00. The EMST is expected to generate for the City an additional \$2.6 million in revenue for 2005, compared to the revenue generated by the OPT and allocated to the City in 2004, for a total of \$2.9 million. The EMST is expected to represent approximately 4.9% of General Fund revenues for the year ending December 31, 2005.

Real Estate Transfer Tax. The City imposes a Real Estate Transfer Tax of 1% of the selling price or market value of real estate transferred within the City. This tax is collected by the County for which the County is paid a 2% commission on transfer taxes collected. The City shares this tax equally with the School District. This tax is expected to represent approximately 1.0% of General Fund revenues for the year ending December 31, 2005.

Business Privilege and Mercantile Tax. The City levies a Business Privilege and Mercantile Tax. The City shares a portion of this tax with the School District. The 2005 rates levied by the City are as follows:

Business Privilege Tax. 3 mills per \$1,000 of gross receipts up to gross receipts of \$3,300,000. In excess of \$3,300,000, the rate imposed is ½ mill per \$1,000.

Mercantile Tax-Wholesale Rate. 1 mill per \$1,000 of gross receipts up to gross receipts of \$5,000,000. In excess of \$5,000,000, the rate imposed is 1/8 mill per \$1,000.

Mercantile Tax-Retail Rate. 1 ½ mill per \$1,000 of gross receipts up to gross receipts of \$3,300,000. In excess of \$3,300,000, the rate imposed is 1/8 mill per \$1,000.

The City estimates that these business privilege and mercantile taxes will provide approximately 6.2% of General Fund revenues for the year ending December 31, 2005.

Amusement Tax. A 10% amusement tax is levied on admission prices to places of amusement, entertainment or recreation within the City. The City shares this tax equally with the School District.

Parking Tax. A parking tax of 15% is levied on the consideration paid by patrons of the City parking garages and lots.

Business Privilege Mercantile License Fees. The City imposes a fixed annual charge of \$40.

General License Fees. Such fees for general revenue purposes range from \$10 to \$200, depending on the type of business.

CITY FINANCES

Introduction

The City's finances are under the supervision of the Mayor, City Controller and City Treasurer, who are elected officials. As chief executive of the City, the Mayor supervises all operating departments. The Mayor and City Controller are responsible for execution of contracts, and the City Controller is responsible for internal audits and fiscal controls. The City Treasurer receives, invests and disburses all City moneys.

Accounting Procedures

The City's financial statements have been prepared on a modified accrual basis since 1980 and, prior to that time, on a cash basis. The City follows generally accepted accounting principles promulgated or interpreted by the Governmental Accounting Standards Board. The accounts of the City are organized on the basis of funds or groups of accounts, each of which is considered to be a separate operating entity. The General Fund is for general operating purposes, and the other accounts are for special purposes.

The modified accrual basis of accounting is followed in the General Fund; Grant Programs Fund, which includes the State Liquid Fuels Tax and Community Development Block Grant Funds; Debt Service Fund; Capital Projects Fund; and other Governmental Funds. The Repository Funds are kept on an accrual basis. PriceWaterhouseCoopers LLP (formerly Coopers & Lybrand, LLP) examined the City's financial statements for 1994 through 1999. McKonly & Asbury LLP has examined the City's financial statements for 2000 through 2003, and has been engaged to examine the City's financial statements for the fiscal year ending December 31, 2004.

The City's Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2003, which also includes the City's audited 2003 financial statements, is available upon request to the Director, Bureau of Financial Management, Rev. Dr. Martin L. King, Jr. City Government Center, 10 North Second Street, Suite 301, Harrisburg, PA 17101.

Budgetary Process

The budget for the City is compiled in the Department of Administration by the Bureau of Financial Management's Office of Budget and Analysis from budget requests submitted by all departments and agencies of the City to the Business Administrator in September of each year. The Office of Budget and Analysis prepares a document for the Business Administrator which is reviewed by the Mayor. The Mayor conducts budget meetings with department heads, and a recommended budget is submitted by the Mayor to City Council in November of each year. City Council is statutorily mandated to enact an ordinance approving a budget before the beginning of the next fiscal year. City Council appropriates funds for each department of government by bureau.

As of December 31, 2004, the City projects a small surplus in the City's General Fund budget for receipts and expenditures, for the fiscal year ended December 31, 2004.

With respect to the budget for fiscal year 2005, City Council adopted the budget on December 22, 2004.

An enacted budget constitutes the appropriation within the category described. Allocations are made within the appropriation and are reviewed on a monthly basis by the City Controller's office and on a semi-annual basis by the Business Administrator and by City Council.

An encumbrance system of accounting is maintained by the City and monitored by the City Controller, who insures that all expenditures are within the budget appropriations. If the Business Administrator foresees a possible deficit, he is required, with the approval of the Mayor, to revise the allocations to prevent a deficit.

Requests for expenditures are submitted with supporting bills and documentation to the City Controller for approval. If the City Controller finds that the requested expenditure is within the appropriation, he approves the request by a warrant to the City Treasurer who makes the payment. The City Controller cannot approve any payment above the amount appropriated, and the City Treasurer may not sign any warrant in excess of funds on hand. Checks require the signatures of the City Controller and City Treasurer.

City Council may make supplemental appropriations for any lawful purpose from funds on hand or estimated to be received within the fiscal year which are not encumbered to any other purposes. The Business Administrator has the power to authorize the transfer of any unexpended balance of any appropriation item, or any portion thereof, within a department. However, the Business Administrator is required to obtain the approval of City Council prior to authorizing an individual budgetary transfer exceeding \$20,000. Furthermore, the Business Administrator is similarly required to obtain the approval of City Council prior to authorizing an individual budgetary transfer exceeding 10% of the appropriation item. Where two or more transfers are requested but are so similar as to be reasonably embodied within one individual transfer, such a request will, for the purpose of the budgetary transfer procedure, be treated as an individual transfer subject to the approval of City Council. Expenditures from amounts budgeted for contingencies are made upon the express approval of City Council.

City's General Fund

The following tables show the City's General Fund Balance Sheet and receipts and expenditures for the indicated periods, together with the 2004 Adopted Budget and 2005 Adopted Budget for the General Fund. The first two tables are derived from the City's audited basic financial statements for the years ended December 31, 1999 through December 31, 2003. The third table presents the budgets for the City's General Fund for calendar year 2004 and 2005. The fourth table presents the City's mid-year report of receipts and expenditures for the six-month periods ended June 30, 2004 and June 30, 2003.

**City of Harrisburg
General Fund Balance Sheet
Year Ended December 31,**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
ASSETS					
Cash and Cash Equivalents.....	\$ 6,843,072	\$ 8,454,993	\$ 5,780,654	\$ 2,576,075	\$ 5,135,119
Investments, at Fair Value.....	65,167	0	0	0	0
Receivables (Net Allowance for Uncollectable Accounts):					
Taxes.....	2,298,241	3,804,490	4,023,509	3,808,792	6,294,759
Accounts Receivable.....	410,528	346,415	345,651	358,962	274,797
Loans Receivable.....	2,034,983	2,222,902	2,490,950	2,455,183	2,715,059
Due from Other Funds.....	468,326	568,343	1,179,074	1,588,208	926,002
Component Units.....	0	422,750	1,785,344	941,177	314,057
Other Assets.....	737,188	426,035	801,625	956,735	1,704,447
Restricted Assets:					
Cash.....	228,601	1,139,094	2,603,329	2,451,388	148,098
Cash with Fiscal Agents.....	411,330	39,437	0	0	0
Investments at Fair Value.....	128,877	406,674	490,853	214,677	505,845
Advances to Other Funds.....	411,375	411,375	411,375	411,375	411,375
TOTAL ASSETS.....	\$ 14,037,688	\$ 18,242,508	\$ 19,912,364	\$ 15,762,572	\$ 18,429,558
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts Payable.....	\$ 1,327,710	\$ 1,384,089	\$ 2,503,438	\$ 1,959,789	\$ 1,388,665
Accrued Liabilities.....	810,950	883,842	1,218,082	2,041,773	786,096
Due to Other Funds.....	123,201	685,080	199,615	1,483,620	1,598,880
Due to Component Units.....	181,555	173,446	2,155,580	238,095	550,359
Deferred Revenue.....	2,186,735	3,413,840	3,821,869	3,526,723	5,530,565
TOTAL LIABILITIES.....	\$ 4,630,151	\$ 6,540,297	\$ 9,898,584	\$ 9,250,000	\$ 9,854,565
Fund Equity:					
Reserved for Encumbrances.....	\$ 426,384	\$ 126,348	\$ 466,838	\$ 149,171	\$ 91,158
Reserved for Worker's Compensation					
Deposit.....	411,330	446,111	490,853	541,714	556,452
Reserved for Advances.....	411,375	411,375	411,375	411,375	411,375
Reserved for Capital Outlay.....	122,153	122,006	122,006	122,006	0
Revolving Loan Program.....	2,034,983	2,222,902	2,490,950	2,455,183	3,170,281
Unreserved.....	6,001,312	8,373,469	6,031,758	2,833,123	4,345,727
TOTAL FUND EQUITY.....	\$ 9,407,537	\$ 11,702,211	\$ 10,013,780	\$ 6,512,572	\$ 8,574,993
TOTAL LIABILITIES & FUND EQUITY.....	\$ 14,037,688	\$ 18,242,508	\$ 19,912,364	\$ 15,762,572	\$ 18,429,558

Source: City's audited Comprehensive Annual Financial Reports for years 1999 through 2003.

City of Harrisburg
Summary of General Fund Receipts and Expenditures
Year Ended December 31,

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
REVENUES					
Taxes	\$ 17,725,513	\$ 18,821,081	\$ 18,984,666	\$ 20,712,704	\$ 21,363,287
Licenses and Permits.....	392,418	415,979	467,488	497,777	423,696
Intergovernmental Revenue.....	4,984,274	5,959,037	5,150,570	5,684,195	7,199,804
Departmental Earnings and Program Revenue.....	11,665,699	12,730,576	15,498,999	16,736,246	20,235,304
Fines and Forfeits.....	1,373,780	1,315,675	1,330,175	1,448,632	1,697,651
Investment Income.....	330,322	1,673,350	529,677	24,898	35,528
Miscellaneous.....	<u>3,150,055</u>	<u>5,718,847</u>	<u>3,989,560</u>	<u>1,985,133</u>	<u>3,564,685</u>
TOTAL REVENUES.....	<u>\$ 39,592,061</u>	<u>\$ 46,634,575</u>	<u>\$ 45,951,135</u>	<u>\$ 47,089,585</u>	<u>\$ 54,519,955</u>
EXPENDITURES					
Current:					
General Government.....	\$ 9,956,289	\$ 11,647,474	\$ 11,625,181	\$ 12,117,853	\$ 11,117,674
Building and Housing Development	947,236	1,091,533	1,018,044	1,038,733	1,208,640
Public Safety	18,544,296	19,152,113	20,354,570	21,822,864	23,476,591
Public Works.....	3,052,994	3,273,594	3,979,127	3,697,223	4,345,635
Parks and Recreation.....	3,035,742	3,154,921	3,410,527	3,653,241	3,922,946
Debt Service:					
Principal Retirement	0	0	0	0	1,256,942
Interest and Fiscal Charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>414,311</u>
TOTAL EXPENDITURES.....	<u>35,536,557</u>	<u>38,319,635</u>	<u>40,387,449</u>	<u>42,329,914</u>	<u>45,742,739</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	<u>4,055,504</u>	<u>8,314,910</u>	<u>5,563,686</u>	<u>4,759,671</u>	<u>8,777,216</u>
Other Financing Sources (Uses):					
Proceeds from Issuance of Debt	0	0	0	144,327	0
Operating Transfers In	1,506,336	2,642,405	1,112,595	976,400	608,225
Operating Transfers Out	<u>(6,809,166)</u>	<u>(8,228,825)</u>	<u>(8,364,712)</u>	<u>(9,037,559)</u>	<u>(8,410,679)</u>
TOTAL OTHER FINANCING SOURCES (USES).....	<u>\$ (5,302,830)</u>	<u>\$ (5,586,420)</u>	<u>\$ (7,252,117)</u>	<u>\$ (7,916,832)</u>	<u>\$ (7,802,454)</u>
NET CHANGE IN FUND BALANCES.....	(1,247,326)	2,728,490	(1,688,431)	(3,157,161)	974,762
Fund Balance (Deficit) at Beginning of Year.....					
	<u>10,654,863</u>	<u>9,407,537</u>	<u>11,702,211</u>	<u>10,013,780</u>	<u>6,512,572</u>
Residual Equity Transfer	0	0	0	(344,047)	0
Adjustments for prior year	<u>0</u>	<u>(433,816)</u>	<u>0</u>	<u>0</u>	<u>1,087,659</u>
Fund Balance at End of Year.....	<u>\$ 9,407,537</u>	<u>\$ 11,702,211</u>	<u>\$ 10,013,780</u>	<u>\$ 6,512,572</u>	<u>\$ 8,574,993</u>

Source: City's audited Comprehensive Annual Financial Reports for 1999 through 2003.

**CITY OF HARRISBURG GENERAL FUND BUDGET
RESOURCE ALLOCATION SUMMARY
2004 BUDGET AS ADOPTED BY CITY COUNCIL FOR
YEAR ENDING DECEMBER 31, 2004
AND
2005 BUDGET AS ADOPTED BY CITY COUNCIL
FOR YEAR ENDING DECEMBER 31, 2005**

Revenue	2004 Adopted Budget Resources	2005 Adopted Budget Resources
Taxes	\$20,979,763	\$24,282,502
Departmental Revenues	19,134,752	20,028,782
Other Revenues:		
Fines and Forfeits	2,200,381	2,258,700
Business Licenses and Permits	441,000	460,000
Interest Income	51,410	62,460
Property Income	567,533	52,000
Other Financing Sources	200,000	0
Miscellaneous Revenue	2,743,764	2,704,710
Interfund/governmental	8,821,965	10,379,615
Fund Balance Appropriation	<u>1,198,970</u>	<u>0</u>
Total General Fund	<u>\$56,339,538</u>	<u>\$60,228,769</u>

Expenditures	2004 Adopted Budget Appropriations	2005 Adopted Budget Appropriations
General Government	\$ 5,604,803	\$ 4,932,665
Dept. of Administration	5,097,657	4,420,647
Dept. of Building & Housing	1,358,499	1,231,361
Public Safety	25,674,503	27,658,394
Public Works	4,181,413	3,887,957
Parks and Recreation	<u>3,332,175</u>	<u>3,143,264</u>
Total Departmental	45,249,050	45,274,288
Other:		
General Expenses	3,119,070	6,150,630
Transfers to Other Funds	<u>7,971,418</u>	<u>8,803,851</u>
Total Other	<u>11,090,488</u>	<u>14,954,481</u>
Total Appropriations	<u>\$56,339,538</u>	<u>\$60,228,769</u>

Source: City's 2004 Budget as adopted by City Council on February 10, 2004.
City's 2005 Budget as adopted by City Council on December 22, 2004.

City of Harrisburg, Pennsylvania
General Fund
Comparative Statement of Budgeted and Actual Revenues and Expenditures
for the Six Months Ended June 30, 2004 and June 30, 2003

	2004		2003		% of Budget	
	Approved Budget	Actual @ 6/30/04	Approved Budget	Actual @ 6/30/03	2004	2003
REVENUES						
Taxes	\$ 20,979,763	\$ 16,393,113	\$ 20,266,307	\$ 16,236,627	78%	80%
Licenses and Permits.....	441,000	169,439	507,000	262,048	38%	52%
Intergovernmental Revenue.....	7,857,343	2,000,000	6,284,195	1,350,000	25%	21%
Departmental Revenues	19,134,752	12,133,760	20,445,538	11,114,598	63%	54%
Fines and Forfeits.....	2,200,381	893,402	1,698,000	750,827	42%	44%
Investment Income.....	618,943	95,190	587,210	32,397	15%	6%
Interfund Revenue.....	0	0	0	0	0	0
Miscellaneous.....	2,943,764	911,363	4,725,005	95,443	31%	2%
TOTAL REVENUE.....	\$ 54,175,946	\$ 32,596,268	\$ 54,513,255	\$ 29,841,941	60%	55%
EXPENDITURES						
General Government, Administration and Expenses.....	\$ 13,821,530	\$ 6,715,162	\$ 13,505,816	\$ 8,239,486	49%	61%
Building and Housing Development	1,358,499	562,769	1,586,414	575,287	41%	36%
Public Safety	25,674,503	11,693,704	24,458,976	11,784,350	46%	48%
Public Works.....	4,181,413	2,952,237	4,045,943	2,859,577	71%	71%
Parks and Recreation.....	3,332,175	1,499,986	3,286,119	1,600,102	45%	49%
TOTAL EXPENDITURES.....	48,368,120	23,423,858	46,883,268	25,058,801	45%	53%
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	5,807,826	9,172,410	7,629,987	4,783,140	158%	63%
Other Financing Sources (Uses):						
Proceeds from Issuance of Debt	0	0	0	0	0	0
Operating Transfers In	964,622	0	540,467	0	0	0
Operating Transfers Out	(7,971,418)	(7,389,561)	(8,270,454)	(7,993,443)	93%	97%
TOTAL OTHER FINANCING SOURCES (USES)	(7,006,796)	(7,389,561)	(7,729,987)	(7,993,443)	105%	103%
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....	(1,198,970)	1,782,849	(100,000)	(3,210,303)		
Fund Equity (Deficit) at Beginning of Year	3,775,890					
Residual Equity Transfer	0					
Adjustments for prior year	0					
Unearned Fund Equity at End of Year	\$ 2,576,920					

PROPERTY ASSESSMENTS AND TAX RATES

The City's trend of real estate assessments, appraisals and property tax rates for the years 1994 - 2004 is shown in the table below.

Year	<u>Land</u>		<u>Improvements</u>		<u>Millage Rate</u>	
	<u>Assessed</u>	<u>Market Value</u>	<u>Assessed</u>	<u>Market Value</u>	<u>Land</u>	<u>Improvements</u>
1994(1)	\$141,875,160	\$141,875,160	\$ 738,822,190	\$ 738,822,190	32.250	10.750
1995(1)	139,992,760	139,992,760	745,166,390	745,166,390	32.250	10.750
1996(1)	138,835,000	138,835,000	741,205,900	741,205,900	38.360	9.590
1997(1)	138,668,200	138,668,200	747,476,200	747,476,200	38.360	9.590
1998(1)	139,738,600	139,738,600	771,149,700	771,149,700	38.360	9.590
1999(1)	138,857,000	138,857,000	785,465,900	785,465,900	38.360	9.590
2000(1)	129,489,300	129,489,300	711,995,700	711,995,700	48.090	9.618
2001(1)	129,004,400	129,004,400	724,820,800	724,820,800	48.090	9.618
2002(2)	371,924,800	371,924,800	1,330,249,300	1,330,249,300	24.414	4.069
2003(2)	365,839,200	365,839,200	1,310,675,000	1,310,675,000	24.414	4.069
2004(2)	360,948,300	360,948,300	1,264,860,200	1,264,860,200	24.414	4.069

Source: City's Bureau of Information Technology.

(1) The City's trend of real estate assessments and appraisals for years 1994 – 2004 is shown on the table above. The County assesses values of properties at 100% of appraised (market) value. Additionally, beginning in 1993, the County assessed two City hospitals as taxable entities at values totaling \$82,830,800 - Polyclinic Medical Center (assessed value \$43,823,900) and Harrisburg Hospital (assessed value \$39,006,900). However, both hospitals appealed their assessments as taxable entities before the Court of Common Pleas of Dauphin County, and on March 23, 1999, were granted their petitions to remove the properties from the assessment rolls and to strike the tax assessment only with respect to the year 1993. The hospitals merged in 1996 as part of PinnacleHealth System ("Pinnacle") and appealed with respect to tax years 1994 through 1998 to the Commonwealth Court of Pennsylvania. The Commonwealth Court upheld the lower court's decision in January 1998. The hospitals appealed this ruling to the Supreme Court of Pennsylvania. Prior to consideration of this matter by the Supreme Court but after passage by the General Assembly of a new charitable exemptions law, the parties reached a settlement. The terms of the settlement covered tax years 1994 through 2001 and provided that the subject properties would be listed as tax-exempt. In consideration for such unchallenged tax-exempt status, Pinnacle was obligated to pay the City \$2,671,000, for the tax years 1994 through 2001, which amount was paid as follows: a lump sum payment of \$1,869,700 in 1998, for the years 1994-1998, and \$267,100, annually, for the years 1999-2001. The City has received the full amount of the obligations due from the hospitals. Because Pinnacle refused to negotiate any further payments to the City in lieu of real estate taxes after 2001, the City in January 2002 sought to have certain Pinnacle properties placed back on the tax rolls, while at the same time, Pinnacle applied to the Dauphin County Board of Assessment Appeals (the "Board") for an exemption of its real estate. After conducting hearings, the Board on May 31, 2002 denied Pinnacle's application for exemption. Pinnacle appealed the Board's decision to the Dauphin County Court of Common Pleas, which in January 2003 scheduled a hearing on Pinnacle's appeal, to be held in the fall of 2003. Pinnacle, the City, the School District, the County and the Board entered into negotiations to settle the appeal, resulting in a postponement of the hearing. The parties executed and delivered a settlement agreement as of December 18, 2003, which settled the issues raised in Pinnacle's appeal. Under the settlement, Pinnacle agrees to make payments in lieu of taxes (PILOTs) to the City, the School District and the County, for a term of five years covering tax years 2003 through 2007. Thereafter, the agreement, including the obligation to make PILOTs, automatically renews for one-year terms, unless a party objects to any such extension. The reduction in land and improvement values shown in this table between 1999 and 2000 principally reflects the removal of these hospital properties from the tax rolls.

(2) Reflects the result of a court-ordered County-wide reassessment effective January 1, 2002. Prior to this reassessment, the last County-wide reassessment occurred in 1972.

The City enacted a Tax Abatement Ordinance on April 24, 1980, which had been re-enacted every five years thereafter, and approved by City Council, the County and the School District in an effort to promote economic development and revitalization in the City. Although City Council did not re-enact the Tax Abatement Ordinance in 2004, it is expected to consider enactment of a Tax Abatement Ordinance in early 2005. Pursuant to state statute, under the Ordinance property owners receive either a 100% forgiveness of taxes on the increased assessment of the improvements for new residential construction for a period of up to three years, or a ten-year graduated abatement for business construction

and improvements to residential and commercial structures. A five-year graduated abatement is allowed for residential rehabilitation valued less than \$50,000. As of May 14, 2004, 419 residential and commercial properties with a total assessed value of approximately \$25,120,070 had applied for and obtained such tax abatement. No abatement was available for new business construction in the downtown area between January 1, 1993 and June 30, 1995.

The following table shows the City's real estate tax collection record over the last ten years.

<u>Year</u>	<u>Total Flat Billing</u>	<u>Adjusted Levy</u>	<u>Current Year Collections</u>	<u>Current Year Collections as Percent of Adjusted Levy</u>	<u>Total Collections</u>	<u>Total Collections as Percent of Adjusted Levy</u>
1994	\$11,529,811	\$11,571,260	\$ 9,958,979	86%	\$11,202,239	97%
1995	11,537,302	11,585,944	10,090,523	87%	11,568,386	100%
1996	11,445,700	11,486,867	10,235,677	89%	11,422,860	99%
1997	11,533,210	11,809,887	10,127,851	86%	11,487,492	97%
1998	11,804,334	12,151,076	10,239,726	84%	11,566,828	95%
1999	11,910,170	12,009,916	10,015,954	83%	11,207,058	93%
2000	13,075,126 ⁽¹⁾	13,166,873 ⁽¹⁾	11,066,488 ⁽¹⁾	84%	12,349,427 ⁽¹⁾	94%
2001	13,175,158	13,255,169	11,246,161	85%	12,368,224	93%
2002	14,492,959 ⁽²⁾	14,673,651 ⁽²⁾	12,099,685 ⁽²⁾	82%	13,539,720 ⁽²⁾	92%
2003	14,264,738	14,422,121	12,061,330	84%	13,483,593	93%

⁽¹⁾ Real estate billing increased over \$1.1 million in 2000 due to a tax rate increase, the first such increase since 1988.

⁽²⁾ Real estate billing increased over \$1.3 million in 2002 due to a County-wide reassessment of all taxable real estate effective January 1, 2002.

Source: City's Bureaus of Information Technology and Financial Management.

The City's real estate assessed values changed in January 2002 following completion and implementation of a court-ordered county-wide reassessment of all taxable real estate. The last county-wide reassessment of real property occurred in 1972.

The following table shows the trend in the tax rates levied by the City since 1996.

<u>Year</u>	<u>Land (Mills)</u>	<u>Improvements (Mills)</u>	<u>Earned Income Tax</u>	<u>Occupational Privilege Tax</u>	<u>Real Estate Transfer Tax</u>	<u>Business Privilege/ Mercantile Tax (Mills)</u>	<u>Amusement Tax</u>
1996	38.360	9.590	1/2%	\$ 5.00	1/2%	1 - 2	5%
1997	38.360	9.590	1/2%	\$ 5.00	1/2%	1 - 2	5%
1998	38.360	9.590	1/2%	\$ 5.00	1/2%	1 - 2	5%
1999	38.360	9.590	1/2%	\$ 5.00	1/2%	1 - 2	5%
2000	48.090	9.618	1/2%	\$ 5.00	1/2%	1 - 2	5%
2001	48.090	9.618	1/2%	\$ 5.00	1/2%	1 - 2	5%
2002	24.414 ⁽¹⁾	4.069 ⁽¹⁾	1/2%	\$ 5.00	1/2%	1 - 2	5%
2003	24.414 ⁽¹⁾	4.069 ⁽¹⁾	1/2%	\$ 5.00	1/2%	1 - 2	5%
2004	24.414 ⁽¹⁾	4.069 ⁽¹⁾	1/2%	\$ 5.00	1/2%	1 - 2	5%
2005	24.414 ⁽¹⁾	4.069 ⁽¹⁾	1/2%	\$ 47.00 ⁽²⁾	1/2%	1 - 2	5%

⁽¹⁾ Reflects the result of a court-ordered County-wide reassessment effective January 1, 2002.

⁽²⁾ Reflects replacement of the Occupational Privilege Tax with an Emergency and Municipal Services Tax ("EMST"). The City has imposed a \$52.00 EMST for 2005; of this amount, the School District collects \$5.00, and the City collects the balance (\$47.00). See "TAXES - Taxes Pursuant to Local Tax Enabling Act - Emergency and Municipal Services Tax" herein.

The following table shows building permits issued in the past ten years.

<u>Year</u>	<u>Permit Fees</u>	<u>New Construction Residential</u>		<u>New Construction Commercial</u>		<u>Repairs, Alterations And Additions Residential</u>		<u>Repairs, Alterations and Additions Commercial</u>	
		<u>Number of Permits</u>	<u>Total Cost</u>	<u>Number of Permits</u>	<u>Total Cost</u>	<u>Number of Permits</u>	<u>Total Cost</u>	<u>Number of Permits</u>	<u>Total Cost</u>
1994	\$276,078	12	\$ 520,879	7	\$ 4,811,638	1,176	\$22,775,896	339	\$ 30,471,317
1995	469,311	10	467,229	11	29,628,870	1,234	9,013,474	393	31,185,786
1996	413,575	10	533,846	9	6,749,479	1,384	13,415,006	431	38,562,420
1997	599,433	3	9,980	14	23,425,821	1,541	8,789,863	354	63,334,482
1998	540,760	4	133,550	8	3,245,491	1,680	16,002,852	373	51,142,641
1999	478,793	5	393,000	5	26,161,129	1,352	9,797,835	451	51,103,549
2000	712,297	34	3,270,738	8	10,163,312	1,251	9,737,969	504	72,748,719
2001	521,554	18	1,492,031	5	5,992,720	1,041	12,722,531	373	54,933,569
2002	737,848	26	1,599,120	6	17,187,309	1,132	9,932,336	391	79,031,282
2003	402,508	40	2,698,746	5	13,619,027	1,330	10,142,106	373	100,249,490

Source: Bureau of Information Technology.

**CITY OF HARRISBURG
ASSESSMENT BY LAND USE
(Calendar Year)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002⁽¹⁾</u>	<u>2003</u>
Residential	\$298,991,800	\$298,842,900	\$299,095,900	\$649,169,400	\$ 646,253,640
Lots	4,335,500	4,126,200	4,238,900	29,182,100	29,191,300
Industrial	65,228,100	65,228,100	65,228,100	125,799,600	125,799,600
Commercial	546,426,000	463,958,400 ⁽²⁾	478,293,400	891,656,400	868,542,760
Land/Agriculture	<u>9,348,300</u>	<u>9,348,300</u>	<u>9,348,300</u>	<u>29,800</u>	<u>29,800</u>
Total	\$924,329,700	\$841,503,900	\$856,204,600	\$1,695,837,300	\$1,669,817,100

Source: Pennsylvania State Tax Equalization Board.

(1) Reflects the result of a court-ordered County-wide reassessment effective January 1, 2002.

(2) See Footnote 1 on page A-11 for an explanation of the reduction in assessment for commercial land use shown in this table between 1999 and 2000.

Ten Largest Taxpayers

The ten largest real estate taxpayers in the City measured by the assessed valuations of their real estate are as follows:

**CITY OF HARRISBURG
PRINCIPAL REAL ESTATE TAXPAYERS
(as of December 31, 2003)**

<u>Taxpayer</u>	<u>Type of Real Estate</u>	<u>Assessed Value</u>	<u>Percent of Total Assessed Valuation</u>
Harristown Development Corp.	State Offices/Telephone Co.	\$144,344,200	8.61%
PHEAA ⁽¹⁾	Offices	34,039,100	2.03%
ESL, Inc./Pennsylvania National Realty Trust	Commercial Business	29,685,000	1.77%
Super Rite Foods Inc.	Commercial Business	24,088,100	1.44%
M&T Bank	Bank/Offices	23,525,000	1.40%
Walnut & Third Inc.	Commercial Business	19,000,000	1.13%
Harrisburg Hilton and Towers	Commercial Business	18,523,000	1.09%
Susquehanna Chestnut Partners	Commercial Business	17,147,600	1.02%
Central Storage & Transfer Co.	Commercial Business	14,335,500	0.86%
Strawberry Square Associates	Commercial Business	<u>11,916,000</u>	<u>0.71%</u>
TOTALS		\$336,603,500	20.08%

(1) The sole tenant of this property, the Pennsylvania Higher Education Assistance Agency (“PHEAA”), exercised its option to purchase the property from Capitol Commercial Corporation at the end of 2002. The statute governing PHEAA states that the property of PHEAA shall be exempt from all taxes and assessments. However, PHEAA has agreed to make payments in lieu of taxes for the years 2003 through 2007, in annual amounts equal to taxes payable in 2002 on the property purchased by PHEAA. After 2007, PHEAA will make annual payments in lieu of taxes in amount equal to 65% of the amount payable in 2002.

Source: City’s Bureau of Information Technology.

DEBT AND DEBT LIMITS

Debt Statement

The table that follows shows the debt of the City as of January 31, 2005.

CITY OF HARRISBURG BONDED INDEBTEDNESS AND DEBT RATIOS (as of January 31, 2005)

	Gross Outstanding	Net
<u>NON-ELECTORAL DEBT</u>		
Federally Taxable General Obligation Bonds, Series A of 1995 ⁽¹⁾	\$10,217,852	0
Federally Taxable General Obligation Bonds, Series B of 1995.....	590,000	590,000
Federally Taxable General Obligation Bonds, Series A1 of 1997	7,970,000	7,970,000
General Obligation Refunding Bonds, Series D of 1997	23,617,974	23,617,974
General Obligation Refunding Notes, Series F of 1997.....	26,602,303	26,602,303
General Obligation Note, Series A of 2003	120,741	120,741
General Obligation Note, Series B of 2003.....	327,310	327,310
General Obligation Note, Series C of 2003.....	122,440	122,440
Total Nonelectoral Debt.....	<u>\$69,568,620</u>	<u>\$59,350,768</u>
<u>LEASE RENTAL DEBT</u>		
Harrisburg Parking Authority, Guaranteed Parking Revenue Note, Series K of 2000.....	11,800,000	
Less: Amount Deemed Self-Liquidating	<u>(11,800,000)</u>	<u>-0-</u>
Harrisburg Parking Authority, Guaranteed Parking Revenue Refunding Bonds, Series J of 2001	29,285,000	
Less: Amount Deemed Self-Liquidating	<u>(29,285,000)</u>	<u>-0-</u>
Harrisburg Parking Authority, Guaranteed Parking Revenue Bonds, Series of 2001	18,605,000	
Less: Amount Deemed Self-Liquidating	<u>(18,605,000)</u>	<u>-0-</u>
Harrisburg Parking Authority, Guaranteed Parking Revenue Refunding Bonds, Series N of 2003	7,420,000	
Less: Amount Deemed Self-Liquidating	<u>(7,420,000)</u>	<u>-0-</u>
Harrisburg Parking Authority, Guaranteed Parking Revenue Refunding Bonds, Series O of 2003	17,045,000	
Less Amount Deemed Self-Liquidating.....	<u>(17,045,000)</u>	<u>-0-</u>
Harristown Development Corporation, Lease Revenue Bonds, Bell Portion, Series of 1992	8,857,388	
Less: Amount Deemed Self-Liquidating	<u>(8,857,388)</u>	<u>-0-</u>
Redevelopment Authority of the City of Harrisburg, Taxable Guaranteed Revenue Bond, Series of 2004.....	2,115,000	
Less: Amount Deemed Self-Liquidating	<u>(2,115,000)</u>	<u>-0-</u>
Redevelopment Authority of the City of Harrisburg, Taxable Guaranteed Revenue Bonds, Series of 2001	19,625,000	
Less: Amount Deemed Self-Liquidating	<u>(19,625,000)</u>	<u>-0-</u>
Redevelopment Authority of the City of Harrisburg, Federally Taxable Guaranteed Revenue Bonds, Series A of 1998	6,920,525	
Less: Amount Deemed Self-Liquidating	<u>(6,920,525)</u>	<u>-0-</u>

⁽¹⁾ Pursuant to Section 8022(c) of the Commonwealth's Local Government Unit Debt Act (the "Debt Act"), the principal amount of bonds issued to fund unfunded actuarial accrued liability, after deducting therefrom the principal amount of such bonds attributable to costs of issuance, underwriter's discount and original issue discount, is not subject to debt limitations. Applying such deductions to the principal amount of the City's Federally Taxable General Obligation Bonds, Series A of 1995, the debt incurred to fund unfunded actuarial accrued pension liability is \$10,217,852 and is not subject to "regular debt limits" under the Debt Act.

	<u>Gross Outstanding</u>	<u>Net</u>
Redevelopment Authority of the City of Harrisburg, Guaranteed Revenue Bonds, Series B of 1998.....	16,716,758	
Less: Amount Deemed Self-Liquidating	<u>(16,716,758)</u>	<u>-0-</u>
Redevelopment Authority of the City of Harrisburg Federally Taxable Guaranteed Variable Rate Revenue Bonds (Stadium Project), Series A-1 of 2005	9,000,000	
Less: Amount Deemed Self-Liquidating	<u>(9,000,000)</u>	<u>-0-</u>
Redevelopment Authority of the City of Harrisburg Federally Taxable Guaranteed Revenue Bonds (Stadium Project), Series A-2 of 2005 ⁽¹⁾	9,000,000	
Less: Amount Deemed Self-Liquidating	<u>(9,000,000)</u>	<u>-0-</u>
The Harrisburg Authority, Guaranteed Resource Recovery Facility Refunding Revenue Bonds, Series A of 1998	11,970,000	
Less: Amount Deemed Self-Liquidating	<u>(11,970,000)</u>	<u>-0-</u>
The Harrisburg Authority, Guaranteed Federally Taxable Resource Recovery Facility Subordinate Variable Rate Revenue Notes, Series A of 2002	17,000,000	
Less: Amount Deemed Self-Liquidating	<u>0</u>	<u>17,000,000</u>
The Harrisburg Authority Guaranteed Federally Taxable Resource Recovery Facility Subordinate Revenue and Refunding Revenue Bonds, Series A of 2003	22,555,000	
Guaranteed Federally Taxable Resource Recovery Facility Subordinate Variable Rate Refunding Revenue Notes, Series B of 2003	29,085,000	
Guaranteed Resource Recovery Facility Subordinate Refunding Revenue Notes, Series C of 2003	24,285,000	
Less: Amount Deemed Self-Liquidating	<u>(75,925,000)</u>	<u>-0-</u>
The Harrisburg Authority Guaranteed Resource Recovery Facility Revenue Bonds, Series D of 2003	96,480,000	
Guaranteed Federally Taxable Resource Recovery Facility Revenue Bonds, Series E of 2003	14,500,000	
Guaranteed Federally Taxable Resource Recovery Facility Revenue Bonds, Series F of 2003	14,020,000	
Less: Amount Deemed Self-Liquidating	<u>(125,000,000)</u>	<u>-0-</u>
The Harrisburg Authority Guaranteed Sewer Revenue Note, Series A of 1998.....	1,547,000	
Federally Taxable Guaranteed Sewer Revenue Note, Series B of 1998.....	1,002,189	
Federally Taxable Guaranteed Sewer Revenue Note, Series C of 1998.....	15,408	
Less: Amount Deemed Self-Liquidating	<u>(2,564,597)</u>	<u>-0-</u>
Total Net Lease Rental Debt.....		\$ 17,000,000
Total Net Nonelectoral and Lease Rental Debt.....		\$ <u>76,350,768</u>

⁽¹⁾ The subject of the lease rental debt proceedings filed by the City under the Debt Act is the guaranty by the City of the 2005 A-2 Bonds, to be issued by the Redevelopment Authority and being offered pursuant to this Official Statement, and the exclusion of such debt as self-liquidating.

CITY OF HARRISBURG OVERLAPPING DEBT

<u>OVERLAPPING DEBT</u>	<u>Gross Outstanding</u>	<u>Net</u>
School District of the City of Harrisburg General Obligation Debt	\$ <u>249,296,385</u>	\$ <u>222,605,804</u> ⁽¹⁾
Total Direct and Overlapping Debt.....	\$ <u>318,865,005</u>	\$ <u>281,956,572</u>

(1) Net of estimated State aid and current appropriations to pay principal.

DIRECT DEBT RATIOS:

Per Capita (2000 census (48,950)).....	\$1,212.48
Percent of 2004 Assessed Value (\$1,625,808,500).....	3.80%
Percent of 2004 Market Value (\$1,625,808,500).....	3.80%
Percent of Direct Debt Retired within 10 years (estimated)	65.00%

Borrowing Capacity

The statutory borrowing limit of the City under the Debt Act is computed as a percentage of the City’s “Borrowing Base.” The Borrowing Base, defined in Section 8002 of the Debt Act, is calculated as the annual arithmetic average of the “total revenues” (as defined by the Debt Act) of the City for the three full fiscal years ended next preceding the date of incurring debt. The City’s present “Borrowing Base,” calculated based upon total revenues for the fiscal years ending December 31, 2001, 2002 and 2003 is \$46,279,996.

	<u>Gross</u>	<u>Exclusions</u>	<u>Net</u>
Revenues for 2001	\$ 47,063,730	\$ 4,954,695	\$ 42,109,035
Revenues for 2002	48,065,985	2,845,641	45,220,344
Revenues for 2003	<u>55,128,180</u>	<u>3,617,572</u>	<u>51,510,608</u>
Total Revenues-Past Three Years.....	\$ 150,257,895	\$11,417,908	\$ 138,839,987
Annual Arithmetic Average (Borrowing Base)	\$ 46,279,996		

Under the Debt Act as currently in effect, (1) the City may not incur new nonelectoral debt if the aggregate net principal amount of such new nonelectoral debt plus all outstanding net nonelectoral debt would cause total net nonelectoral debt to exceed 250 percent of the Borrowing Base, and (2) the City may not incur new lease rental debt or new nonelectoral debt if the aggregate net principal amount of such new debt plus all outstanding net nonelectoral debt and net lease rental debt would cause the total net nonelectoral plus net lease rental debt to exceed 350 percent of the Borrowing Base.

The following summarizes the City's borrowing capacity, calculated in accordance with the provisions of the Debt Act:

	<u>Legal Limit</u>	<u>Total Net Outstanding*</u>	<u>Unused Borrowing Capacity</u>
250% Borrowing Base			
Net Nonelectoral Debt	\$115,699,990	\$ 59,350,768	\$56,349,222
350% Borrowing Base			
Net Nonelectoral Debt and Lease Rental Debt	\$161,979,986	\$ 76,350,768	\$85,629,218

* This figure reflects the City's total net outstanding debt as of January 31, 2005 and does not include (i) any of the City's outstanding debt, which has been determined by the Pennsylvania Department of Community and Economic Development (the "Department") to be self-liquidating or subsidized debt, or (ii) any debt incurred to fund an unfunded actuarial accrued pension liability.

City Lease Rental Debt Guarantees; the Waste Management Facility

As is set forth in the enumeration of the City's bonded indebtedness as of January 31, 2005 under Lease Rental Debt, the City has guaranteed a number of revenue bond and note issues of affiliated entities, including the Authority. All but one of these bond and note issues at their times of issuance were projected to be self-sustaining or self-liquidating debt and are so reflected on the City's statement of bonded indebtedness. The Harrisburg Authority ("THA") has issued eight series of revenue bonds and notes for its Waste Management Facility which are presently outstanding. The first is the lone remaining outstanding series of four series of revenue bonds issued in 1998 (the "1998A Bonds"), and was projected to be self-sustaining debt at its time of issuance and, upon the Department's approval of the exclusion of such debt as self-liquidating, was so registered on the City's enumeration of bonded indebtedness with the Department. The second was a series of revenue notes (the "2002 Notes") issued in August 2002, and the 2002 Notes were not certified to the Department as self-liquidating or self-sustaining debt. On June 4, 2003, THA issued one series of bonds and two series of notes (collectively, the "2003 Notes"), the exclusion of which debt as self-liquidating has been approved by the Department. On December 30, 2003, THA issued three series of revenue bonds (individually, the "2003D Bonds," the "2003E Bonds" and the "2003F Bonds," and collectively, the "2003 Bonds"), which have been certified to the Department as self-sustaining debt, and the Department approved such exclusion; this certification and exclusion assume that THA and the City will undertake and successfully complete the retrofit of the Resource Recovery Facility and that the retrofitted Resource Recovery Facility will operate in compliance with revised applicable federal air quality regulations, as described below. In the certification proceeding for the 2003 Bonds, the 1998A Bonds and the 2003 Notes were re-certified to the Department as self-liquidating, and the 2002 Notes were not so certified.

If THA and the City are unable to successfully complete the retrofit of the Resource Recovery Facility or operate the retrofitted Resource Recovery Facility in compliance with revised applicable federal air quality regulations, as described below, in all likelihood the City thereafter would no longer be able to certify that the 1998A Bonds, the 2003 Notes and the 2003 Bonds were self-sustaining or self-liquidating. To the extent that the Authority's 2003 Bonds, 2003 Notes or the 1998A Bonds would no longer be self-sustaining, the lease rental debt evidenced by the City's guaranty of such debt would no longer be self-liquidating, to the same extent. The City, upon subsequent filings with the Department for approval of debt incurrence, would no longer be able to exclude such debt, as self-liquidating, from its regular debt limits for nonelectoral plus lease rental debt. The inclusion of such debt, which had previously been excluded as self-liquidating, in its net debt calculations could materially adversely impact

the ability of the City to incur additional indebtedness in the future, except additional indebtedness excluded as self-liquidating.

The City, as operator of the Resource Recovery Facility, entered into separate agreements with the Commonwealth of Pennsylvania Department of Environmental Protection (“DEP”) and with the United States Environmental Protection Agency (“EPA”) (the “Agreements”) to agree, among other things, that by June 18, 2003 the Resource Recovery Facility would either be extensively repaired, retrofitted and modernized (the “Retrofit”) so as to achieve compliance with revised applicable federal air quality regulations (“2003 Compliance”) or the municipal waste combustors would be closed by June 18, 2003 and remain closed until such 2003 Compliance is achieved. Because the Retrofit had not been undertaken, much less completed, by June 18, 2003, the Resource Recovery Facility ceased operations on June 18, 2003, and will remain shut down until THA and the City complete the Retrofit, and the retrofitted Resource Recovery Facility achieves 2003 Compliance.

For calendar year 2005, because of the cessation of operations of the Resource Recovery Facility pending completion of the Retrofit, the corresponding decreased revenues of the Waste Management Facility has resulted in projected significant operational deficits for the Waste Management Facility. A portion of the proceeds of the 2003 Bonds has been allocated, reserved and applied or to be applied to pay operating expenses of the Waste Management Facility in 2004 and 2005. THA and the City have effected cost savings measures at the Resource Recovery Facility by reducing the number of employees through retirement and transfers, as well as negotiating other cost savings measures regarding the employees. Taking into account projected revenues from operation of the Transfer Station, as well as proceeds of the 2003 Bonds held for payment of Facility expenses during the shutdown, THA and the City believe that such moneys in the aggregate will be sufficient to pay the expenses of operating the Waste Management Facility during the shutdown. The City does not anticipate material budgetary and operational deficits in 2004 and 2005 for the Waste Management Facility.

Although revenues are being generated from the operations of the Transfer Station portion of the Waste Management Facility, such revenues are expected to be insufficient during the Retrofit construction period to pay debt service on THA’s Waste Management Facility indebtedness, including all of the \$229,895,000 outstanding 1998A Bonds, 2002 Notes, 2003 Notes and 2003 Bonds (collectively, the “Existing Debt”). The net debt service on the Existing Debt amounts to approximately \$4.6 million in 2005, \$9.8 million in year 2006, \$12.4 million in years 2007 and 2008, and between \$14 and \$15.6 million in years 2009 through 2034.

If there are unexpected delays or problems in the resumption of operations of the Resource Recovery Facility after the Retrofit, the City’s guarantee of the Existing Debt would be called upon to pay such debt service resulting in a significant negative impact on the City’s General Fund in future years. Debt service on the Existing Debt during the Retrofit is expected to be paid with a portion of the 2003 Bond proceeds. However, if there are unexpected additional costs required to complete the Retrofit, the Indenture under which the 2003 Bonds were issued permits moneys set aside to pay such debt service on the Existing Debt to be transferred to the Retrofit Construction Account for payment of such additional costs of the Retrofit. In such event, the moneys so transferred would no longer be available to pay debt service on the Existing Debt during the Retrofit construction period, and the City’s guarantee of the Existing Debt would be called upon to pay such debt service.

Qualified Interest Rate Management Agreements

Pursuant to an amendment to the Debt Act and in connection with THA’s December 30, 2003 issuance of the 2003D Bonds, the City guaranteed certain amounts (the “Scheduled Periodic Payments”) payable by THA under interest rate swap agreements with embedded interest rate caps (collectively, the

“Swap Agreement”) and a forward interest rate cap agreement (the “Cap Agreement”) in the event there are insufficient Receipts and Revenues from the operations of THA’s Waste Management Facility to pay such amounts. The Swap Agreement and Cap Agreement have been structured in compliance with and approved by the City in accordance with the requirements of the Debt Act, and each agreement qualifies as a “Qualified Interest Rate Management Agreement” as such term is defined in the Debt Act. In the City Swap Guaranty Agreement among THA, the City and the Trustee for the 2003D Bonds, the City covenanted to budget and appropriate the Scheduled Periodic Payments for each fiscal year such payments are due and payable under the Swap Agreement and the Cap Agreement and has pledged its full faith, credit and taxing power for the budgeting, appropriation and payment of such Scheduled Periodic Payments.

Financial History

The City has not (1) on any occasion defaulted on the payment of interest on or principal of any of its debt obligations, and (2) since 1983, borrowed money, other than tax and revenue anticipation notes issued pursuant to Subchapter B of the Debt Act, to meet its operating expenses. The City has in the past, and may in the future, issue tax and revenue anticipation notes, payable from revenues received within a fiscal year.

Future Financing

The City may be requested by the Harrisburg Parking Authority to provide a guaranty for the issuance of long-term indebtedness within the next three months for a project involving the construction of a new 750-car parking garage. Such indebtedness is expected to be in the amount of approximately \$12 million.

Otherwise the City does not expect to incur long-term indebtedness other than that set forth in the City’s statement of Bonded Indebtedness as of January 31, 2005, *infra*.

LABOR RELATIONS

City workers are affiliated with the following unions: International Association of Firefighters, working under a four-year contract expiring on December 31, 2005; the Fraternal Order of Police, working under a four-year contract, expiring on December 31, 2007 but such contract may be subject to re-opening upon the occurrence of certain events or at certain times as provided in the contract; and American Federation of State, County and Municipal Employees (“AFSCME”), working under a contract expiring on December 31, 2006.

PENSION PLAN

Plan Description

The City’s plans are single-employer defined benefit pension plans adopted pursuant to the laws of the Commonwealth. The City contributes to the Pennsylvania Municipal Retirement System (“PMRS”), an agent multiple-employer public retirement system (“PERS”) for non-uniformed and fire pension plans. All City plans were previously established with PMRS covering substantially all full-time employees; however, pursuant to an arbitration award in July 1998, the City withdrew the police pension plans from PMRS effective February 28, 1999. The assets of the combined police pension plan are now deposited with M&T Bank, and the newly created Police Pension Board is responsible for reviewing and

authorizing all transactions of the plan. Employees become eligible for participation in a plan immediately upon employment and become vested after 20 years of service for City A plans, 10 years of service for City B plans and 20 years of service for the combined Police Pension Plan. The plans have been established by City ordinance in accordance with the authority for municipal contributions required by the Pension Plan Recovery Program, Act 205-1984 of the Pennsylvania legislature (“Act 205”), as amended by Act 189-1990. The plans require covered employees to contribute a percentage of pensionable compensation.

PMRS issues publicly available financial reports that include financial statements and required supplementary information. The PMRS report for the non-uniformed and fire pension plans may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

In addition, the City of Harrisburg Police Pension Board issues a separate publicly available financial report that includes financial statements and required supplementary information for the Combined Police Pension Fund. That report may be obtained by writing to the City of Harrisburg Police Pension Board, Rev. Dr. Martin Luther King, Jr. City Government Center, 10 North Second Street, Harrisburg, PA 17101 or by calling 717-255-6507.

The benefits provided by the plans differ by employment group and are based upon average compensation and length of service. Normal benefits are calculated at 2.5% and 2% per year of credited service multiplied by the final average annual salary for the Non-uniformed Employees’ A Plan, Combined Police Officers’ and Combined Firefighters’ Plans, respectively. In no case may the benefit exceed 62.5% of the final average salary for the Combined Police Officers’ plan and 50% of final average salary for the Non-uniformed Employees’ A Plan and the Combined Firefighters’ Plans, depending upon years of service. The benefits provided by the Non-uniformed Employees’ B plan are calculated at 2.0% per year of credited service, with a maximum benefit of 75% of final average salary.

The plans provide retirement, disability and death benefits to plan members and their beneficiaries.

In addition, Non-uniformed Employees’ Plan A is closed to new entrants.

Funding Policy

Act 205 requires that annual contributions be based upon the plan’s minimum municipal obligation (“MMO”). The MMO is based upon the plan’s annual actuarial valuation.

Contributions by the City are determined under the entry age normal method. Unfunded past service liability is amortized over the average future service of active participants.

Employee contributions to the plan are based on a percentage of compensation. Non-uniformed employees contribute 5% of annual compensation for plans A and B, respectively, while fire and police employees contribute 5% of annual compensation regardless of plan membership. A minimum interest rate of 6.5% is applied to all fire and non-uniform employees’ accounts. Employees’ accumulated contributions plus minimum interest will be returned upon termination or death if no other benefits are payable under the plan.

The plans are also eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements

established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205, as amended.

The Commonwealth allocates foreign fire and casualty insurance premium collections to aid individual municipalities. The moneys received must be contributed to the pension plans or used to pay debt service on unfunded pension liability bonds. Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation. For 2004, the State's allocation exceeded the City's statutory funding requirement. Therefore, the City will reflect no contributions to its four pension plans. State aid received in excess of the City's statutory funding requirement was not deposited to the pension plans but was utilized to fund debt service on the City's unfunded pension liability general obligation bonds issued in 1995 in accordance with Act 205, as amended.

The City has been participating in Level III of the Act 205, utilizing the 15-year delayed implementation of funding standard provision and amortizing the unfunded actuarial accrual liabilities under its pension plans established at January 1, 1985, over 40 years on the basis of level percentage of future payroll amortization. During 1993, 1994 and 1995, the allocation of general municipal pension system State aid the City received under Act 205 was based upon the City's costs of its pension plans since this amount was less than the amount determined under the unit value calculation.

In an effort to increase the amount of general municipal pension system State aid received by the City for its pension plans, the City passed a resolution in December 1995, to rescind its prior election to amortize the unfunded actuarial accrued liabilities of its plans established at January 1, 1985, over 40 years using level percentage of payroll amortization and began amortizing these amounts over 30 years using level dollar amortization. The January 1, 1996, actuarial valuation of the pension plan was prepared on the basis of 30-year level dollar amortization. The 1996 State aid received by the City was based upon the January 1, 1995, actuarial valuation reports which reflected 40-year level percentage of payroll amortization. The 1997 State aid received by the City was based upon the January 1, 1996, actuarial valuation reports using 30-year level dollar amortization.

Also, the City contributed \$60,626 in 1995 in addition to its statutory funding requirement, or MMO payments, in order to satisfy the full MMO for each plan in 1995 without regard to the 15-year phase-in provision. This allowed the City to determine the MMO's for its plans for 1996 without utilizing the delayed implementation of funding standard provision which required that the City make a contribution in 1996 to each plan which is at least equal to the contribution made by the City to each plan during 1995. This reduced the total MMO for each of the City's "A" plans beginning in 1996.

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to each plan and funded through investment earnings.

**CITY OF HARRISBURG
ANNUAL PENSION COST AND
NET PENSION OBLIGATION**

The City's annual pension cost and net pension obligation to the Plans at December 31, 2003 are as follows:

	<u>Non-Uniformed Employees'</u>		<u>Firefighters'</u>	<u>Police Officers'</u>
	<u>Plan A</u>	<u>Plan B</u>	<u>Combined</u>	<u>Combined</u>
Annual required contribution	\$ --	\$ --	\$ 107,728	\$ --
Contributions made	<u> --</u>	<u> --</u>	<u>(107,728)</u>	<u> --</u>
Change in net pension obligation	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Net pension obligation, beginning of year	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Net pension obligation, December 31, 2003	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Three Year Trend Information

<u>Non-Uniformed Employees' – Plan A</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2001	\$ --	--%	\$ --
December 31, 2002	--	--	--
December 31, 2003	--	--	--

<u>Non-Uniformed Employees' – Plan B</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2001	\$ --	--%	\$ --
December 31, 2002	--	--	--
December 31, 2003	--	--	--

<u>Firefighters' – Combined</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2001	\$ 188,199	100%	\$ --
December 31, 2002	145,716	100	--
December 31, 2003	107,728	100	--

<u>Police Officers' – Combined</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2001	\$ 310,040	100%	\$ --
December 31, 2002	--	--	--
December 31, 2003	--	--	--

The annual required contribution for 2004 was determined as part of the January 1, 2002 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions for the Non-Uniformed Employees' Plans A and B and the Firefighters' Plans include (a) a 6.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.2% per year. The actuarial assumptions for the Police Officers' Plan includes an 8.0% investment rate of return and projected salary increases of 5.0% per year. The assumptions do not include postretirement benefit increases, which are funded by State appropriation when granted. The actuarial value of assets is determined using market values determined by the trustee.

The City has implemented Governmental Accounting Standards Board ("GASB") Statement No. 25, "Financial Reporting for Defined Benefit Pension Plan." GASB Statement No. 25 requires that the statements on plan assets be presented and certain note disclosures be reported in the notes to the financial statements.

Deferred Compensation Plan

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, which are available to all City employees, permit them to defer a portion of their salary until future years. Participation in the plan is optional. The compensation deferred is not available to employees until termination, retirement, death or in the case of an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to employees or other beneficiaries) solely the property and rights of the City. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. Because the plans are set up as trusts, the City cannot use the assets to satisfy the claims of general creditors in the future.

Investments are managed by the plan's trustee under one of five investment options, or a combination thereof. The choice of the investment options is made by the participants.

CITY SERVICES

The City government provides a wide range of services for the people of Harrisburg and surrounding communities. The Department of Public Safety provides full-time police and fire protection. The Department of Building and Housing Development provides planning, housing, code enforcement

and similar services. The Department of Parks and Recreation supervises the operation of a number of City parks and playgrounds and oversees and sponsors special events. The Department of Public Works maintains and repairs streets, provides for refuse collection and disposal, and operates the water and sewerage systems serving the City. The Authority owns the water system and the sewage conveyance and treatment system, and the City owns the sewage collection system. Prior to the June 18, 2003 cessation of operations of the Resource Recovery Facility, the Department of Incineration and Steam Generation burned solid waste at the Authority's Resource Recovery Facility, produced steam sold to NRG Energy Center Harrisburg Inc. (formerly The Harrisburg Steam Works, Ltd.), and generated, utilized and sold electricity to a public utility. The Resource Recovery Facility was sold to the Authority in December of 1993 and has been operated for that Authority by the City Department of Incineration and Steam Generation pursuant to a Management Agreement. During the Retrofit, the City's Department of Incineration and Steam Generation continues to operate the Transfer Station, accepting for transportation and disposal waste which was previously incinerated in the MWCs, prior to cessation of operations of the Resource Recovery Facility.

AUTHORITIES

The Redevelopment Authority of the City of Harrisburg. The Redevelopment Authority of the City of Harrisburg ("HRA" or the "Redevelopment Authority") provides a broad range of urban renewal and maintenance programs within the City. The Redevelopment Authority also coordinates efforts to improve the economic vitality, the housing stock and overall conditions within the City. The Redevelopment Authority has a five-member board. Each member is appointed by the Mayor.

Housing Authority of the City of Harrisburg. The Housing Authority of the City of Harrisburg (the "Housing Authority") was established to acquire and maintain properties to provide low-income housing for residents of the City. Rental charges and subsidies from the United States Department of Housing and Urban Development are the principal revenue sources of the Housing Authority. Neither operating deficiencies nor debt service of the Housing Authority are guaranteed by the City. The Housing Authority has a seven-member board. Each member is appointed by the Mayor and confirmed by City Council.

Harrisburg Parking Authority. The Harrisburg Parking Authority (the "Parking Authority") owns and operates seven parking garages containing approximately 6,000 spaces in the central business district of the City, plus an eighth facility on Harrisburg City Island containing 484 parking spaces. The Parking Authority is contemplating a financing to fund costs of constructing a ninth facility near the Capitol Complex, which would contain 750 parking spaces. In addition to parking garage charges, the Parking Authority receives funds from on-street parking meter charges. The Parking Authority has a five-member board. Each member is appointed by the Mayor.

The Harrisburg Authority. THA was incorporated in 1957 under the Municipality Authorities Act as the Harrisburg Sewerage Authority. The five-member board is appointed by the Mayor and confirmed by City Council. THA has purchased the water system and Waste Management Facility from the City and contracts with the City to manage the facilities. THA has agreed to adopt user fees sufficient to pay all operating costs incurred by the City through an approved budget which is prepared by the Mayor. THA owns the sewage conveyance and treatment system, which it leases to the City and which the City operates, and it has leased from the City the latter's sewage collection system; THA has subleased the collection system back to the City for operations. THA also has financed improvements to both the conveyance and treatment system and the collection system, respectively, for the City with revenue bond and note transactions for which the City pledged all conveyance and treatment system revenues and collection system revenues, respectively, to secure THA's respective bonds and notes.

Harrisburg Leasing Authority. The City of Harrisburg Leasing Authority (the “Leasing Authority”) was created by City Council in 1986 to acquire, hold, construct, improve, maintain and operate, own and lease, either in the capacity of the lessee or lessor, and to sell, lease, transfer and dispose of, equipment and projects authorized under the Leasing Authority’s enabling legislation. The Leasing Authority has a five-member board. Each member is appointed by the Mayor and confirmed by City Council.

Cumberland-Dauphin-Harrisburg Transit Authority (also known as Capital Area Transit or “CAT”). The City is a participant with the Counties of Dauphin and Cumberland in this joint venture which provides bus services to all its participants.

Susquehanna Area Regional Airport Authority (“SARAA”). The City has joined the City of York and Cumberland, Dauphin and York Counties in creating a joint municipal authority which on January 2, 1998 assumed ownership of the Harrisburg International Airport and Capital City Airport upon divestiture thereof by the Commonwealth. In addition to members appointed by the foregoing entities, the SARAA board also includes representation from each of the townships in which the respective airports are located.

EMPLOYMENT

The following table shows the distribution of employment for the Harrisburg MSA, comprising Cumberland, Dauphin, Lebanon and Perry Counties, for December 2003 and December 2002. For the Harrisburg MSA as a whole, all service producing sectors of the economy have experienced growth, with employment in the durable goods and nondurable goods remaining unchanged.

DISTRIBUTION OF EMPLOYMENT* HARRISBURG LABOR MARKET AREA

	December 2003 <u>Employment</u>	Percentage Distribution of December 2003 <u>Employment</u>	December 2002 <u>Employment</u>	Percentage Distribution of December 2002 <u>Employment</u>
Manufacturing Industries				
Durable Goods	17,200	4.66%	18,200	4.99%
Non-Durable Goods	18,100	4.90	21,300	5.85
Non-Manufacturing Industries				
Mining/Construction	14,200	3.84	13,500	3.71
Service	116,100	31.43	107,500	29.51
Transportation & Public Utilities	24,000	6.50	27,000	7.41
Wholesale & Retail Trade	81,700	22.12	82,400	22.62
Finance, Insurance & Real Estate	26,900	7.28	24,700	6.78
Government	<u>71,200</u>	<u>19.27</u>	<u>69,700</u>	<u>19.13</u>
Total Non-Agricultural Wage and Salary	369,400	100.00%	364,300	100.00%

Source: Pennsylvania State Employment Service.

*Non-Agricultural Wage and Salary Employment; establishment data.

Largest Employers

Listed below are the fifteen largest public and private employers in the Greater Harrisburg MSA as of July 23, 2004.

GREATER HARRISBURG'S TOP 15 EMPLOYERS

<u>Company</u>	<u>Industry</u>	<u>Employees</u>
Commonwealth of Pennsylvania	Government	22,173
U.S. Government	Government	15,704
Hershey Foods Corporation	Food/Food Processing	7,000
Tyco Electronics	Electronics	4,700
Giant Food Stores	Grocery Retailer	3,900
PinnacleHealth System	Health Care	2,794
Dauphin County	Government	2,200
U.S. Army War College	Army School	1,677
Capital BlueCross	Health Insurer	1,644
Hershey Entertainment & Resort Co.	Entertainment Company	1,500
Holy Spirit Health System	Health Care	1,438
Central Dauphin School District	Public School District	1,423
EDS Corp.	Business Consulting	1,377
Fry Communications, Inc.	Commercial Printing	1,267
Waypoint Financial Corp.	Financial Holding Company	948
Harrisburg City School District	Public School District	930

Source: Central Pennsylvania Business Journal, July 23, 2004.

The following table shows recent trends in labor force, employment and unemployment for the County. The unemployment rate for the County has been lower than the statewide average in each of the years shown.

RECENT TRENDS IN LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT (DAUPHIN COUNTY)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004⁽¹⁾</u>
Dauphin County: (000)					
Civilian Labor Force	140.2	142.7	145.5	143.7	146.5
Employment	136.1	137.4	139.2	137.7	140.9
Unemployment	4.1	5.3	6.3	6.0	5.5
Unemployment Rate	2.9%	3.7%	4.4%	4.2%	3.8%
Pennsylvania: (000)					
Civilian Labor Force	6,084.4	6,211.6	6,289.8	6,170.0	6,270.1
Employment	5,833.1	5,920.3	5,933.9	5,826.1	5,958.1
Unemployment	251.2	291.3	355.8	343.9	312.0
Unemployment Rate	4.1%	4.7%	5.7%	5.6%	5.0%

⁽¹⁾ October, 2004.

Source: Pennsylvania Labor Market Information Database System.

POPULATION TRENDS

The table below shows recent population trends for the City, the County, the Harrisburg MSA and the Commonwealth.

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	Percentage Change <u>1990-00</u>
Harrisburg	68,061	53,264	52,376	48,950	(6.5)%
Dauphin County	223,834	232,317	237,813	251,798	5.9
Harrisburg MSA	411,626	447,660	546,814	629,401	6.75
Commonwealth of Pennsylvania	11,800,766	11,864,751	11,881,643	12,281,054	3.4

Source: U.S. Census Bureau and Pennsylvania Data Center.

AGE COMPOSITION

The following table shows the age composition for the City, County and Commonwealth as measured by the 2000 census. The City had a higher proportion of young people and a lower proportion of elderly people than statewide averages.

	<u>% Under 18 Years</u>	<u>% Over 65 Years</u>	<u>Persons Per Household</u>
City of Harrisburg.....	28.2	10.9	2.33
Dauphin County.....	24.3	14.2	2.34
Pennsylvania.....	23.8	15.6	2.37

Source: U.S. Census Bureau, Census 2000.

CITY DEVELOPMENT PROGRAM

The City is currently in the midst of a redevelopment program that began over 25 years ago and that has resulted in the creation or preservation of thousands of jobs. During the past 20 years, the City has witnessed numerous public and private construction projects totaling over \$2 billion in new investment, with over two-thirds of that total having been developed since 1985. The number of businesses on the City tax rolls has increased from 1,908 in 1981 to 5,618 in 2003. In addition, for the first time the City began licensing residential and commercial landlords in 2003 and 1,333 licenses were issued. The City has issued over 30,000 building permits from January 1, 1982 to December 31, 2003.

The program began in 1975 when the City and the Commonwealth each contributed \$5 million to the Redevelopment Authority for a renewal project administered by the Harristown Development Corporation (“HDC”), a nonprofit development corporation. During the period from January 1, 1975 to December 31, 1994, a total of \$151,010,000 in bonds was issued to finance the construction of a number of downtown projects. To date, this has resulted in the construction of three office buildings, two occupied by the Commonwealth and one by Verizon, three parking garages, new retail facilities, and

public improvements. These projects added 1.6 million square feet of new office space to the downtown area and, as of the year ended December 31, 2003, \$155.3 million to the assessed value of City property. Both Verizon and the Commonwealth pay rentals to HDC under the terms of long-term leases, including amounts equal to all local real estate taxes, which are paid by HDC to the local taxing jurisdiction.

In the downtown area, the revitalization effort is continuing. In 1986, the City received a \$5 million Urban Development Action Grant for Strawberry Square Phase II. The \$21 million expansion project had a grand opening celebration in May 1989. The project consisted of over 100,000 square feet of new office and retail space. Thirteen of the City's oldest retail buildings, located downtown at Third and Market Streets, were restored and are linked by glass-enclosed walkways to the existing Strawberry Square. In the early 1990s, a \$13.5 million project was completed by the Redevelopment Authority consisting of the restoration of the City's downtown railroad station as the Harrisburg Transportation Center, with facilities for both train and bus service. In 2004, the Redevelopment Authority was approved for another round of federal, state and local grants totaling \$5,850,000 for additional upgrades to the Harrisburg Transportation Center. In addition, the formerly vacant Ben Mar Building was renovated into luxury offices with \$5.8 million in private investment, and the vacant Gannett-Fleming Building converted into 18,000 square feet of office space at a cost of \$1.6 million. Other major completed projects include the Rose Office Center, the Davis Building, the Feinerman-Simmons Building, and Eastgate (a 90,000 square foot three-story building at 7th and Herr Streets), the Wachovia Bank Center, the OLCAM building, the Public Welfare Administration Building at 100 North Cameron Street, Riverside Stadium Expansion, Waldeen Row/State Chamber of Business and Industry, Vartan Parc, a 10-story, 225,000 square foot, class A office tower which is connected to the Walnut Street Parking Garage and has a second story walkway leading to the Strawberry Square complex and the 16-story, 341 room Hilton Harrisburg and Towers (the "Hilton") which opened on November 12, 1990.

In 1997 Pennsylvania National Insurance Company located its new headquarters in the heart of Harrisburg's downtown, constructing a 14-story, 250,000 square foot office tower plus a parking garage on Market Square.

In 1997 Vartan Enterprises completed construction of Phase I of the Forum Place Office Tower and parking garage located adjacent to the Capitol Complex. This building was sold to the Dauphin County General Authority in June 1998.

In 1998 the Sylvan Heights Mansion was restored as the YWCA of the Greater Harrisburg Area's new headquarters. The YWCA relocated to the Sylvan Heights Mansion in May 1998 following the renovation of the mansion and construction of a new wing. The YWCA used investment tax credits on the \$11 million project.

In June 2000, a private developer completed in excess of \$10 million in upgrades and improvements to a downtown hotel and re-opened the facility under the flagship of Crowne Plaza. The renovated hotel includes 261 guest rooms, 10 conference rooms and a full restaurant and bar.

On February 28, 2003, the City closed on the sale of real estate next to the Hilton commonly known as 17 North Second Street, transferring the property to a group of private developers who are constructing Market Square Plaza, a 17-story, approximately 319,000 square feet office/parking tower, with an expected completion date of March 1, 2005. The building will include a first floor retail arcade and the second story will connect to the Hilton, providing additional convention and meeting space for the hotel.

In 2003 the City issued 1,748 building permits, representing a total cost of improvements of \$126.7 million, the highest total for any year in City history. With that total, the City since 1982 has issued a total

of 30,321 building permits reflective of \$3.2 billion in new investment. There are now a total of 6,951 businesses on the City's tax rolls, representing a substantial increase since the beginning of the City's ongoing economic resurgence.

Major projects in 2003 and 2004 include the commencement of construction of the new headquarters building for the Pennsylvania Housing Finance Agency on North Front Street. This new facility comprises 187,000 square feet on 8 floors and opened for use in January, 2004. Vartan Enterprises also completed a new office building, containing 34,000 square feet, on North Sixth Street, in a neighborhood that had not seen such major investment in decades. The Commonwealth of Pennsylvania has leased space at this facility pursuant to a long-term lease. In the Uptown section of the City, part of the former Polyclinic Hospital has been transformed into Penn Center, a sprawling, campus-like office complex of over 300,000 square feet. Mount Pleasant Plaza, a new, inner-city mini-mall, was dedicated at a main intersection of the City's South Allison Hill neighborhood. The mini-mall, with over 14,000 square feet of commercial space, will be anchored by a full-line grocer and also include a new laundromat, tax preparation service and, eventually, additional commercial tenants. Total private investment at the site exceeds \$1.5 million.

In June 2000, the City completed \$2.2 million in infrastructure improvements for the Capitol Heights Development in midtown Harrisburg. The Capitol Heights Development will include 202 residential units priced in excess of \$105,000. The general contractor is Streuver Rouse Developers of Baltimore, Maryland. Phase I, which will include construction of 57 homes at \$6 million, began in the summer of 2000. This entire development will cost in excess of \$19 million. Ninety (90) homes have been constructed and eighty-eight (88) sold to date at an average sales price of \$143,626 far exceed expectations by the City and developer.

Net gains in the number of businesses, livable homes and private sector jobs have reversed nearly three decades of previous decline. The unemployment and vacant property rates have dropped in the same time period. Total property values have increased overall in the 1982 - 2003 period from \$212 million in 1982 to almost \$1.7 billion in 2003. The City's resident workforce has grown in the past twelve years, and, in addition to reduced unemployment, more City residents now employed full-time both within and outside the City.

Business activity within the City has increased substantially in the last twelve years as indicated by, among other things, the increased revenues from the City's Business Privilege and Mercantile Taxes, which went from \$642,531 in 1982 to \$3,214,854 in 2003 without increasing the tax rate. Finally, the City has expanded its Enterprise Zone along the Route 230 corridor to include seven other municipalities: Swatara Township, Steelton Borough, Middletown Borough, Highspire Borough, Royalton Borough, Lower Swatara Township and Fairview Township (Cumberland County). The latter two municipalities contain within their boundaries the Harrisburg International Airport and Capital City Airport, respectively.

FACILITIES

Medical Facilities

There are two hospitals located within the City, Polyclinic Medical Center and Harrisburg Hospital, which have merged, resulting in the present PinnacleHealth System. The two hospitals together have 553 beds. In addition, residents of the City are served by the Milton S. Hershey Medical Center (404 beds), the Holy Spirit Hospital (270 beds), the Community General Osteopathic Hospital (also part of PinnacleHealth System) (126 beds) and the Harrisburg State Hospital (307 beds).

Educational Facilities

The Pennsylvania State University's Downtown Center and Temple University's Continuing Education Center provide the Central Business District with facilities for higher education. The Pennsylvania State University's Downtown Center has an average enrollment of approximately 100 students for the current year. The Temple University, Harrisburg Center, has an enrollment of approximately 400 students and offers graduate courses in educational administration, adult education, journalism, liberal arts and social work.

The Harrisburg Area Community College ("HACC") offers two-year and certificate programs in the City's uptown area. HACC was the first community college created in Pennsylvania. Its campus is situated on land donated by the City at no cost to more than twenty suburban school districts whose students use the facilities.

The University Center at Harrisburg, located in uptown Harrisburg, is a consortium of several Pennsylvania universities organized to serve the graduate level and professional educational needs of the Harrisburg area and south central Pennsylvania. The University Center offers graduate degree programs, sponsors public policy seminars, and is the site of several ongoing cultural programs. New construction was recently completed by its owner, the State System of Higher Education. The facility now houses state headquarters for the State System and Chancellor's Residence. Also, there has been a complete restoration of the older academic halls on campus.

In addition to the institutions for higher education located within the City limits, the Harrisburg MSA has numerous institutions of higher learning, including the Penn State Hershey Medical Center, Penn State Harrisburg, Dickinson College, Dickinson School of Law of Penn State University, Shippensburg University, Lebanon Valley College, Widener University School of Law-Harrisburg Branch, Elizabethtown College and the National Education Center/Thompson Institute.

Penn State Harrisburg, a campus of Penn State Capital College, offers baccalaureate and graduate degree programs. Enrollment at the campus, located in Middletown, is approximately 3,400. Dickinson College, located in Carlisle, is the second oldest institution of higher learning in Pennsylvania and one of the original fifteen Colonial colleges in America. The Dickinson School of Law of Penn State University, also located in Carlisle, was the oldest independent law school in the United States, having been founded in 1834. The School recently affiliated with Penn State University. The Widener University School of Law - Harrisburg Branch opened in 1989.

In April 2001, the Mayor announced the formation of a development corporation to pursue creation of a non-traditional public university in downtown Harrisburg, to be called the Harrisburg University of Science and Technology ("HUST"). It is anticipated that HUST will open in September 2005. The Mayor announced that the university will fulfill a niche mission of addressing educational needs related to important sectors of the Capital Region economy including information technology, biotechnology, transportation, warehousing and distribution, hospitality and human services. When fully operational, HUST is expected to offer certification programs and associate, undergraduate and graduate degree programs. The Mayor also announced that HUST is planned to be a high-tech campus containing a conference center, business incubators and tech program for high school students. In late 2002, then Governor Mark Schweiker announced the award of a \$12 million state grant to HUST, jumpstarting the final phase of fundraising to make HUST a reality. That announcement was followed by HUST's purchase of a vacant building in the heart of the City's downtown. HUST extensively renovated the building to house the SciTech High School, a collaborative effort with the Harrisburg School District, and SciTech Center, HUST's information technology incubator. The new facilities opened in September 2004.

Transportation

Harrisburg Transportation Center (formerly the Pennsylvania Railroad Station) has undergone major restoration which has won the nation's top historic preservation award. Major interstate bus service is based at the Transportation Center, providing bus passenger and freight service throughout the nation. The City is along the Amtrak and CSX/Norfolk Southern main line and has continuous rail passenger and freight service based at the Center as well. Other Norfolk Southern facilities offer freight transportation to and from the area. The facilities include the classification yard at Enola in Cumberland County and the Rutherford Intermodal Terminal in Swatara Township.

Harrisburg is serviced by four interstate highways. Interstate 81 is a major eastern US interstate running from New York to Alabama; Interstate 78 splits from I-81 northeast of Harrisburg and links the City to Allentown, Bethlehem, northern New Jersey, and New York City; Interstate 83 links Harrisburg to York and Baltimore to the south. Additionally, the Pennsylvania Turnpike (Interstate 76) serves as the principal connector to Philadelphia, Pittsburgh and New Jersey. Harrisburg is also served by two Susquehanna river routes - US 11/15 and US 22/322; US 11/15 links Harrisburg with Gettysburg, Frederick, Maryland and later, via I-270, Washington, D.C. to the south; the same highway runs north through the center of the State ultimately to Rochester, New York. US 22/322 links Harrisburg to State College and points west.

The Harrisburg International Airport ("HIA") is located eight miles south of center city and is accessible through Interstate 283 and State Route 230. SARA has recently completed an extensive approximately \$280 million improvement project at HIA including the construction of a new terminal building, multi-modal transportation center and security system in accordance with federal airport safety regulations, which opened in August 2004.

In addition, trolley buses, motorized replicas of yesteryear's trolley transportation, operate throughout downtown Harrisburg and City Island to supplement the City's bus routes. Water taxis and horse-drawn carriage rides are also available from City Island into the downtown area.

Harrisburg is situated geographically central to major urban hubs of the Mid-Atlantic Seaboard including Philadelphia, Atlantic City, New York, Baltimore, Washington, D.C., and Pittsburgh. These cities are within hours of Harrisburg whether traveling by car, bus or train.

DISTANCE TO OTHER CITIES

<u>City</u>	<u>Miles</u>
Philadelphia	101
Atlantic City	169
New York	182
Baltimore	81
Washington, D.C.	106
Pittsburgh	202

Source: Economic Resource Profile.

Housing

In 1982, in response to generally deteriorating housing conditions, the City Government embarked on a multifaceted housing development program. The City sponsored numerous projects to

upgrade and rehabilitate the City's existing housing stock, to demolish housing not suitable for rehabilitation, to spur new housing development, and to make City homes more attractive investments to new homebuyers.

Between 1981 and 2003, housing starts in the City, including rehabilitation and new construction, totaled in excess of 7,000 units. There was a reduction of over 80% in vacant structures from more than 5,000 to less than 500. Further rehabilitation and new construction and reduction in vacant structures have occurred. Projects undertaken since 1984 have added more than eight hundred homes and apartments to the City's housing stock. Examples of City housing developments include: the conversion of Old City Hall into apartments (83 units); New Fox Ridge (65 units); Washington Square Phase I and II (200 units); Market Place Townhomes Phase I and II (38 units); Allison Heights (10 units); Penn Green Homes (8 units); Penn and Emerald Townhomes (8 units); Governor Hotel (46 units); Emerald Point Townhomes (14 units); Penn Terrace Townhomes (14 units); Allison Hill South (34 units); and Laurel Towers (86 units). The McFarland apartments transformed a press and warehouse building into 49 units, with handicap accessibility, for low and moderate income families. Through the Melrose Gardens project DBHD transformed an unused strip of land into 8 single-family homes with off-street parking. Other housing development projects currently underway include Market Place Townhomes Phase III (60 units); Summit Terrace Townhomes (60 units); and Capitol Heights (170 Units). The U.S. Department of Housing and Urban Development transferred the Maclay Apartments to the Redevelopment Authority with an \$11,080,000 up-front grant to revitalize this 9-block scattered site apartment complex. The plan calls for demolition, renovation and construction, resulting in 222 rental units and 71 houses for sale. Total project cost is estimated to be \$42.7 million.

DBHD continued its pursuit of an updated and improved base map for use by the Planning Bureau and the City in general, using geographic information systems technology. This new mapping system provides an easily accessed computer database capable of including every type of information about zoning, land uses, infrastructure and a myriad of other data critical to long-term planning, public safety and records management.

Utilities

Verizon, PPL Electric Utilities, United Gas Improvement Corporation and NRG Energy Center Harrisburg Inc. (formerly Harrisburg Steam Works, Ltd.) are the major non-governmental utilities which provide service in the City.

Cultural and Recreational Attractions

Continuing the recent unprecedented upsurge in the establishment of new dining and entertainment facilities, since 2001 the City has seen the opening of more than a dozen new restaurants and nightclubs in the downtown. With these new arrivals the City boasts a range of both dining and nighttime activities to satisfy a very broad array of consumers.

The cultural arts in the City have a long tradition of enhancing the quality of life. Harrisburg has a wide variety of cultural activities that include all aspects of the arts. The Harrisburg Symphony Orchestra, founded 75 years ago, offers a significant variety of music composed by classical artists and also features a pops repertoire. The Harrisburg Symphony Orchestra has grown in national stature and reputation as a metropolitan musical organization. Additional musical and arts support groups include: Metro Arts, Allied Arts Fund, Greater Harrisburg Arts Council, Mayor's Public Arts Advisory Board, Central Pennsylvania Friends of Jazz, Market Square Concert Series, Susquehanna Folk Music and other groups. Music combined with song produces a great array of melodies in Harrisburg. Such organizations

include The Harrisburg Choral Society, Opera Outreach, Harrisburg Singers, Susquehanna Chorale and The Chamber Singers of Harrisburg.

The National Civil War Museum, a \$38 million, 60,000 square foot plus educational facility located in the City's Reservoir Park at the highest point in the City, opened to the public on February 12, 2001. The collection of artifacts, which was assembled by the City at a cost in excess of \$17 million, is believed to be one of the most comprehensive collections in the United States. The City prepared the design and construction engineering of the project. The construction cost of the building was \$16.2 million, and the City has received funding from the Commonwealth for those costs. The National Civil War Museum, a Pennsylvania nonprofit corporation, entered into a Lease, License and Operating Agreement with the City for the land, the building and the artifacts constituting the museum, and under which it has agreed to operate the facility and maintain the exhibits and artifacts on behalf of the City.

The Whitaker Center for Science and the Arts (the "Center"), a \$51.2 million, 130,000 gross square foot cultural facility located in the center of Harrisburg, opened to the public on September 9, 1999. The cultural facility serves the citizens of the Capital Region as well as all visitors to the capital of the Commonwealth. The facility consists of a 2,000-seat performing arts theater, a science museum complex composed of 24,000 square feet of space, plus a 3-D Imax theater, and other rehearsal and educational space. This Center enjoys broad-based community and State support and reflects a regional partnership of the community, the City and State governments, businesses and private foundations, trusts and other entities. The City committed in excess of \$6,000,000 to the project, \$24,000,000 was raised through the Center's endowment and capital campaigns, respectively, and the Commonwealth committed \$21,000,000 to the project through a Redevelopment Assistance Capital Project matching grant.

In August 2001, the City received a \$9.5 million grant commitment from the Commonwealth towards the construction of the National Sports Hall of Fame on City Island. The projected \$21 million, 65,000 square foot museum is planned to focus on athletes, coaches and administrators from throughout the country for their on and off the field contributions in all sports and at all levels, while promoting the preservation of material, culture and sources of information relevant to athletes and athletic events throughout the United States, especially the Commonwealth. As part of its match for the grant, the City has overseen the incorporation of a section 501(c)(3) nonprofit corporation to supervise the design and engineering efforts for the museum. It is expected that the project will be funded in 2005, with groundbreaking to occur in early 2006, and completion in early 2007.

In November 1995, the Fire Museum of Greater Harrisburg, a 11,000 gross square foot facility located in the Uptown area of Harrisburg at the former Reilly Street Fire Station property, opened to the public. The museum contains a collection of exhibits and artifacts of the history of the fire, rescue and emergency medical services within the Commonwealth, with a focus on the fire and emergency services provided within and by the City. The museum also serves as a memorial to both paid and volunteer firefighters, who have dedicated their lives to providing fire and emergency services.

The Harrisburg Ballet Company, which was formed in 1989, performs in the new Whitaker Center. The City also takes pride in a community theater, The Harrisburg Community Theater, founded in 1925, one of the oldest community theater organizations in the nation. Its production schedule offers a variety of entertainment including comedy, tragedy and the classics. Other performing arts groups in the Harrisburg area include Open Stage of Harrisburg and the Metropolitan Repertory Company.

The City also has dozens of locations where public art exhibits and performances are routinely held. The permanent facilities and galleries in the City include: The Art Association of Harrisburg, which is the oldest arts organization in the region; Greater Harrisburg Arts Council, which serves as a year-round operations center for a variety of arts-related activities, including the Annual Greater Harrisburg

Arts Festival; Doshi Center for Contemporary Art, a privately owned art gallery; Tangerine Fine Arts, which is highlighted by local artists' exhibits; and the John Harris Mansion, which exhibits historical archives, art and antiques reflective of the past 250 years' history. The City is also home to a wide variety of smaller galleries, in addition to the Commonwealth of Pennsylvania State Museum, the flagship of the state museum system. The City's cultural activities are complemented with an array of choir concerts and lectures offered by area churches and synagogues.

In addition to these cultural activities, the City's revitalization has striven to improve and expand its recreational facilities and events, all inclusive of arts programming. The center for much of this activity is the City's beautiful waterfront. Situated along the Susquehanna River, the riverfront offers picturesque scenery accented by the Harrisburg skyline. Part of this waterfront effort has been the rehabilitation of City Island which is now home to such events as the Harrisburg Senators AA professional baseball, concerts, art exhibits, historical displays and numerous recreational activities. Some of these activities include: swimming, boating, miniature golf, bicycling, softball, soccer, football, lacrosse, sculling, shuffleboard, river pooling, volleyball, jogging and walking. Various special events are held at the Riverfront facilities such as the Independence Weekend Arts Festival and Regatta and the summer's end Kipona Festival. The City sponsors or co-sponsors over 200 special events each year, including several parades, races and concerts. The entire recreational year begins with the New Year's Eve Celebration at the City Government Center and Market Square, a City-sponsored event started in 1989. Attendance during 2003 at these City cultural and special events exceeded 2,300,000.

The City is currently contemplating the sale of its baseball franchise and relocation to Harrisburg of a new franchise to play in Commerce Bank Park located on City Island. In January 1996, the City purchased the Harrisburg Senators AA minor league baseball team franchise through a for-profit Pennsylvania corporation wholly owned by the City - Harrisburg Civic Baseball Club, Inc. ("HCBC"). In addition, in January 1997, the City assumed control of the concession and merchandising operations at Commerce Bank Park for the Harrisburg Senators through a separate, for-profit Pennsylvania corporation owned by the City - City Island Catering, Inc. In April 2004, the City issued a Park Permit to an affiliate of the Baltimore Orioles to relocate to Harrisburg and play its home games at Commerce Bank Park. The term of the Park Permit is approximately 30 years. A condition to the effective date of the Park Permit is that HCBC and the City must sell and have relocated the Harrisburg Senators franchise. HCBC and the City continue to actively seek a purchaser for such franchise and have had discussions with several potential buyers.

APPENDIX B

Summary of Certain Legal Documents

SUMMARY OF CERTAIN LEGAL DOCUMENTS

The 2005 A Bonds are being issued under and are subject to the provisions of a Trust Indenture, dated as of January 1, 2005 (the “Original Indenture”), between the Redevelopment Authority of the City of Harrisburg (the “Authority”) and Commerce Bank/Pennsylvania, National Association, as trustee (the “Trustee”), as amended and supplemented by a First Supplemental Trust Indenture dated as of February 1, 2005 between the same parties (the “First Supplemental Indenture”; collectively, the “Indenture”). Proceeds of the 2005 A Bonds are being loaned by the Authority to Harrisburg Civic Baseball Club, Inc. (“HCBC”) pursuant to the provisions of a Loan and Security Agreement, dated as of January 1, 2005, as amended and supplemented by a First Supplemental Loan and Security Agreement dated as of February 1, 2005 between the same parties (collectively, the “Loan Agreement”). To secure its obligations under the Loan Agreement to repay the Authority, HCBC has granted to the Authority a security interest in the Stadium Revenues, including, without limitation, all Net Franchise Proceeds. The following statements are a summary of certain provisions of the Indenture and the Loan Agreement. This summary does not purport to be complete and reference to the Indenture and the Loan Agreement, executed counterparts of which are on file at the designated office of the Trustee, should be made for a full and complete statement of such provisions. Capitalized terms and phrases used in this Official Statement, unless otherwise defined, shall have the meaning ascribed to them in the Indenture, unless the context clearly requires otherwise.

CERTAIN DEFINITIONS

“Acceleration Date” means, with respect to any 2005 A-1 Bond, the date upon which the Credit Facility Issuer provides notice to the Authority, HCBC and the Trustee declaring that an event of default has occurred under the CF Reimbursement Agreement resulting from the failure to (i) immediately reimburse the Credit Facility Issuer for amounts drawn under the Credit Facility to pay the principal of or interest on the 2005 A-1 Bonds or (ii) reimburse the Credit Facility Issuer within thirty (30) days for amounts drawn under the Credit Facility to pay the Purchase Price of 2005 A-1 Bonds that are Purchased Bonds, and requiring the acceleration of the maturity of the 2005 A-1 Bonds. Upon delivery of such notice, the outstanding principal balance of the 2005 A-1 Bonds shall become due in equal installments on each Acceleration Payment Date, together with interest accrued thereon at the Purchased Bond Rate.

“Acceleration Payment Date” means, with respect to any 2005 A-1 Bonds, each of the first through fifth anniversaries of the Acceleration Date.

“Account” means the accounts created or established under the Indenture.

“Act” means the Urban Redevelopment Law, Act of May 24, 1945, P.L. 991, as amended, 35 P.S. § 1701 et seq.

“Additional Bonds” means Bonds of any series authenticated and delivered under the Indenture other than the 2005 A Bonds.

“Administrative Expenses” means the reasonable fees and expenses of the Authority and the Trustee, including legal fees and expenses, in connection with any Bonds or the administration of the Indenture, the Loan Agreement or any of the Financing Documents.

“Affiliate” means any Person directly or indirectly controlling, controlled by or under common control with HCBC as certified to the Trustee by an Authorized Representative of HCBC, provided that, no agency or authority of the City, including the Authority, shall be deemed an Affiliate.

“Alternate Credit Facility” means a Credit Facility delivered to, and accepted by, the Trustee pursuant to the Indenture, in substitution for the Credit Facility or Credit Facilities then in effect.

“Authority” shall mean the Redevelopment Authority of the City of Harrisburg, a Pennsylvania public body and body corporate and politic organized and existing under the Act.

“Available Moneys” shall mean (1) proceeds of a drawing under the Credit Facility or (2) moneys that are continuously on deposit with the Trustee in trust for the benefit of the Registered Owners of the Bonds in a separate and segregated account in which only Available Moneys are held, that (a) the Trustee has received a written opinion of Bankruptcy Counsel to the effect that payment of such moneys to the Registered Owners of the Bonds would not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code in the event the Authority were to become a debtor under the United States Bankruptcy Code, or (b) are proceeds of either (i) the Bonds, received contemporaneously with and directly from the issuance and sale of the Bonds, (ii) payments made by the Authority if, at the time of the deposit of such payments and for a period of at least 124 days thereafter, no Bankruptcy Filing shall have occurred, (iii) refunding bonds for which the Trustee has received a written opinion of Bankruptcy Counsel to the effect that payment of such moneys to the Registered Owners of the Bonds would not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code in the event that the Authority were to become a debtor under the United States Bankruptcy Code, or (iv) income derived from the investment of the foregoing or (c) are proceeds resulting from the remarketing of Multi-Modal Bonds to parties other than the Authority.

“Bankruptcy Counsel” shall mean any counsel nationally recognized in bankruptcy matters that is independent of the Authority and is reasonably acceptable to the Trustee, the Remarketing Agent and, with respect to the 2005 A-2 Bonds, the Bond Insurer.

“Bankruptcy Filing” shall mean the filing of a petition by or against the Authority as debtor under the United States Bankruptcy Code or similar bankruptcy or insolvency act. If the petition has been dismissed and the dismissal is final and not subject to appeal at the relevant time, the filing will not be considered to have occurred.

“Beneficial Owner” shall mean, with respect to the Bonds, a Person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

“Beneficial Ownership Interest” shall mean the beneficial right to receive payments and notices from DTC with respect to the Bonds which are held by DTC under a book-entry system.

“Bond” or “Bonds” means any Bond of the Authority issued, authenticated and delivered pursuant to the Indenture.

“Bond Counsel” means an attorney-at-law or a firm of attorneys of nationally-recognized standing in matters pertaining to bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Bond Fund” means the fund so designated and established pursuant to Section 5.03(b) of the Original Indenture, which may sometimes be referred to as the “Debt Service Fund”.

“Bond Service” means, for any period or payable at any time, the principal of, premium, if any, on and interest on the Bonds for that period or otherwise payable at that time whether due at maturity or upon acceleration or redemption, which may sometimes be referred to as “Debt Service.”

“Business Day” means any day other than a Saturday or Sunday or a day on which banks located in New York, New York, the City or in the city in which the designated corporate trust office of the Trustee is located are required or authorized to close or on which the New York Stock Exchange is closed.

“CF Reimbursement Agreement” shall mean the Reimbursement Agreement dated as of January 1, 2005 between HCBC and the Initial Credit Facility Issuer, as the same may be amended from time to time.

“City” means the City of Harrisburg, Dauphin County, Pennsylvania, a city organized and existing under the laws of the Commonwealth.

“City Park Permit” means a permit issued by the City (or entered into by the City with) a user of the Stadium or a portion thereof, such as HCBC.

“Commonwealth” means the Commonwealth of Pennsylvania.

“Costs,” “Costs of Acquisition” or “Costs of Construction,” without intending to limit any proper definition thereof under sound accounting or engineering practice, shall mean and include:

(a) Obligations incurred and payments made or required to be made by the Authority to workmen and laborers or to contractors, builders, suppliers and materialmen;

(b) Interest on Bonds issued to finance acquisition or construction during the acquisition or construction period or to the extent and for such period or periods as the Indenture may provide with respect to any particular series of Bonds;

(c) Administrative Expenses of the Authority during the period of any acquisition or construction, including the financing thereof, or to the extent otherwise specifically provided in the Indenture;

(d) Costs of acquiring by purchase or condemnation, including amounts of any award or final judgment in or of settlement or compromise of any condemnation proceedings of lands, rights-of-way, rights, licenses, easements and any other interests in real property as may be deemed necessary or convenient in connection with a Project; amounts of any damages incident to or consequent upon acquisition or construction; and payment for restoration of property damaged or destroyed in connection with construction;

(e) Costs of acquiring property, real, personal and mixed, tangible or intangible, or any interest therein, deemed necessary or desirable for carrying out purposes of the Authority relating to a Project, including, without intending to limit the generality of the foregoing, costs of acquiring any other properties in place, or any undivided interest therein, which can be operated as part of a Project and all fees and expenses incidental thereto, including, without intending to limit the generality of the foregoing, engineering fees, legal fees, costs of abstracts of title, title insurance, title opinions, surveys and reports;

(f) Costs of performance, payment or other contractor’s bonds and premiums on insurance of any type deemed necessary during construction and costs of inspection and performance,

maintenance or other type bonds required by any governmental regulatory authority related to construction of any part of a Project, to the extent that any of the foregoing shall not be required to be paid by contractors or otherwise provided for;

(g) Fees and expenses of engineers or architects for studies, tests, surveys, reports, maps, estimates of costs, revenues and other facts, preparations of plans and specifications and making preliminary construction, inspections and performance of all other duties of engineers or architects in connection with any acquisition or construction and the financing thereof;

(h) Expenses of audits, and fees and expenses of the Trustee relating to the Funds or Accounts under the Indenture;

(i) Other costs, charges and expenses incident to completion of the Project or to completion of any improvement, alteration, extension or addition to the Project which properly are chargeable to the cost of acquisition or construction under sound accounting or engineering practice;

(j) Amounts, if any, required to be repaid to any governmental agency upon completion of any construction on account of any overpayment of or adjustment or any grant extended in aid of such construction; and

(k) Any sums required to reimburse the Authority or HCBC or to pay any indebtedness incurred by the Authority or HCBC, including payment of obligations of the Authority or HCBC, with interest thereon, for expenditures made for any of the above items or for any other costs properly chargeable as costs of acquisition or construction.

“Credit Facility” shall mean the Initial Credit Facility and any other letter of credit, revolving credit agreement, agreement establishing a line of credit, reimbursement agreement, standby purchase agreement, insurance policy or contract, municipal bond or financial guaranty insurance policy (including any insurance policy guaranteeing the payment when due of any Qualified Swap Obligation and any insurance policy to fund a debt service reserve fund), surety bond, commitment to purchase, or other commitment, policy, contract, agreement or arrangement, approved by the Authority and designated as a “Credit Facility” relating to a Series of Bonds, pursuant to which a Person, other than the Authority, is obligated to provide funds on behalf of the Authority, upon the terms and conditions contained therein, to pay any portion of the principal amount or purchase or redemption price of and interest on such Series of Bonds coming due on any Payment Date.

“Credit Facility Account” means the account so designated and established within the Bond Fund pursuant to Section 5.03(b) of the Original Indenture.

“Credit Facility Issuer” shall mean the Initial Credit Facility Issuer and any other provider of a Credit Facility.

“Credit Facility Obligations” shall mean all payment and reimbursement obligations to a Credit Facility Issuer incurred pursuant to any Credit Facility securing or entered into in connection with all or a portion of any Series of Bonds.

“Debt Service Reserve Fund” means the fund so designated and established pursuant to Section 5.04 of the Original Indenture.

“Debt Service Requirements” shall mean, in respect of any Fiscal Year, the sum of the amount required to be paid in such Fiscal Year by the Authority in respect of (i) the interest on and the principal of

the Bonds Outstanding or to be Outstanding, as the case may be, and the amounts required to be paid to any sinking, purchase (for retirement) or analogous fund established for such Bonds and (ii) the amount required for the payment of Parity Obligations and Subordinated Obligations; provided, however, that the Debt Service Requirements in respect of any Fiscal Year for a series of Bonds for which there shall have been established a sinking, purchase or analogous fund shall be determined after projecting the operation of such fund to the retirement of Bonds by redemption and giving effect to the reduction in the payments to be made in such Fiscal Year in respect of the principal of and interest on such Bonds by reason of such redemption.

To the extent that any Bonds under consideration bear interest at a variable rate, the Debt Service Requirements for such Bonds shall be calculated assuming a fixed interest rate, which rate shall be (a) if there is a Qualified Swap in effect with respect thereto, the Fixed Amount as set forth in any applicable Qualified Swap and such additional amount, if any, payable by the Authority on such Bonds, and (b) if there is no Qualified Swap in effect with respect thereto, the greater of (i) the actual interest rate on such Bonds on the date of calculation, or if the indebtedness is not yet outstanding, the initial interest rate (if established and binding), (ii) if the Bonds have been Outstanding for at least 12 months, the average rate over the 12 calendar months immediately preceding the date of calculation, and (iii)(A) if interest on indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published *The Bond Buyer* Revenue Bond Index (or comparable index if no longer published), or (B) if the interest is not so excludable, the most recently published *The Wall Street Journal* LIBOR/Swap rate (or comparable index if no longer published) for a term most comparable to the remaining term of the indebtedness.

In calculating Debt Service Requirements in the Indenture, the amount on deposit in any Account within the Debt Service Reserve Fund on any date of calculation of Debt Service Requirements shall be deducted from the amount of principal due at the final maturity of the Bonds for which such Account was established and in each preceding year until such amount is exhausted.

Furthermore, in calculating Debt Service Requirements in the Indenture, the amount of such Debt Service Requirements shall be reduced by amounts on deposit in the Stadium Capitalized Interest Account the amount of interest which is paid from investment earnings on deposit in the Debt Service Reserve Fund and transferred to the Debt Service Fund; provided that such transferred investment earnings may only include those earnings from investments with a guaranteed yield or fixed rate of return and may be taken into account only for such period in which the investment is in effect.

If the Authority has deposited a letter of credit, a surety bond or an insurance policy in the Debt Service Reserve Fund to meet the Debt Service Reserve Fund Requirement, any amounts owed by the Authority to the issuer of such letter of credit, surety bond or insurance policy as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in the calculation of Debt Service Requirements.

“Debt Service Reserve Requirement” means with respect to each series of the 2005 A Bonds the maximum annual Debt Service Requirements on such series of the 2005 A Bonds and means with respect to any Additional Bonds the maximum annual Bond Service requirements with respect to such series of Additional Bonds and any additional amounts as may be specified in an appropriate Supplemental Indenture.

“Directing Party” means at any time (i) the Credit Facility Issuer in respect of a series of Bonds secured by a Credit Facility, so long as (a) the Credit Facility Issuer is not in default of its payment obligations under the Credit Facility, (b) the Credit Facility is in effect, (c) the Credit Facility Issuer has not asserted that the Credit Facility is not in effect, and (d) the Credit Facility Issuer has not provided a written notice of waiver of its rights to be the Directing Party, or (ii) the Bond Insurer in respect of a series of Bonds secured by a Bond Insurance Policy, so long as (a) the Bond Insurer is not in default of its

payment obligations under the Bond Insurance Policy, (b) the Bond Insurance Policy is in effect, (c) the Bond Insurer has not asserted that the Bond Insurance Policy is not in effect, and (d) the Bond Insurer has not provided a written notice of waiver of its rights to be the Directing Party, or (iii) the City, upon the occurrence of (a), (b), (c) or (d) in the immediately preceding clause (ii) or (iii) and the City (a) is not in default of its obligations under the Guaranty Agreement or (b) an Event of Default as described in Subsection 7.01(g) involving the City has not occurred or (iv) the Registered Owners of at least a 66-2/3% majority in principal amount of all Bonds Outstanding, if the Credit Facility Issuer, the Bond Insurer and the City do not qualify to be the Directing Party.

“DTC” means The Depository Trust Company, New York, New York and its successors and assigns.

“Eligible Investments” shall mean investments which are legal investments for the Authority under applicable law of the Commonwealth, secured by such approved collateral as may be required by applicable law, and which are described in one of the following paragraphs:

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any Person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The below listed obligations of government-sponsored agencies which are *not* backed by the full faith and credit of the United States of America:

Federal Home Loan Mortgage Corporation (FHLMC)

Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

Senior debt obligations

Farm Credit Banks (formerly: Federal Land Banks,

Federal Intermediate Credit Banks and Banks for Cooperatives)

Consolidated system-wide Notes and Bonds

Federal Home Loan Banks (FHL Banks)

Consolidated debt obligations

Federal National Mortgage Association (FNMA)

Senior debt obligations

Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

Student Loan Marketing Association (SLMA)

Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)

Financing Corporation (FICO)

Debt obligations

Resolution Funding Corporation (REFCORP)

Debt obligations

4. Unsecured certificates of deposit, time deposits and bankers' acceptances (having maturities of not more than 30 days) of any bank, including the Trustee and its affiliates, the short-term obligations of which are rated "A-1" or better by S&P.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks, including the Trustee and its affiliates, which have capital and surplus of at least \$5 million.

6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

7. Money market mutual funds rated "Aam" or "Aam-G" by S&P, or better, which may include any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates.

8. "State Obligations", which means:

a. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's *and* "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

b. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

c. Notes payable from Special Revenues (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

a. The municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee or escrow agent for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

b. The municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

c. The principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by a Verification to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on such municipal obligations;

d. The cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

e. No substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

f. The cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

With (1) any domestic bank, including the Trustee and any of its banking affiliates, or domestic branch of a foreign bank, the long-term debt of which is rated “A” or better by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC):

a. The market value of the collateral is maintained at levels and upon conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

b. The Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

c. The repurchase agreement shall state and an opinion of counsel shall be rendered to the Trustee, the Authority and the Bond Insurer that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

d. All other requirements of S&P in respect of repurchase agreements are met; and

e. The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the Authority or the Trustee within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or the Trustee.

11. Investment agreements with a domestic bank, including the Trustee and any of its banking affiliates, or foreign bank or corporation (other than a life or property casualty insurance

company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt of the guarantor, or, in the case of a monoline financial guaranty insurance company, the claims-paying ability, of the guarantor is rated at least “AA” by S&P and “Aa” by Moody’s; provided that, by the terms of the investment agreement:

a. Interest payments are to be made to the Trustee at times and in the amounts as necessary to pay debt service on the Bonds;

b. The invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the Authority and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c. The investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

d. The Authority or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Authority, the Trustee, the Credit Facility Issuer and the Bond Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) and addressed to the Bond Insurer, the Authority and the Trustee;

e. The investment agreement shall provide that if during its term:

i. The provider’s rating by either S&P or Moody’s falls below “AA-“ or “Aa3”, respectively, the provider shall, at its option, at the direction of the Authority or the Trustee, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the Authority, the Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach); or (B) repay the principal of and accrued but unpaid interest on the investment; and

ii. The provider’s rating by either S&P or Moody’s is withdrawn or suspended or falls below “A-” or “Aa3”, respectively, the provider must, at the direction of the Authority or the Trustee within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or Trustee;

f. The investment agreement shall state and an opinion of counsel shall be rendered to the Authority, the Trustee, the Credit Facility Issuer and the Bond Insurer, in the event that collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

g. The investment agreement must provide that if during its term:

i. The provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate; and

ii. The provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.

12. Obligations of the City of any of its agencies or instrumentalities backed by the full faith and credit of the City, which obligations shall have a rating of "BBB" or better by S&P or if such obligations do not have a rating of "BBB" or better by S&P, then the City shall have a rating of "Baa" or better by Moody's or a rating of "BBB" or better by S&P.

13. Such other obligations, including SEC registered publicly traded mutual funds comprised of Eligible Investments, as may be permitted to be legal investments of the Authority by the laws of the Commonwealth and as may be approved by the Bond Insurer.

"Financing Documents" means, collectively, the Loan Agreement and all other agreements, documents and security interests acquired by the Authority from HCBC or any other Person in connection with the Loan.

"Fiscal Year" means the annual accounting year of HCBC, which currently begins on January 1 of each calendar year.

"General Account" means the account so designated and established within the Bond Fund pursuant to Section 5.03(b) of the Original Indenture.

"Generally Accepted Accounting Principles" means those accounting principles applicable in the preparation of financial statements of HCBC, as promulgated by the Financial Accounting Standards Board or other such body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body.

"Guaranty Agreement" means the Stadium Guaranty Agreement, dated as of January 1, 2005, among the City, the Authority and the Trustee relating to the 2005 A Bonds.

"Guaranty Agreement Debt Service Account" means the account so designated and established within the Bond Fund pursuant to Section 5.03(b) of the Original Indenture.

"HCBC" means Harrisburg Civic Baseball Club, Inc., a for profit corporation organized and existing under the laws of the Commonwealth, its successors and assigns.

"Indenture" means the Trust Indenture, dated as of January 1, 2005, between the Authority and the Trustee, as amended or supplemented from time to time, including by the First Supplemental Indenture.

“Independent” means a Person who is not a member of the governing body of the Authority or HCBC, an officer or employee of the Authority or HCBC or an elected or appointed official or employee of the City, or which is not a partnership, corporation or association having a partner, director, officer, member or substantial stockholder who is a member of the governing body of the Authority or HCBC, an officer or employee of the Authority or HCBC or an elected or appointed official or employee of the City; provided, however, that the fact that such Person is retained regularly by the Authority, HCBC or the City shall not make such Person an employee within the meaning of this definition.

“Loan” means the loans by the Authority to HCBC of the proceeds of the 2005 A Bonds pursuant to Section 3.02 of the Original Loan Agreement and any supplement thereto concurrently with the respective issuance of the 2005 A Bonds, and any future advances thereunder.

“Loan Payments” means the amounts required to be paid by HCBC and any other amounts payable by HCBC in repayment of the Loan pursuant to Section 4.02 of the Original Loan Agreement.

“Long-Term Interest Rate” shall mean with respect to each Multi-Modal Bond subject to a Long-Term Interest Rate Period, a non-variable interest rate on such Bond established periodically for each Long-Term Interest Rate Term in accordance with Section 2A.06(e) of the Original Indenture.

“Long-Term Interest Rate Period” shall mean, as to the applicable Multi-Modal Bonds, each period, comprised of Long-Term Interest Rate Terms, during which Long-Term Interest Rates are in effect.

“Long-Term Interest Rate Term” shall mean, with respect to any Multi-Modal Bond bearing interest at a Long-Term Interest Rate, each period established in accordance with Section 2A.06(e) of the Original Indenture during which such Multi-Modal Bond shall bear interest at a Long-Term Interest Rate.

“Maximum Rate” shall mean (a) as to the Multi-Modal Bonds other than Purchased Bonds, fifteen percent (15%) per annum and (b) as to Purchased Bonds, the rate per annum required under the CF Reimbursement Agreement or any applicable Credit Facility, not exceeding twenty-five percent (25%) per annum.

“Multi-Modal Bonds” shall mean Bonds bearing interest at a Weekly Interest Rate, an Auction Rate, a Short-Term Interest Rate, a Long-Term Interest Rate or a Fixed Interest Rate.

“Outstanding Bonds”, “Bonds Outstanding”, “Bonds outstanding”, “Outstanding” or “outstanding” as applied to Bonds mean, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except:

(a) Bonds cancelled or required to be cancelled upon surrender, exchange or transfer, or cancelled or required to be cancelled because of payment or redemption on or prior to that date pursuant to Section 2.08 of the Original Indenture;

(b) Bonds which are deemed paid in accordance with Article X of the Original Indenture; and

(c) Bonds in substitution for which others have been authenticated and delivered under Section 2.07 of the Indenture.

For purposes of approval or consent by the Registered Owners, “Outstanding Bonds,” “Bonds Outstanding” or “Outstanding” as applied to Bonds shall not include Bonds owned by or on behalf of the Authority or HCBC (unless all of the Outstanding Bonds are so owned).

“Parity Obligations” shall mean the Parity Obligations and any other Credit Facility Obligations and Qualified Swap Obligations which are designated in the Indenture or in any Supplemental Indenture as being payable from, and secured by, the Receipts and Revenues on a parity with the Bonds as provided in the Indenture.

“Parity Obligees” shall mean any Credit Facility Issuer that has issued or provided a Credit Facility to the Authority, the Credit Facility Obligations incurred under which are designated as Parity Obligations and any Qualified Swap Provider that has entered into a Qualified Swap with the Authority, the Qualified Swap Obligations incurred under which are designated as Parity Obligations.

“Purchased Bonds” shall mean any Multi-Modal Bonds purchased, by acceleration or otherwise, using a draw or draws on the Credit Facility and such Multi-Modal Bonds bear interest at the Purchased Bond Rate. All such Purchased Bonds shall be deemed to be owned by the Credit Facility Issuer.

“Purchased Bond Rate” shall, at any date of determination, mean the interest rate per annum for Purchased Bonds determined pursuant to the provisions of the Credit Facility (including the CF Reimbursement Agreement) in effect on such date; provided, however, that in no event shall the Purchased Bond Rate exceed the Maximum Rate.

“Purchase Date” shall mean a Business Day on which Multi-Modal Bonds are tendered or deemed tendered pursuant to Article IIB of the Original Indenture.

“Purchase Price” for any Multi-Modal Bond shall equal 100% of the unpaid principal amount of such Bond plus accrued and unpaid interest to the Purchase Date, if any; provided however, that if the Purchase Date is an Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest.

“Revenues” or “Receipts and Revenues” means (a) the Loan Payments, (b) all other moneys received or to be received by the Authority or the Trustee in respect of repayment of the Loan, including without limitation, all moneys received in respect of the Financing Documents and all moneys and investments in the General Account of the Bond Fund, (c) any proceeds of Bonds originally deposited with the Trustee for payment of accrued interest on Bonds or otherwise paid to the Trustee by or on behalf of HCBC, CIC or the Authority for deposit in the Bond Fund, and (d) investment income with respect to any moneys held by the Trustee under the Indenture.

“S&P” means Standard & Poor’s Rating Service, a division of the McGraw-Hill Companies, and its successors or assigns.

“Supplemental Indenture” means any indenture supplemental to the Original Indenture entered into between the Authority and the Trustee in accordance with the provisions of the Original Indenture.

“United States Treasury Obligations” means direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America.

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE

ADDITIONAL BONDS

The Authority may, from time to time, issue Bonds of a series in addition to the 2005 A Bonds, on a parity as to the Revenues with the 2005 A Bonds for any lawful purpose, only upon delivery to the Trustee of the following:

(a) An amendment to the Loan Agreement providing for an additional Loan to the Borrower and requiring repayments of the Loan by HCBC in amounts sufficient to pay Bond Service with respect to the Additional Bonds;

(b) A supplement to the Indenture providing for the issuance of such series of Additional Bonds and stating the principal amount, interest rates and interest payment dates, maturity amounts and principal payment dates and provisions for optional and mandatory redemption, if any, of such Additional Bonds and such other terms and conditions as may be desirable and not contrary to the provisions in the Indenture;

(c) An opinion of Bond Counsel stating that the Additional Bonds have been duly authorized and validly issued;

(d) An opinion of counsel to HCBC substantially to the effect of the opinion delivered pursuant to Section 3.06 of the Original Loan Agreement, with such changes as may be required to reflect the issuance of the Additional Bonds and such other matters as the Trustee may reasonably request;

(e) An opinion of counsel to the Authority to the effect that such Additional Bonds are issued for a purpose permitted under the Indenture and constitute the valid and binding obligations of the Authority;

(f) A written request and authorization to the Trustee on behalf of the Authority signed by an Authorized Representative of the Authority requesting the Trustee to authenticate the Additional Bonds;

(g) Written approval of the issuance of Additional Bonds by the City and the Credit Facility Issuer;

(h) An amended or modified Guaranty Agreement, if necessary; and

(i) A certificate of an Authorized Representative of the Authority certifying that (i) no Event of Default has occurred and is continuing (unless waived in writing by each Directing Party) and (ii) the Debt Service Reserve Fund, including the separate account, if any, therein securing such Additional Bonds is fully funded at the Debt Service Reserve Requirement upon the issuance of the Additional Bonds.

CERTAIN FUNDS CREATED UNDER THE INDENTURE

Construction Fund

The Indenture provides for the creation and designation of a special fund called the “Construction Fund” which shall be held by the Trustee, in trust, and shall consist of funds deposited therein, from time to time, pursuant to the provisions of the Indenture for purposes of paying Costs, Costs of Acquisition or Costs of Construction relating to the Stadium Project or other Project.

The Indenture provides for the creation and designation within the Construction Fund of (i) a Stadium Construction Account (the “Stadium Construction Account”); and (ii) a Stadium Capitalized Interest Account (the “Stadium Capitalized Interest Account”), all of which shall be held by the Trustee, in trust.

The Stadium Construction Account shall consist of funds deposited therein, from time to time, pursuant to provisions of the Indenture for purposes of paying Costs, Costs of Acquisition or Costs of Construction of the Stadium Project.

The Stadium Capitalized Interest Account shall consist of funds deposited therein from the proceeds of the 2005 A Bonds pursuant to the provisions of the Indenture for purposes of paying interest on the 2005 A Bonds. The Trustee shall make payments from the Stadium Capitalized Interest Account as and when required for such purposes without a requisition from the Authority. Prior to the completion of the Stadium Project, if the Authority reasonably determines, based upon the advice of its financial advisor, that there are excess funds not required for the payment of capitalized interest on the 2005 A Bonds on deposit in the Stadium Capitalized Interest Account, such excess funds may, upon the written direction of the Executive Director or other authorized officer of the Authority and with the prior written consent of the Bond Insurer and the Credit Facility Issuer to the extent either is a Directing Party, be transferred by the Trustee to the Stadium Construction Account for the purpose of paying Costs.

In addition to other deposits to be made in the Construction Fund, the Authority shall deliver or cause HCBC to deliver to the Trustee for deposit therein any money received by it (after deduction of all costs, fees and expenses incurred in connection with recovery thereof) from any contractor or any surety under any bid, performance, completion or penalty bond and any amounts otherwise received by the Authority by virtue of a cause of action, with respect to amounts to be deposited in the Stadium Construction Account, arising from any bid or contract relating to acquisition or construction or other work with regard to the Stadium Project.

Also, in addition to other deposits to be made in the Construction Fund, the Authority shall deposit therein any funds contributed or advanced by any Person, including any governmental agency or body including Commonwealth Matching Grant monies, for application for and toward Costs, Costs of Acquisition or Costs of Construction relating to property which, upon completion of construction, acquisition or other work shall constitute a part of a Project.

Except as otherwise set forth above, payment shall be made from the Construction Fund by the Trustee, but only upon receipt of the following:

(a) A requisition, signed by the Chairman or Vice Chairman and the Treasurer, Secretary or Assistant Secretary-Treasurer of the Authority, stating in respect of each payment to be made:

(1) that an obligation in the stated amount has been incurred properly by the Authority in connection with a Project, and is a proper charge against the applicable account of the Construction Fund, including for ancillary working capital, is unpaid and has not been the basis of any previous withdrawal;

- (2) the name and address of the Person to whom payment is due;
- (3) in reasonable detail, the purpose for which the obligation was incurred; and
- (4) the amount to be paid.

(b) If any such requisition relates solely to Costs of Construction, in connection with actual construction, installation of equipment, renovations or rehabilitation or like work, a certificate of the construction manager or the architect (“Construction Manager’s Certificate”), certifying that each item to be paid as set forth in such requisition constitutes an obligation which has been properly incurred as part of the Costs of Construction, and is then due and unpaid and, with respect to any obligation incurred for work, equipment or materials, such work was actually performed or such equipment or materials were actually installed or delivered at the site of the work or other approved place for that purpose, and any such obligation representing work done or equipment or materials furnished was incurred in substantial accordance with plans and specifications approved by the Construction Manager.

(c) If any such requisition contains any item for the payment of the purchase price or costs of any lands, franchises, easements, rights-of-way, or rights or interests in or relating to lands, except payments for options or partial payments upon contracts not exceeding in the aggregate 10% of the purchase price or cost of such lands, franchises, easements, rights-of-way or rights or interests in or relating to lands, covered by such options or contracts, an Opinion of Counsel to the effect that the Authority either has or will immediately upon such payment have (by reason of the prior or simultaneous delivery of proper instruments of conveyance or transfer mentioned in such opinion) leasehold title thereto, or other interests therein, sufficient for the ownership, maintenance and operation for a period of not less than the maturity of the Bonds of the portion of the Stadium located or to be located thereon, except Permitted Liens and Title Defects.

Upon the receipt of each such requisition and the accompanying certificates and opinions, if applicable, the Trustee shall pay to the Persons named in such requisition, the respective amounts stated therein to be due to such Persons.

Upon the occurrence and the continuance of an Event of Default described in either Section 7.01(a) or Section 7.01(b) of the Original Indenture, the Trustee shall transfer all available moneys in the Construction Fund to the Bond Fund to be applied to the payment of the principal of and interest on Bonds Outstanding under the Indenture, Parity Obligations and Subordinated Obligations in accordance with Section 5.03 of the Original Indenture.

If no such Event of Default has occurred, after all amounts due in respect of a Project or Capital Additions, as applicable, shall have been paid, which fact shall be evidenced to the Trustee by delivery of an Officers’ Certificate to that effect, any moneys thereafter remaining in the Construction Fund shall be transferred by the Trustee to the Bond Fund.

Settlement Fund

The Indenture provides for the establishment of a special fund to be known as the “Settlement Fund.” There shall be deposited in the appropriate account of the Settlement Fund all proceeds of the sale of the 2005 A Bonds. Immediately thereafter, upon receipt of a certificate executed by an Authorized Representative of the Authority, a sum equal to the Debt Service Reserve Fund Requirement for such series of 2005 A Bonds shall be deposited in the account of the Debt Service Reserve Fund established for such series of 2005 A Bonds, a sum equal to the costs of issuance of such series of the 2005 A-1 Bonds

shall be disbursed from the appropriate account of the Settlement Fund in accordance with the closing receipt executed by the Authority and HCBC and the balance of such 2005 A Bond proceeds shall be deposited in the Construction Fund for the purpose of implementing the Stadium Project.

Purchase and Remarketing Fund

The Indenture provides for the creation with respect to the Multi-Modal Bonds of a fund to be held by the Tender Agent and designated as the “Purchase and Remarketing Fund”. The following Accounts for each Series of Bonds that are Multi-Modal Bonds shall be established within the Purchase and Remarketing Fund: (i) the Purchase Account; and (ii) the Remarketing Proceeds Account. All amounts in the Purchase and Remarketing Fund shall be held by the Trustee free and clear of the lien of the Indenture and shall not be subject to the pledge of the Authority contained herein. Amounts on deposit in the Purchase and Remarketing Fund shall not be commingled with the amounts held in any other Fund or Account hereunder.

All drawings on a Credit Facility to pay the purchase price of Multi-Modal Bonds shall be deposited in the applicable Purchase Account or subaccount, which the Trustee shall establish, and used only for the payment of the purchase price of Outstanding Multi-Modal Bonds in the manner and at the times specified in Article IIB of the Original Indenture. Any proceeds of any such drawing remaining in a Purchase Account after payment of the purchase price of the Multi-Modal Bonds to be purchased shall be returned to the Credit Facility Issuer immediately.

All amounts received by the Tender Agent from the Remarketing Agent representing the purchase price of Multi-Modal Bonds remarketed by the Remarketing Agent shall be deposited in the Remarketing Proceeds Account and shall be used only for payments of the purchase price of the Multi-Modal Bonds so remarketed as provided in Article IIB of the Original Indenture or to the payment of the Credit Facility Issuer for Multi-Modal Bonds purchased by the Credit Facility Issuer and remarketed.

No moneys provided by the Authority shall be accepted for deposit to the credit of the Purchase and Remarketing Fund, nor shall any such moneys if deposited by mistake or otherwise, be used for the purchase of Multi-Modal Bonds tendered or deemed tendered for purchase pursuant to the terms of Article IIB of the Original Indenture. Moneys in the Purchase and Remarketing Fund shall be held uninvested and without liability for interest thereon.

Renewal and Replacement Fund

The Indenture provides for the establishment of a special fund to be known as the “Renewal and Replacement Fund” which shall be held in trust by the Trustee until applied as provided in the Indenture. The moneys at any time on deposit to the credit of the Renewal and Replacement Fund may be used by the Authority for extraordinary maintenance and repair of the Stadium Facility or payment of the cost of Capital Additions. There shall be deposited in the Renewal and Replacement Fund any amount deposited by HCBC at its discretion or pursuant to the requirements of a City Park Permit.

Bond Fund

The Authority shall cause the Revenues to be received by the Authority to be paid directly to the Trustee. If, notwithstanding these arrangements, the Authority receives any payments pursuant to the Loan Agreement, the Authority shall immediately pay over the same to the Trustee to be held as Revenues or otherwise applied pursuant to the Indenture.

Under the Indenture there is created a “Bond Fund” established with the Trustee within which there are established (i) an “A-1 Bonds Debt Service Account” and an “A-2 Bonds Debt Service Account” (collectively, the “2005 A Bonds Debt Service Accounts”), (ii) an “A-1 Bonds Guaranty Agreement Debt Service Account” and an “A-2 Bonds Guaranty Agreement Debt Service Account” (collectively, the “Guaranty Agreement Debt Service Accounts”), (iii) a special purpose trust account designated as the “Credit Facility Account,” (iv) a special purpose trust account designated as the “Policy Payments Account,” and (v) a “General Account.” Except as otherwise specifically directed under the terms of the Indenture, all Revenues received by the Trustee shall be deposited into the General Account of the Bond Fund. All moneys (and only those moneys) received by the Trustee from payments under the Guaranty Agreement to pay principal and purchase price of, premium, if any (but only to the extent the Guaranty Agreement permits payment of such premium), on and interest on the 2005 A-1 Bonds shall be deposited in the A-1 Bonds Guaranty Agreement Debt Service Account. All moneys (and only those moneys) received by the Trustee from payments under the Guaranty Agreement to pay principal of, premium, if any (but only to the extent the Guaranty Agreement permits payment of such premium), on and interest on the 2005 A-2 Bonds shall be deposited in the A-2 Bonds Guaranty Agreement Debt Service Account. All moneys (and only those moneys) received by the Trustee from draws under a Credit Facility to pay Bond Service on the 2005 A-1 Bonds shall be deposited in the Credit Facility Account. All moneys (and only those moneys) received by the Trustee from claims made under the Bond Insurance Policy to pay Bond Service on the 2005 A-2 Bonds shall be deposited in the Policy Payments Account.

Except as otherwise provided in Section 7.06 of the Original Indenture, moneys in the Bond Fund shall be applied as follows:

(1) Moneys in the A-1 Bonds Guaranty Agreement Debt Service Account shall be applied to the payment when due of principal of, premium, if any (but only to the extent the Guaranty Agreement permits application to such premium), on, and interest on the 2005 A-1 Bonds and moneys in the A-2 Bonds Guaranty Agreement Debt Service Account shall be applied to the payment when due of principal of, premium, if any (but only to the extent the Guaranty Agreement permits application to such premium), on, and interest on the 2005 A-2 Bonds.

(2) Moneys in the General Account shall be applied to the following in the order of priority indicated:

(A) First, the payment when due of principal of, premium, if any, and interest on the Bonds; provided, however, moneys in the A-1 Bonds Debt Service Account shall be paid to the Initial Credit Facility Issuer pursuant to the CF Reimbursement Agreement (or as directed by an Alternate Credit Facility, if applicable) to reimburse it for draws under the Initial (or Alternate) Credit Facility, as the case may be;

(B) Second, the payment of amounts, if a Credit Facility Issuer has not been reimbursed pursuant to (2)(A) above, to such Credit Facility Issuer, on a pro rata basis required pursuant to Section 12.10 of the Original Indenture, to the extent other moneys are unavailable therefor;

(C) Third, pursuant to the City Reimbursement Agreement, the reimbursement of the City when due for moneys paid under the Guaranty Agreement and deposited in the Guaranty Agreement Debt Service Accounts for payment of principal of, premium, if any, and interest on the 2005 A Bonds (in applying moneys pursuant to this clause (C), the Trustee shall transfer such moneys by wire transfer of immediately available funds).

Whenever the amount in the Bond Fund available for the payment of principal or redemption price and interest in accordance with Subsection 5.03(c) of the Original Indenture is sufficient to redeem all of the Outstanding Bonds and to pay interest accrued to the redemption date and all amounts due and owing to the Credit Facility Issuer and other parties hereunder have been paid in full, the Authority will, upon request of HCBC, cause the Trustee to redeem all such Bonds on the redemption date specified by HCBC pursuant to the Bonds and the Indenture. Any amounts remaining in the Bond Fund after payment in full of the principal of and premium, if any, and interest on the Bonds (or provision for payment thereof) and the fees, charges and expenses of the Authority and the Trustee shall be paid to the Person entitled thereto in accordance with Section 10.01 of the Original Indenture and Section 10.03 of the Original Indenture, as applicable.

Debt Service Reserve Fund

Under the Indenture there is established a special fund, known as the “Debt Service Reserve Fund” and within such Fund a 2005 A-1 Bonds Debt Service Reserve Account and a 2005 A-2 Bonds Debt Service Reserve Account, which shall be held in trust by the Trustee until applied as hereinafter provided. On the issuance date of the 2005 A-1 Bonds, the Trustee transferred to the 2005 A-1 Bonds Debt Service Reserve Account the initial Debt Service Reserve Requirement with respect to the 2005 A-1 Bonds. On the issuance date of the 2005 A-2 Bonds, the Trustee shall transfer to the 2005 A-2 Bonds Debt Service Reserve Account an amount equal to the Debt Service Reserve Requirement for the 2005 A-2 Bonds as set forth in the First Supplemental Indenture. Separate accounts shall be created in the Debt Service Reserve Fund for each series of Additional Bonds issued pursuant to the Indenture, for which instructions to create such an account have been given by HCBC and the Authority. Amounts on deposit in the 2005 A-1 Bonds Debt Service Reserve Account shall be applied only to the payments due on the 2005 A-1 Bonds and amounts on deposit in the 2005 A-2 Bond Debt Service Reserve Account shall be applied only to the payments due on the 2005 A-2 Bonds.

In lieu of or together with a deposit of cash or investments to the Debt Service Reserve Fund or an account therein with respect to a series of Bonds, the Authority may cause, with the prior written consent of the Bond Insurer in respect of any account of the Debt Service Reserve Fund for a series of Bonds secured by a Bond Insurance Policy (or Credit Facility), to be deposited to the credit thereof a surety bond or an insurance policy payable to the Trustee or a letter of credit entitling the Trustee to draw in an amount equal to the difference between the Debt Service Reserve Requirement with respect to a series of Bonds and the sum then to the credit of the Debt Service Reserve Fund or the applicable account therein with respect to that series of Bonds. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice and the presentation of any certificates as required thereunder) on any date on which moneys will be required to be transferred to any account in the Bond Fund and such transfer cannot be met by amounts on deposit to the credit of the Debt Service Reserve Fund or the appropriate account therein or provided from any other Fund or Account under the Indenture. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in at least the third highest rating category (without regard to any rating refinement or gradation by numerical modifier or otherwise) by a Rating Service. The letter of credit issuer shall be a bank or trust company which is rated not lower than the third highest rating category (without regard to any rating refinement or gradation by numerical modifier or otherwise) by a Rating Service. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph, the Authority shall cause HCBC either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit in accordance with the provisions of such instrument or (ii) to deposit to the credit of the Debt Service Reserve Fund funds in the amount of the disbursement made under such surety bond, insurance policy or letter of credit or a combination of such

alternatives, such that the amount in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement with respect to such series of Bonds.

The Debt Service Reserve Fund and any account therein may be funded by cash or investments or a combination of both, or, upon the prior written consent of the Credit Facility Issuer and Bond Insurer in respect of any account of the Debt Service Reserve Fund for a series of Bonds secured by a Bond Insurance Policy (or Credit Facility), a letter of credit or a bond insurance policy or any combination thereof. Interest earned on the amounts in the Debt Service Reserve Fund shall be retained therein until the amount on deposit therein equals the Debt Service Reserve Requirement for the series of Bonds for which the account was created. Thereafter, all interest earned on such amount shall be transferred to the Bond Fund. Investments in the Debt Service Reserve Fund shall be valued semiannually on the last Business Day immediately preceding May 15 and November 15 in each year or upon any draw upon the Debt Service Reserve Fund and the Trustee shall promptly notify the Authority, HCBC and the City of such value. In the event that the amount on deposit in the Debt Service Reserve Fund or any account therein is less than the Debt Service Reserve Requirement for the applicable series of Bonds, the Authority shall cause HCBC pursuant to Section 4.02 of the Original Loan Agreement or the City pursuant to the Guaranty Agreement promptly to make deposits sufficient to cure any deficiencies resulting from either a withdrawal therefrom or a decline in the accumulated value of the investments therein, so that the Authority may remain in compliance with the provisions of Section 12.02 of the Original Indenture.

On November 1 of each year, the Trustee shall give written notice to the City, the Authority and HCBC of the amounts (i) on deposit in the Debt Service Fund; (ii) of any balance calculated to exist in the Debt Service Fund after payment of Debt Service on the immediately following November 15; (iii) of Debt Service expected to be paid on the 2005A Bonds in the next Fiscal Year, calculated in accordance with the definition of Debt Service Requirements in the Indenture; (iv) of available balances expected to exist in each Debt Service Reserve Fund Account after payment of Debt Service on the immediately following November 15; and (v) of the difference remaining when (ii) and (iv) combined are subtracted from (iii) above (the "Deficiency"), so that the City may include in its budget an amount equal to the Deficiency. The Trustee shall, without any direction from the Authority, transfer moneys from the Debt Service Reserve Fund or the appropriate account therein to the Bond Fund to the extent that the moneys in such account in the Bond Fund are on any Interest Payment Date insufficient to make the payments due on the applicable series of Bonds, as the same shall become due. Upon the final maturity of any series of Bonds, the Trustee shall apply all amounts on deposit in the pertinent Debt Service Reserve Fund accounts established therein for that series to the payment of principal of and interest on such Bonds and the deposits otherwise required on such maturity date shall be reduced by such payment. In addition, in the event of a refunding of a series of Bonds, the Trustee shall apply all amounts on deposit in the Debt Service Reserve Fund account established for that series in accordance with directions contained in a certificate of an Authorized Representative of the Authority delivered on the date of the issuance of the Additional Bonds which effect such refunding.

INVESTMENT OF FUNDS

All moneys received by the Trustee under the Indenture shall be deposited with the Trustee, until or unless invested or deposited as provided in this Section 5.05 of the Original Indenture. All deposits with the Trustee (whether original deposits or deposits or redeposits in time accounts) shall be secured as required by applicable law for such trust deposits.

Moneys in the Construction Fund and the Bond Fund (except moneys in the Guaranty Agreement Debt Service Accounts, the Credit Facility Account and the Policy Payments Account), the Debt Service

Reserve Fund, the Renewal and Replacement Fund and the Settlement Fund shall be invested and reinvested by the Trustee in Eligible Investments at the written direction of an Authorized Representative of HCBC or an authorized designee of HCBC. Moneys deposited in the Purchase and Remarketing Fund, Guaranty Agreement Debt Service Accounts, the Credit Facility Account and the Policy Payments Account in the Bond Fund shall not be invested but shall be held in such Accounts pending application pursuant to the terms of Section 5.02 of the Original Indenture, 5.03 of the Original Indenture and Section 12.07 of the Original Indenture, respectively.

Investments of moneys in the Bond Fund shall mature or be redeemable at the direction of HCBC at the times and in the amounts necessary to provide moneys to make Bond Service payments as they become due on Interest Payment Dates, at stated maturity or by redemption. Each investment of moneys in the Settlement Fund shall mature or be redeemable by the Trustee at the direction of the Authority at such time as may be foreseeably necessary to make payments from the Settlement Fund. Moneys in the Debt Service Reserve Fund may be invested in Eligible Investments which have an average aggregate weighted term to maturity not greater than five years. Subject to any directions from an Authorized Representative of HCBC or its authorized designee with respect thereto, from time to time, the Trustee may sell investments in the Construction Fund, Settlement Fund, the Debt Service Reserve Fund, the Renewal and Replacement Fund or the General Account within the Bond Fund and reinvest the proceeds therefrom in Eligible Investments maturing or redeemable as aforesaid. Any of those investments may be purchased from or sold to the Trustee or any bank, trust company or savings and loan association affiliated with the Trustee. The Trustee shall sell or redeem investments credited to the Bond Fund to produce sufficient moneys applicable hereunder to and at the times required for the purpose of paying Bond Service when due as aforesaid, and shall do so without necessity for any order on behalf of the Authority and without restriction by reason of any order.

An investment made from moneys credited to the Construction Fund, Bond Fund, the Settlement Fund, the Renewal and Replacement Fund or the Debt Service Reserve Fund shall constitute part of that respective Fund. Interest and income derived from any such investments or deposits shall be held and transferred as follows:

- (a) Settlement Fund - remain in that Fund;
- (b) Construction Fund - remain in that Fund;
- (c) Bond Fund - remain in that Fund;
- (d) Debt Service Reserve Fund - remain in that Fund to make up any deficiency therein; otherwise, transferred to the applicable debt service account of the Bond Fund; and
- (e) Renewal and Replacement Fund – remain in that fund.

Any loss resulting from any such investment shall be charged to the respective Fund or Account for which such investment was made. If at any time after investment therein an investment ceases to meet the criteria set forth in the definition of Eligible Investments and such obligation, aggregated with other non-conforming investments, exceeds 10% of invested funds, such investment shall be sold or liquidated unless otherwise approved by the Credit Facility Issuer in respect of an investment in any Fund or Account for a series of Bonds secured by a Bond Insurance Policy or a Credit Facility, as the case may be. Investments (except investment agreements) in the Settlement Fund, the Bond Fund, the Renewal and Replacement Fund and the Debt Service Reserve Fund shall be valued by the Trustee at the market value thereof, exclusive of accrued interest (i) as frequently as deemed necessary by the Trustee, but not less often than semiannually nor more often than monthly, and (ii) upon any draw upon the Debt Service

Reserve Fund. Deficiencies in the amount on deposit in any of the aforementioned Funds therein resulting from a decline in market value shall be restored upon notice from the Trustee to HCBC by payments from HCBC, subject to Section 4.01 of the Original Loan Agreement, within one year of the valuation date. Deficiencies in the Debt Service Reserve Fund Accounts for the 2005 A Bonds shall also be subject to restoration by deposits made by the City pursuant to the Guaranty Agreement.

The Authority or the Trustee shall terminate any repurchase agreement or investment agreement upon a failure of the counterparty thereto to maintain the requisite collateral percentage after the restoration period (as set forth in Section 1.01 under "Eligible Investments" in the Indenture) and, if not paid by the counterparty in federal funds against transfer of the collateral, liquidate the collateral.

If HCBC shall not have given directions as to investment of money held by the Trustee in the Debt Service Reserve Fund or the General Account of the Bond Fund or if an Event of Default shall have occurred and be continuing hereunder, the Trustee shall make such investments in Eligible Investments and as described in Section 5.05 of the Original Indenture as permitted under applicable law as it deems advisable; provided that in no event shall it invest in securities issued by or obligations of, or guaranteed by, the Authority.

Revenues and the investments thereof in the Bond Fund shall, until applied as provided in the Indenture, be held by the Trustee for the benefit of the Registered Owners of Outstanding Bonds entitled thereto and, excepting moneys in the Credit Facility Account and the Policy Payments Account, the City in the order of priority set forth in the granting clauses of the Indenture, except that any portion of the Revenues representing principal of, premium, if any, and interest on any Bonds previously matured or called for redemption in accordance with Article III of the Original Indenture shall be held for the benefit of the Registered Owners of such Bonds only, and moneys in the Bond Fund constituting amounts to be applied to the reimbursement of the Credit Facility Issuer for amounts drawn under the Credit Facility shall be held for the benefit of the Credit Facility Issuer.

CERTAIN COVENANTS OF THE AUTHORITY

The Authority covenants, among other things, that, so long as any Bonds secured by the Indenture are Outstanding, it will:

(a) maintain its corporate existence; shall use its best efforts to maintain and renew all its rights, powers, privileges and franchises; and shall comply with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any legislative, executive, administrative or judicial body relating to the Authority's participation in the Stadium Project or the issuance of the Bonds;

(b) pay all Bond Service, or cause it to be paid, solely from the sources provided herein, on the dates, at the places and in the manner provided in the Indenture;

(c) not assign the Revenues or create or authorize to be created any debt, lien or charge thereon, other than the assignment thereof under the Indenture;

(d) cause the Indenture or financing statements and continuation statements relating hereto to be filed, in such manner and at such places as may be required by law fully to protect the security of the Registered Owners of the Bonds and the right, title and interest of the Trustee in and to the Trust Estate or any part thereof. From time to time, the Trustee may, but shall not be required to, obtain, at the expense of HCBC (but subject to the provisions of Section 3.05 of the Original Loan Agreement), an opinion of counsel setting forth what, if any, actions by the Authority or Trustee should be taken to preserve such

security. The Authority shall execute or cause to be executed any and all further instruments as may be required by law or as shall reasonably be requested by the Trustee for such protection of the interests of the Registered Owners, and shall furnish satisfactory evidence to the Trustee of filing and refiling of such instruments and of every additional instrument which shall be necessary to preserve the lien of the Indenture upon the Trust Estate or any part thereof until the principal of and interest on the Bonds issued under the Indenture shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of counsel will preserve the lien of the Indenture upon the Trust Estate or any part thereof until the aforesaid principal and interest shall have been paid;

(e) except to the extent otherwise provided in the Indenture, the Authority shall not enter into any contract or take any action by which the rights of the Trustee or the Registered Owners may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Indenture; and

(f) observe and perform faithfully at all times covenants, agreements, authority, actions, undertakings, stipulations and provisions to be observed or performed on its part under the Loan Agreement, the Indenture and the Bonds which are executed, authenticated and delivered under the Indenture, and under all proceedings of the Authority pertaining thereto.

DEFAULTS AND REMEDIES

The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the Indenture:

(a) Failure to pay the principal of or any premium on any Bond when such principal or premium shall become due and payable, whether at stated maturity, by redemption, by acceleration or otherwise;

(b) Failure to pay any interest on any Bond when such interest shall become due and payable;

(c) Failure by the Authority to comply with, or to observe or perform any other covenant, agreement or obligation on its part to be observed or performed and which is contained in the Indenture or in the Bonds, which failure shall have continued for a period of 60 days after written notice, by registered or certified mail, to the Authority, the City, the Bond Insurer, the Credit Facility Issuer and HCBC, specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Registered Owners of not less than 25% in aggregate principal amount of Bonds Outstanding or the Bond Insurer;

(d) The occurrence and continuance of an event of default as defined in the Loan Agreement;

(e) Receipt by the Trustee of a written notice from the Credit Facility Issuer that an event of default has occurred under the CF Reimbursement Agreement or other Credit Facility, and said notice requests the Trustee to declare the principal of the Outstanding 2005 A-1 Bonds due and payable;

(f) If the City is the Directing Party as to a Series of Bonds, receipt by the Trustee of a written notice from the City that an event of default has occurred under the City Reimbursement

Agreement, and said notice requests the Trustee to declare the principal of the Outstanding Bonds due and payable;

(g) Failure by the City to make payment on a proper demand under the Guaranty Agreement;

(h) (i) Application by the Authority or the City for the appointment of a receiver, trustee, liquidator or custodian or the like of itself or its property, or (ii) admission by the Authority or the City in writing of its inability to pay when due its debts generally as they become due, or (iii) the seeking by the Authority or the City of an order for relief under the Bankruptcy Code of the United States or under any similar law of the United States of America or of the Commonwealth, or (iv) failure by the Authority or the City to remove for a period of 60 days after institution thereof a proceeding to declare the Authority or the City a bankrupt, or the like; or

(i) With respect to a Series of Bonds as to which it is a Directing Party, assertion by the Bond Insurer that the Bond Insurance Policy is no longer in effect or the Credit Facility Issuer that its Credit Facility is no longer in effect.

The term “default” or “failure” as used in the Indenture means (i) a default or failure by the Authority in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in the Indenture or in the Bonds, or (ii) a default or failure by HCBC under the Loan Agreement, in either case, exclusive of any period of grace or notice required to constitute an Event of Default, as provided above or in the Loan Agreement.

Notwithstanding anything contained in the Indenture to the contrary, (i) in determining whether an Event of Default has occurred under Subsections 7.01(a) or 7.01(b) of the Original Indenture, no effect shall be given to payments made under a Bond Insurance Policy or Credit Facility; and (ii) no grace period for an Event of Default under Subsection 7.01(c) of the Indenture shall exceed 60 days, nor be extended for more than 90 days, without the prior written consent of a Bond Insurer or Credit Facility Issuer who is a Directing Party.

Upon the occurrence of an Event of Default as described in Subsection (a), (b), (e), (f), (g), (h) or (i) of Section 7.01 of the Original Indenture, the Trustee, subject to the provisions hereinafter described in Section 7.03 of the Original Indenture, shall declare, by notice in writing delivered to the Credit Facility Issuer, the Bond Insurer, the City, the Authority and HCBC, the principal of all Bonds Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately. Upon the occurrence of an Event of Default as described in Subsection (c) and (d) of Section 7.01 of the Original Indenture, the Trustee, only upon the written direction of the Directing Party and subject to the provisions hereinafter described in this Section 7.03 of the Original Indenture, shall declare by notice delivered in writing to the Credit Facility Issuer, the Bond Insurer, the City, the Authority and HCBC, the principal of all Bonds Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately. Upon such declaration, such principal and interest shall become due and payable immediately.

If the Credit Facility Issuer is the Directing Party in respect of a series of Bonds secured by a Credit Facility, notwithstanding anything in the Indenture to the contrary, no acceleration of such Bonds may be made without obtaining the prior written consent of the Credit Facility Issuer so long as the Credit Facility securing such Bonds shall remain in full force and effect and the Registered Owners of such Bonds are being paid in full as provided in the Indenture and in the Credit Facility. If the City at such time is not in default of its obligations under the Guaranty Agreement and the Registered Owners of such Bonds are being paid in full as provided in the Indenture and in the Guaranty Agreement, no acceleration

of such Bonds may be made without also obtaining the prior written consent of the City. In the event the maturity of such Bonds is accelerated pursuant to the consent or direction of the Credit Facility Issuer (and the consent of the City, if necessary), the Trustee shall immediately draw upon the Credit Facility to pay accelerated principal and interest accrued on such principal to the date of acceleration. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, (i) the Trustee shall immediately set a special record date for the payment of such amounts to the Registered Owners of such series of Bonds and (ii) the Credit Issuer's obligations under the Credit Facility shall be fully discharged.

If the Bond Insurer is the Directing Party in respect of a series of Bonds secured by a Bond Insurance Policy, notwithstanding anything in the Indenture to the contrary, no acceleration of such Bonds may be made without obtaining the prior written consent of the Bond Insurer. Except to the extent expressly provided in the Bond Insurance Policy securing such series of Bonds or as may be required or permitted by the Bond Insurer, nothing in the Indenture contained shall permit the Trustee to accelerate the payments due on a series of Bonds if the Bond Insurance Policy securing such Bonds shall remain in full force and effect and the Registered Owners of such Bonds are being paid in full as provided in the Indenture and in the Bond Insurance Policy. If the City at such time is not in default of its obligations under the Guaranty Agreement and the Registered Owners of such Bonds are being paid in full as provided in the Indenture and in the Guaranty Agreement, no acceleration of the such Bonds may be made without also obtaining the prior written consent of the City. In the event the maturity of such Bonds is accelerated pursuant to the consent or direction of the Bond Insurer (and the consent of the City, if necessary), the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration 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, (i) the Trustee shall immediately set a special record date for the payment of such amounts to the Registered Owners of such series of Bonds and (ii) the Bond Insurer's obligations under the Bond Insurance Policy shall be fully discharged.

If the City is the Directing Party in respect of a series of Bonds, no acceleration of such Bonds may be made without obtaining the prior written consent of the City, and so long as the Registered Owners of such Bonds are being paid in full as provided herein and in the Guaranty Agreement, nothing herein contained shall permit the Trustee to accelerate the payments due on the such Bonds.

The Trustee immediately upon such declaration of acceleration shall give notice thereof in the same manner as provided in Section 3.04 of the Original Indenture with respect to redemption of the Bonds, except that there shall be no minimum period of notice prior to the date of payment. Upon any declaration of acceleration of the Bonds hereunder in accordance with the provisions of this Section 7.03 of the Original Indenture, the Trustee shall (i) immediately exercise such rights as it may have under the Loan Agreement to declare all payments thereunder to be immediately due and payable, (ii) immediately demand payment under the Guaranty Agreement to the full extent permitted by the terms thereof (such payment to include amounts in respect of interest accruing on the Bonds through the date payment of such demand by the City is due), (iii) if necessary, immediately make a claim under the Bond Insurance Policy pursuant to the provisions of Section 12.06 of the Original Indenture, to the full extent permitted by the terms in the Indenture and of the Bond Insurance Policy, and (iv) if necessary, immediately make a draw under the Credit Facility to the full extent permitted by the terms of the Indenture and the Credit Facility.

If, at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement hereunder, (a) all sums payable hereunder (except the principal of and interest on Bonds which have not reached their stated maturity dates but which are due and payable solely by reasons of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate borne by the Bonds in respect of which the default shall have occurred, shall have been

duly paid or provision shall have been duly made therefor by deposit with the Trustee and (b) all existing Events of Default shall have been cured, then and in every case, the Trustee shall waive the Event of Default and its consequences and shall rescind and annul that declaration, subject to Section 7.10 of the Original Indenture.

The Registered Owners of at least a 66-2/3% majority in aggregate principal amount of Bonds Outstanding shall have the right at any time, with the prior written consent of the Directing Party, to direct, by an instrument or document or instruments or documents in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings hereunder; provided that (i) any direction shall be in accordance with the provisions of law and of the Indenture and (ii) the Trustee shall be indemnified as provided in Sections 11.01 and 11.02 of the Original Indenture. Once the Registered Owners have delivered a written direction to the Trustee in accordance with this Section 7.05 of the Original Indenture, the Trustee may continue to take other actions permitted hereunder which are not inconsistent with such written direction. The Registered Owners of 100% of the aggregate principal amount of Bonds Outstanding may, with the prior written consent of the Directing Party, upon written direction delivered to the Trustee, and upon providing indemnification as set forth in Section 11.01 of the Original Indenture and 11.02 of the Original Indenture, direct the Trustee to take any action permitted by law, even if inconsistent with the provisions of the Indenture.

All moneys received by the Trustee pursuant to any payment made under the Guaranty Agreement shall be applied by the Trustee to and only to the payment of principal of or interest on the 2005 A Bonds. All moneys received by the Trustee pursuant to any draw under the Credit Facility shall be applied by the Trustee to and only to payment of the principal or purchase price of and interest on the 2005 A-1 Bonds. All moneys received by the Trustee pursuant to any payment made under the Bond Insurance Policy shall be applied by the Trustee solely for payment to the Registered Owners of 2005 A-2 Bonds, as provided in Section 12.07 of the Original Indenture. After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Trustee, subject to the provisions of Section 12.07 of the Original Indenture, in the collection of moneys pursuant to any right given or action taken under the provisions of the Indenture or the provisions of the Loan Agreement, the Guaranty Agreement, the Credit Facility or the Bond Insurance Policy (including, without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under the Indenture), all moneys so received by the Trustee shall be applied as follows, subject to Sections 5.03, 5.06 or 5.07 of the Original Indenture:

(a) Unless the principal of all of the Bonds shall have become, or shall have been declared to be, due and payable, all of those moneys shall be deposited in the Bond Fund and, provided that such moneys so deposited shall at least be sufficient to pay in full the amounts due under the first two following applications, shall be applied:

First -- To the payment to the Registered Owners of Bonds entitled thereto of all installments of interest then due on such Bonds.

Second -- To the payment to the Registered Owners of Bonds entitled thereto of the unpaid principal of any of such Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), whether at stated maturity or by redemption, in the order of their due dates, beginning with the earliest due date, with interest on such Bonds from the respective dates upon which they became due at the rates specified in such Bonds.

Third -- To the payment to the Bond Insurer or Credit Facility Issuer of amounts due and owing under the Indenture which are not covered by any of the two immediately preceding applications of moneys.

Fourth -- To the payment to the City of any amounts not reimbursed to the City under the City Reimbursement Agreement and not covered by either the first or second applications of moneys providing for payment of interest and principal.

The surplus, if any, remaining after the application of the moneys as set forth above shall be paid to HCBC or the Person lawfully entitled to receive the same as a court of competent jurisdiction may direct. If in any case the moneys to be applied shall not be sufficient to pay in full the whole amount of principal and interest due and unpaid upon the Bonds, the moneys shall in each such case be applied ratably according to the aggregate of such principal and accrued and unpaid interest, with application on each such Bond to be made first, to unpaid principal thereof, and second, to unpaid interest in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Registered Owners of such Bonds entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in such Bonds. Anything herein to the contrary notwithstanding, any interest that the Authority must pay on defaulted interest or principal shall not accrue to any Registered Owner of a 2005 Bond except the Bond Insurer or Credit Facility Issuer so long as the Bond Insurer or Credit Facility Issuer is not in default in its payment obligations under the Bond Insurance Policy or Credit Facility, as the case may be.

(b) If the principal of all of the Bonds shall have become due or shall have been declared to be due and payable pursuant to the Indenture, all of those moneys shall be deposited into the Bond Fund and shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, and if in any case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon the Bonds, then ratably according to the aggregate of such principal, accrued and unpaid interest and premium, if any, with application on each Bond to be made first, to payment of the unpaid principal thereof, second, to unpaid premium, if any, and third to unpaid interest, without preference or priority of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the Registered Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all of the Bonds shall have been declared to be due and payable pursuant to the Indenture, and if that declaration thereafter shall have been rescinded and annulled under the provisions of Sections 7.03 of the Original Indenture or 7.10 of the Original Indenture, subject to the provisions of paragraph (b) of this Section in the event that the principal of all of the Bonds shall become due and payable later, the moneys shall be deposited in the Bond Fund and shall be applied in accordance with the provisions of Article V of the Indenture.

(d) Whenever moneys are to be applied pursuant to the provisions of the Indenture, those moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. However, nothing herein shall relieve the Trustee of the obligation that it liquidate any Eligible Investment in either the Bond Fund or the Debt Service Reserve Fund and apply such amounts to the payment of Bond Service on any Interest Payment Date, to the extent such amounts are available and are needed for such payment. Whenever the Trustee shall direct the application of those moneys, it shall fix the date upon which the application is to be made (and which

with respect to acceleration will be made in accordance with Section 7.03 of the Original Indenture), and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are available therefor. The Trustee shall give notice of the deposit with it of any moneys and of the fixing of that date, all consistent with the requirements of Section 2.05 of the Original Indenture for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. Whenever moneys are to be applied pursuant to this Section, the Trustee shall not be required to make payment of principal of and any premium on a Bond to the Registered Owner thereof, until the Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

AMENDMENTS TO THE INDENTURE

Without the consent of, or notice to, any Registered Owners, the Authority and the Trustee, with the prior written consent of the City and the Credit Facility Issuer, except as to issuance of 2005 A-2 Bonds, may enter into indentures supplemental to the Indenture which shall not, in the opinion of the Authority and the Trustee, be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers or Authority that lawfully may be granted to or conferred upon the Registered Owners or the Trustee;
- (c) To confirm any pledge of or lien on the Revenues, to assign additional revenues under the Indenture or to accept additional security and instruments and documents of further assurance;
- (d) To add to the covenants, agreements and obligations of the Authority under the Indenture, other covenants, agreements and obligations to be observed for the protection of the Registered Owners, or to surrender or limit any right, power or Authority reserved to or conferred upon the Authority in the Indenture;
- (e) To discontinue or to permit the use of a book-entry system to identify the owner of an interest in an obligation issued by the Authority under the Indenture, whether that obligation was formerly, or could be, evidenced by a tangible security;
- (f) To permit the Trustee to comply with any obligations imposed upon it by law;
- (g) To specify further the duties and responsibilities of, and to define further the relationship among, the Trustee and any paying agents;
- (h) To achieve compliance of the Indenture with any applicable federal securities or tax laws;
- (i) To make any amendments required to secure a rating on the Bonds from a Rating Service equal to the rating of the City's general obligation indebtedness;
- (j) To effect the issuance of the 2005 A-2 Bonds pursuant to the Indenture and to provide for the issuance of Additional Bonds pursuant to Section 2.10 of the Original Indenture; or

(k) To permit any other amendment which is not to the material prejudice of the Trustee or the Registered Owners.

The provisions of Subsections 8.02(f) and (h) of the Original Indenture shall not be deemed to constitute a waiver by the Trustee, the Authority or any Registered Owner of any right which it may have in the absence of those provisions to contest the application of any change in law to the Indenture or the Bonds.

With the consent of the Registered Owners of not less than a 66-2/3% majority in aggregate principal amount of the Bonds Outstanding, evidenced as provided in the Indenture, and with the prior written consent of the City, the Credit Facility Issuer (if a Directing Party), the Authority and the Trustee may execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of the Indenture or any Supplemental Indenture or restricting in any manner the rights of the Registered Owners; provided, however, the consent of the Credit Facility Issuer to a Supplemental Indenture under Section 8.03 of the Original Indenture shall not be taken into consideration in determining whether the required percentage of Registered Owners have so consented. Nothing in such Section or Section 8.02 of the Original Indenture shall permit, however, or be construed as permitting, without the consent of the Registered Owners of all Bonds Outstanding, (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a change in the principal amount or redemption price of any Bond or the rate of interest or premium thereon, (iii) a change in the amount or extension of the time of payment of any mandatory sinking fund requirements, (iv) the creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a change in the aggregate principal amount of the Bonds required for consent to a Supplemental Indenture.

If the Authority shall request that the Trustee execute and deliver any Supplemental Indenture for any of the purposes of this Section, upon (i) being satisfactorily indemnified with respect to its expenses in connection therewith, and (ii) if required by Section 8.04 of the Original Indenture, receipt of the consent of HCBC to the proposed execution and delivery of the Supplemental Indenture, the Trustee shall cause notice of the proposed execution and delivery of the Supplemental Indenture to be mailed by first class mail, postage prepaid, to all Registered Owners of Bonds Outstanding at their addresses as they appear on the Register at the close of business on the fifteenth (15th) day preceding that mailing.

The Trustee shall not be subject to any liability to any Registered Owner by reason of the Trustee's failure to mail, or the failure of any Registered Owner to receive, the notice required by such Section. Any failure of that nature shall not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in such Section. The notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Registered Owners.

If the Trustee shall receive, within a period prescribed by the Authority of not less than 60 days but not exceeding one year following the mailing of the notice, an instrument or document or instruments or documents, in form to which the Trustee does not reasonably object, purporting to be executed by the Registered Owners of not less than 66-2/3% in aggregate principal amount of the Bonds then Outstanding (which instrument or document or instruments or documents shall refer to the proposed Supplemental Indenture in the form described in the notice and specifically shall consent to the Supplemental Indenture in substantially that form), the Trustee shall, but shall not otherwise, execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice as being on file with the Trustee, without liability or responsibility to any Registered Owner, regardless of whether that Registered Owner shall have consented thereto.

Any consent shall be binding upon the Registered Owner of the Bond giving the consent and, anything herein to the contrary notwithstanding, upon any subsequent Registered Owner of that Bond and of any Bond issued in exchange therefor (regardless of whether the subsequent Registered Owner has notice of the consent to the Supplemental Indenture). A consent may be revoked in writing, however, by the Registered Owner who gave the consent or by a subsequent Registered Owner of the Bond by a revocation of such consent received by the Trustee prior to the execution and delivery by the Trustee of the Supplemental Indenture. At any time after the Registered Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Authority a written statement that the Registered Owners of the required percentage of Bonds have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed.

If the Registered Owners of the required percentage in aggregate principal amount of Bonds Outstanding shall have consented to the Supplemental Indenture, as provided in this Section, no Registered Owner shall have any right (a) to object to (i) the execution or delivery of the Supplemental Indenture, (ii) any of the terms and provisions contained therein, or (iii) the operation thereof, (b) to question the propriety of the execution and delivery thereof, or (c) to enjoin or restrain the Trustee or the Authority from that execution or delivery or from taking any action pursuant to the provisions thereof.

BOND INSURER RIGHTS

Any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer for the 2005 A-2 Bonds may not be amended in any manner which affects the rights of the Bond Insurer thereunder without the prior written consent of the Bond Insurer. The consent of the Bond Insurer for the 2005 A-2 Bonds shall be required in lieu of Holder consent, when required, for the following purposes: (i) execution and delivery of any supplemental indenture or any amendment, supplement or change to or modification of the Loan Agreement; (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Holder consent. Any reorganization or liquidation plan with respect to HCBC must be acceptable to the Bond Insurer for the 2005 A-2 Bonds. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all 2005 A-2 Holders so long as it is a Directing Party. To the extent that the Indenture confers upon or gives or grants to the Bond Insurer for the 2005 A-2 Bonds any right, remedy or claim under or by reason of the Indenture, the Bond Insurer for the 2005 A-2 Bonds is hereby explicitly recognized as being a third-party beneficiary under the Indenture and may enforce any such right, remedy or claim conferred, given or granted thereunder.

AMENDMENTS TO THE LOAN AGREEMENT AND THE GUARANTY AGREEMENT

Without the consent of or notice to the Registered Owners, the Authority, the Credit Facility Issuer, the Bond Insurer, and the Trustee may, with the prior written consent of the City, consent to any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Loan Agreement, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the Indenture pursuant to Section 8.02 of the Original Indenture, or (iv) in connection with any other change therein which is not to the prejudice of the Trustee or the Registered Owners of the Bonds.

Except for the amendments, changes or modifications contemplated in Section 9.01 of the Original Indenture, neither the Authority nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement without the giving of notice as provided in this Section of the

proposed amendment, change or modification and receipt of the written consent thereto of the City, the Credit Facility Issuer, the Bond Insurer, and the Registered Owners of not less than a majority of at least 66-2/3% in aggregate principal amount of the Bonds Outstanding. The consent of the Registered Owners shall be obtained as provided in Section 8.03 with respect to Supplemental Indentures.

If the Authority and HCBC shall request at any time the consent of the Registered Owners to any proposed amendment, change or modification of the Loan Agreement contemplated in such Section, upon being indemnified satisfactorily with respect to expenses, the Trustee shall cause notice of the proposed amendment, change or modification to be provided in the manner which is required by Section 8.03 with respect to notice of Supplemental Indentures. The notice shall set forth briefly the nature of the proposed amendment, change or modification and shall state that copies of the instrument or document embodying it are on file at the Principal Office of the Trustee for inspection by all Registered Owners.

If the City proposes to amend the Guaranty Agreement, the Trustee may consent thereto, provided that (i) if such proposal would amend the Guaranty Agreement in such a way as would materially adversely affect the interests of the Registered Owners of the 2005 A Bonds, the Trustee shall notify the Registered Owners of the 2005 A Bonds of the proposed amendment and may consent thereto only with the prior written consent of Registered Owners of at least 66-2/3% in aggregate principal amount of the 2005 A Bonds Outstanding and (ii) the Trustee shall not, without the unanimous consent of all Registered Owners of 2005 A Bonds, consent to any amendment which would decrease the amounts payable under the Guaranty Agreement in respect of Outstanding 2005 A Bonds on any Interest Payment Date or on the date of redemption, acceleration or payment at maturity of the 2005 A Bonds, other than as contemplated by the Indenture. The Trustee shall send a copy of the proposed amendment of the Guaranty Agreement to such Registered Owners at such Registered Owners' address as shown in the Register. Anything herein to the contrary notwithstanding, no amendment of the Guaranty Agreement shall become effective without the prior written consent of the Credit Facility Issuer and the Bond Insurer to the extent each is a Directing Party.

DISCHARGE OF THE INDENTURE

Subject to the provisions of the second paragraph of Section 10.03 of the Original Indenture, when the principal of, and interest on, all Bonds issued hereunder have been paid, or provision has been made for payment of the same together with the compensation and expenses of the Trustee and all amounts due and payable to the Credit Facility Issuer and the Bond Insurer under the Indenture, and all other sums payable hereunder by the Authority, the right, title and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on demand of the Authority or HCBC, shall release the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority or HCBC and shall turn over to HCBC or to such Person as may be entitled to receive the same all balances then held by it hereunder not required for the payment of the Bonds and such other sums and shall surrender the Guaranty Agreement to the City; provided that in the event there has been a drawing under the Guaranty Agreement for which the City has not been fully reimbursed or any other obligations are then due and owing to the City under the City Reimbursement Agreement, and no amounts are due and owing under the Indenture to the Bond Insurer or under the CF Reimbursement Agreement or other Credit Facility to the Credit Facility Issuer, the Trustee shall assign and turn over to the City, as subrogee or otherwise, all of the Trustee's right, title and interest under the Indenture, all balances held hereunder not required for the payment of the Bonds and such other sums and the Trustee's right, title and interest in, to and under the Loan Agreement and any other property comprising the Trust Estate. If payment or provision for payment is made with respect to less than all of the Bonds, the particular Bonds (or portions thereof) for which payment or provision for payment shall have been considered made shall be selected by lot or by such other method as the Trustee deems fair and

appropriate and thereupon the Trustee shall take similar action for the release of the Indenture with respect to such Bonds.

Provision for the payment of Bonds shall be deemed to have been made when the Trustee holds, (1) cash in an amount sufficient to make all payments (including principal, premium, if any, and interest payments) specified above with respect to such Bonds, or (2) noncallable United States Treasury Obligations, maturing on or before the date or dates when the payments specified above shall become due, the principal amount of which and the interest thereon, when due, is or will be, in the aggregate, sufficient without reinvestment to make all such payments, (3) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s (the investments and obligations described in clauses (2) and (3) are collectively referred to herein as “Defeasance Obligations”), (4) any combination of cash and Defeasance Obligations, the amounts of which and interest thereon, when due, are or will be, in the aggregate, sufficient without reinvestment to make all such payments. Notwithstanding the foregoing so long as the Bond Insurer for the 2005 A-2 Bonds is a Directing Party, Defeasance Obligations shall be limited to (1) Cash (insured at all times by the Federal Deposit Insurance Corporation) (2) Direct obligations of the United States of America and (3) senior debt obligations of United States Government sponsored agencies approved by such Bond Insurer.

In the event of an advance refunding of any Bonds, the Authority shall cause to be delivered, on the deposit date and upon any reinvestment of the defeasance amount, (i) a report of a nationally-recognized certified public accountant verifying the sufficiency of the escrow established to pay such Bonds in full on the maturity date (the “Verification”), (ii) an escrow agreement which shall provide that no (A) substitution of a Defeasance Obligation shall be permitted, except with another Defeasance Obligation and upon delivery of a new Verification, (B) reinvestment of a Defeasance Obligation shall be permitted except as contemplated by the original Verification or upon delivery of a new Verification and (iii) an opinion of Bond Counsel that such Bonds are no longer Outstanding hereunder, each of which shall be addressed to the Authority, the Trustee, the Credit Facility Issuer, and the Bond Insurer, if applicable.

Anything herein to the contrary notwithstanding, Bonds shall be deemed Outstanding hereunder unless and until such Bonds are paid and retired or the criteria in the two immediately preceding paragraphs are met.

(b) Neither the moneys nor the obligations deposited with the Trustee pursuant to the Indenture shall be withdrawn or used for any purpose other than, and such obligations and moneys shall be segregated and held in trust for, the payment of the principal or redemption price of, premium, if any, on and interest on, the Bonds (or portions thereof) succeeding the date of investment or reinvestment.

(c) Whenever moneys or obligations shall be deposited with the Trustee for the payment or redemption of Bonds more than 60 days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice to the Registered Owners of Bonds for the payment of which such moneys or obligations are being held at their registered addresses stating that such moneys or obligations have been deposited. Notwithstanding the foregoing, no delivery to the Trustee under this Section shall be deemed a payment of any Bonds which are to be redeemed prior to their stated maturity until such Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such Bonds may be redeemed in accordance with the provisions of the Indenture and proper notice of such redemption shall have been given in accordance with Article III of the Original Indenture or the Authority shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give, in the manner and at the times prescribed by Article III of the Original Indenture, notice of redemption, and the requirements of Section 10.02(a) of the Original Indenture have been satisfied.

If the principal of any Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, has been paid or provision therefor made in accordance with Section 10.02 of the Original Indenture, all interest on such Bonds shall cease to accrue on the due date and all liability of the Authority with respect to such Bonds shall likewise cease, except as hereinafter provided. Thereafter, the Registered Owners of such Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bonds, and the Trustee shall hold such funds in trust for such Registered Owners uninvested and without liability for interest thereon. Moneys so deposited with the Trustee which remain unclaimed five years after the date payment thereof becomes due shall, at the request of HCBC and if neither the Authority nor HCBC is at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture, the Bonds or the Loan Agreement, be paid to HCBC, and the Registered Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against HCBC; provided that the Trustee, before making payment to HCBC, may, at the expense of HCBC, cause a notice to be given to the Registered Owners of the Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to HCBC after a specified date.

In the event the interest or principal due on any Bonds shall have been paid by the Credit Facility Issuer pursuant to the Credit Facility or by the Bond Insurer pursuant to the Bond Insurance Policy securing such Bonds, including a Bond Insurer, such amounts shall remain outstanding hereunder and shall continue to be due and owing until paid by the Authority in accordance with the provisions in the Indenture. The covenants, agreements and other obligations of the Authority to Registered Owners of such Bonds shall continue to exist and shall run to the benefit of the Bond Insurer or the Credit Facility Issuer, and the Bond Insurer or the Credit Facility Issuer shall be subrogated to the rights of such Registered Owners. The Indenture shall not be discharged unless all such amounts due and owing to the Bond Insurer have been paid in full.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

THE LOAN

The Bonds are being issued to finance a portion of a loan (the "Loan") by the Authority to HCBC pursuant to the Loan and Security Agreement, dated as of January 1, 2005, between the Authority and HCBC, as amended and supplemented by a First Supplemental Loan and Security Agreement dated as of February 1, 2005 between the same parties (collectively, the "Loan Agreement"). The Authority has previously issued as parity bonds under the Indenture \$9,000,000, aggregate principal amount, of its Federally Taxable Guaranteed Variable Rate Revenue Bonds (Stadium Project), Series A-1 of 2005 to fund the initial portion of the Loan. HCBC is using moneys available under the Loan Agreement to finance a project which consists generally of the following: (i) funding a portion of the costs of the renovation and upgrade of the Commerce Bank Park baseball stadium on City Island, (ii) funding necessary reserves and capitalized interest under the Indenture and (iii) paying financing costs.

LOAN PAYMENTS AND OTHER SUMS

Under the Loan Agreement, HCBC will repay, but solely from the Stadium Revenues actually received, the Loan to the Authority by making installment payments, in the manner and at the times set forth in the Loan Agreement, in sums sufficient to pay the principal of, premium, if any, and interest payable on the 2005A Bonds, and all other amounts payable under the Loan Agreement.

SECURITY FOR HCBC'S PAYMENT OBLIGATIONS UNDER THE LOAN AGREEMENT; ADDITIONAL INDEBTEDNESS

Security. Under the Loan Agreement, HCBC grants to the Authority and if required the provider of any Credit Facility a security interest in the Stadium Revenues, including, without limitation, all Net Franchise Proceeds.

Additional Indebtedness. HCBC shall not incur, create or assume any additional indebtedness or liability except (i) indebtedness arising pursuant to the Bond Documents, (ii) indebtedness permitted by any of the Bond Documents, (iii) indebtedness with respect to trade obligations or other normal accruals occurring in the ordinary course of business and not more than 120 days overdue or with respect to which it is negotiating or contesting in good faith the amount or validity thereof by appropriate proceedings or negotiation, or (iv) one or more lines of credit or other indebtedness for borrowed funds up to an aggregate maximum principal amount of \$200,000 which is unsecured.

HCBC shall not create, incur, assume or suffer any mortgage, lien, pledge, charge or other like encumbrance on its assets, now or hereafter owned, other than (i) liens securing payment of taxes not yet due or which are being contested in good faith by appropriate proceedings, (ii) deposits under workmen's compensation, unemployment insurance and social security laws, or to secure the performance of bids, tenders or contracts or to secure a statutory obligation or appeal bonds given in the ordinary course of business, (iii) liens imposed by law incurred in the ordinary course of business or arising out of any judgment or award for which it shall be prosecuting an appeal or stay or for which judgment or award the appeal period has not yet expired, and (iv) liens permitted by any of the Bond Documents.

DEFAULTS AND REMEDIES

Events of Default. The following constitute an event of default ("Event of Default") under the Loan Agreement:

(a) Failure by HCBC to make any payments of amounts equal to principal and interest due on the 2005 A Bonds within five days of the date when due and payable;

(b) Failure by HCBC to observe or perform any other agreement, term or condition of the Loan Agreement for a period of 60 days after notice by the Authority or the Trustee, which period may by written agreement of the Authority and Trustee be extended; provided that, if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure will not constitute an Event of Default so long as HCBC institutes curative action within the applicable period and diligently pursues that action to completion to the satisfaction of the Trustee, the City, the Authority and the Bond Insurer and the Credit Facility Issuer; or

(c) HCBC shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of itself or of its property, (ii) admit in writing its inability to pay its debts generally as they become due, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) commence a voluntary case under the United States Bankruptcy Code or other applicable bankruptcy or insolvency law, or (vi) have commenced against it an involuntary case under the United States Bankruptcy Code or other applicable bankruptcy or insolvency law that (A) results in the entry of an order for relief or (B) remains unvacated, undismissed and undischarged for a period of 60 days; or

(d) the occurrence of an event of default under the Indenture; or

(e) the occurrence of an event of default under the Reimbursement Agreement or the CF Reimbursement Agreement or other Credit Facility; or

(f) the occurrence of an event of default under the Guaranty Agreement.

Unless and until the Authority or the Trustee shall have exercised any remedies upon an Event of Default, and subject to the rights of the City, the Credit Facility Issuer and the Bond Insurer, as described in the Indenture, HCBC (or any other Person on behalf of HCBC) may at any time (a) pay all accrued unpaid payments then due and owing on the outstanding balance of the Loan and all other sums which HCBC is obligated to pay under the Loan Agreement; and (b) cure all other existing defaults under the Loan Agreement, and in every such case, such payment and cure shall be deemed to constitute a waiver of the default and its consequences as though the default had not occurred.

Remedies Upon Event of Default. Upon the occurrence of an Event of Default,

(a) the Trustee may declare the entire outstanding balance of the Loan and any other sums which HCBC is obligated to pay to the Authority under the Loan Agreement immediately due and payable and if payment of the Bonds is accelerated pursuant to the Indenture, shall declare such balance and other sums to be immediately due and payable, and

(b) the Trustee may exercise any of the remedies granted by the Bond Documents and the provisions relating thereto are incorporated in the Loan Agreement by reference with such changes therein as may be required to make them applicable to the Loan Agreement.

Remedies of the Authority. In addition to the rights of the Trustee under Section 8.02 of the Original Loan Agreement, the Authority shall have the right to proceed against HCBC for payment of Administrative Expenses pursuant to Section 4.02(f) of the Original Loan Agreement and for indemnification pursuant to Section 6.02 of the Original Loan Agreement, but in each event as limited by Section 4.01 of the Original Loan Agreement.

APPENDIX C

Specimen Financial Guaranty Insurance Policy

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

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


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

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

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

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

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



President




Secretary

Effective Date:

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Representative



Authorized Officer of Insurance Trustee

APPENDIX D

Redevelopment Authority of the City of Harrisburg
Debt Service Summary - Stadium Project

APPENDIX D

Redevelopment Authority of the City of Harrisburg
Debt Service Summary - Stadium Project

Year	Series A-1 of 2005		(1)	Series A-2 of 2005		Total
	Principal	Interest		Principal	Interest	
2005	\$ 0	\$ 287,980	\$ 0	\$ 355,711	\$ 643,691	
2006	185,000	336,600	0	450,901	972,501	
2007	195,000	440,750	210,000	446,806	1,292,556	
2008	205,000	431,000	220,000	438,234	1,294,234	
2009	215,000	420,750	225,000	428,976	1,289,726	
2010	225,000	410,000	235,000	419,025	1,289,025	
2011	240,000	398,750	245,000	408,330	1,292,080	
2012	250,000	386,750	260,000	396,825	1,293,575	
2013	265,000	374,250	270,000	384,514	1,293,764	
2014	275,000	361,000	280,000	371,518	1,287,518	
2015	290,000	347,250	295,000	357,730	1,289,980	
2016	305,000	332,750	310,000	343,026	1,290,776	
2017	320,000	317,500	325,000	327,403	1,289,903	
2018	340,000	301,500	340,000	310,859	1,292,359	
2019	355,000	284,500	360,000	293,287	1,292,787	
2020	375,000	266,750	375,000	274,690	1,291,440	
2021	390,000	248,000	395,000	254,895	1,287,895	
2022	410,000	228,500	420,000	233,705	1,292,205	
2023	435,000	208,000	440,000	211,345	1,294,345	
2024	455,000	186,250	460,000	187,945	1,289,195	
2025	480,000	163,500	485,000	163,375	1,291,875	
2026	505,000	139,500	510,000	137,276	1,291,776	
2027	530,000	114,250	540,000	109,503	1,293,753	
2028	555,000	87,750	570,000	80,144	1,292,894	
2029	585,000	60,000	600,000	49,197	1,294,197	
2030	615,000	30,750	630,000	16,664	1,292,414	
	<u>\$ 9,000,000</u>	<u>\$ 7,164,580</u>		<u>\$ 9,000,000</u>	<u>\$ 7,451,880</u>	<u>\$ 32,616,460</u>

(1) Based on an initial term rate of 3.74% per annum to November 15, 2006; thereafter, the variable rate for the Series A-1 of 2005 Bonds is assumed to be 5.00% per annum.