

*In the opinion of Cohen & Grigsby, P.C., Bond Counsel, under existing law, interest on the Series T Bonds will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continued compliance by the Commission with requirements of the Internal Revenue Code of 1986, as amended, and all applicable regulations thereunder. Interest on the Series T Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining "adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, under existing law, the Series T Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Series T Bonds is exempt from Pennsylvania personal income tax and corporate net income tax. See "TAX EXEMPTION AND OTHER TAX MATTERS" herein for a further discussion of tax consequences of ownership of the Series T Bonds.*

**\$86,660,000**  
**PENNSYLVANIA TURNPIKE COMMISSION**  
**TURNPIKE REVENUE REFUNDING BONDS**  
**SERIES T OF 2001**

Dated: September 1, 2001

Due: December 1, as shown herein

The Pennsylvania Turnpike Commission Turnpike Revenue Refunding Bonds, Series T of 2001 (the "Series T Bonds") are being issued pursuant to a Fourteenth Supplemental Trust Indenture dated as of September 1, 2001 (the "Fourteenth Supplemental Indenture") between the Pennsylvania Turnpike Commission (the "Commission") and First Union National Bank, as Trustee, (the "Trustee") under a Trust Indenture dated as of July 1, 1986 between the Commission and the Trustee (together with the Supplements thereto, the "Original Indenture"). The Commission is proposing to enter into an Amended and Restated Trust Indenture with the Trustee (the "Restated Indenture"). The Restated Indenture is a complete amendment and restatement of the Original Indenture as described in APPENDIX C, SUMMARY OF CERTAIN PROVISIONS OF THE RESTATED INDENTURE to which the purchasers of the Series T Bonds will be deemed to have consented. Approval of the Restated Indenture by all holders of the Commission's outstanding Bonds is expected to be completed on or about December 1, 2002.

The Series T Bonds are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases of Series T Bonds will be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry only form. Purchasers of Series T Bonds will not receive bonds representing their beneficial ownership in the Series T Bonds but will receive a credit balance on the books of their respective DTC Participants or DTC Indirect Participants. The Series T Bonds will be transferable or exchangeable to another nominee of The Depository Trust Company or as otherwise described herein.

Interest on the Series T Bonds, which is payable on June 1 and on December 1 of each year, commencing June 1, 2002, and principal of the Series T Bonds, is payable by the Trustee to Cede & Co., and such interest and principal payments are to be disbursed to the beneficial owners of Series T Bonds through their respective DTC Participants or DTC Indirect Participants.

Payment of the principal of and interest on the Series T Bonds when due will be insured by a Municipal Bond New Issue Insurance Policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the Series T Bonds. See BOND INSURANCE.

**FGIC** Financial Guaranty Insurance  
Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

**THE SERIES T BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION AND SHALL NOT BE DEEMED TO BE A DEBT OF THE COMMONWEALTH OF PENNSYLVANIA (THE "COMMONWEALTH") OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH, BUT THE SERIES T BONDS SHALL BE PAYABLE SOLELY FROM THE TRUST ESTATE (AS DEFINED HEREIN) WHICH CONSISTS PRIMARILY OF TOLLS FROM THE SYSTEM (AS DEFINED HEREIN). THE COMMONWEALTH IS NOT OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT OF THE SERIES T BONDS. THE COMMISSION HAS NO TAXING POWER.**

The maturity dates, interest rates, approximate yields or prices on the Series T Bonds are set forth on the inside front cover page hereof.

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

**Bear, Stearns & Co. Inc.**

**Arthurs, Lestrangle & Company, Inc.**

**Commonwealth Securities and Investments, Inc.**

**Dolphin & Bradbury Inc.**

**First Union National Bank**

**Legg Mason Wood Walker  
Incorporated**

**Raymond James & Associates, Inc.**

**UBS PaineWebber Inc.**

*The Series T Bonds are being offered when, as and if issued and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, to certain legal matters being passed upon by Cohen & Grigsby, P.C. of Pittsburgh, Pennsylvania, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Dilworth Paxson LLP, Philadelphia, Pennsylvania, Counsel for the Underwriters. It is anticipated that the Series T Bonds will be available for delivery in New York, New York on or about September 6, 2001.*

**\$86,660,000**

**Pennsylvania Turnpike Commission**

**Turnpike Revenue Refunding Bonds**

**Series T of 2001**

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS**

<u>Year December 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Year December 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2003	\$2,050,000	5 %	3.30%	2009	\$ 8,340,000	5¼%	4.31%
2004	2,150,000	5	3.58	2010	11,645,000	5½	4.41
2005	2,260,000	5	3.75	2011	12,510,000	5½	4.48
2006	2,375,000	4¾	3.90	2012	13,255,000	5½	4.57
2007	2,470,000	5¼	4.08	2013	27,005,000	5¼	4.67
2008	2,600,000	5¼	4.20				

**(Plus Accrued Interest)**

**PENNSYLVANIA TURNPIKE COMMISSION**

**COMMISSIONERS**

BRADLEY L. MALLORY  
Chairman

JAMES J. DODARO  
Vice Chairman

MITCHELL RUBIN

BONNEY C. DAUBENSPECK

TIMOTHY J. CARSON

\* \* \* \* \*

JOHN T. DURBIN  
Executive Director

DEBORAH L. EVERLY  
Associate Executive Director

ROBERT L. BROWN  
ALEXANDER R. JANSEN  
GREGORY R. RICHARDS  
Deputy Executive Directors

J. BLAIR FISHBURN  
Deputy Executive Director/  
Finance and Administration

WILLIAM A. CHESNUTT  
Chief Counsel

\* \* \* \* \*

**CONSULTANTS**

MICHAEL BAKER, JR., INC.  
Consulting Engineers

PENN CAPITAL ADVISORS  
Financial Advisor

FIRST UNION NATIONAL BANK  
Trustee and Authenticating Agent

ERNST & YOUNG  
Auditors

No dealer, broker, salesman or other person has been authorized by the Commission 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 or either of the foregoing. 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 Series T Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Commission and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as representations by, the Underwriters. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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APPENDIX E, AMORTIZATION SCHEDULE FOR THE SERIES T BONDS
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# OFFICIAL STATEMENT

**\$86,660,000**

**PENNSYLVANIA TURNPIKE COMMISSION  
TURNPIKE REVENUE REFUNDING BONDS  
SERIES T OF 2001**

## INTRODUCTION

This Official Statement, which includes the cover page, inside front cover page and the Appendices hereto, is furnished by the Pennsylvania Turnpike Commission (the "Commission") in connection with the issuance of \$86,660,000 aggregate principal amount of Pennsylvania Turnpike Commission, Turnpike Revenue Refunding Bonds, Series T of 2001 (the "Series T Bonds"). All capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the definitions set forth in APPENDIX C, SUMMARY OF CERTAIN PROVISIONS OF THE RESTATED INDENTURE.

**PENNSYLVANIA TURNPIKE SYSTEM.** The Pennsylvania Turnpike System consists of an east-west mainline section (the "Mainline Section") traversing the southern portion of Pennsylvania and connecting with the Ohio Turnpike at the System's western terminus and the New Jersey Turnpike at the System's eastern terminus, a north-south section (the "Northeast Extension") which connects the Mainline Section at Plymouth Meeting with the area north of Scranton, Pennsylvania, where it connects with Interstate Route 81, and the completed portion of the Mon/Fayette Expressway (the "Mon/Fayette Expressway"). The total length of the Mainline Section is approximately 360 miles and the total length of the Northeast Extension is approximately 110 miles. Two projects constructed as part of the Mon/Fayette Expressway are in operation. One is a six-mile toll road between Interstate Route 70 and U.S. Route 40 in Washington County. The other is an eight mile section of toll road from the Pennsylvania West Virginia border to Fairchance, which is located just south of Uniontown. When completed, the Mon/Fayette Expressway will extend from Interstate Route 68 in West Virginia to Interstate Route 376 near Pittsburgh. There are 39 interchanges connecting the System (as defined herein) with traffic arteries and population centers and 22 service plazas providing automotive and restaurant services. (Such roads, together with any other roads for which the Commission has operational responsibility and is collecting Tolls, unless the Commission identifies a particular road, other than the Mainline Section and the Northeast Extension, as not being part of the System, constitute the "System".)

**REVENUE SOURCES OF THE COMMISSION.** All rates, rents, fees, charges, fines and other income derived by the Commission from the vehicular usage of the System and all rights to receive the same (the "Tolls", as defined in the Restated Indenture) constitute one of the Commission's three principal streams of revenues. The Tolls are pledged to secure the Series T Bonds and the Commission's outstanding Turnpike Revenue Bonds (collectively, the "Turnpike Revenue Bonds" or the "Bonds") which are or may be issued under the terms of a Trust Indenture dated as of July 1, 1986 between the Commission and First Union National Bank, as trustee, as supplemented from time to time (together with the Supplements thereto, the "Original Indenture"). Currently, approximately \$1,185,855,000, of Bonds are outstanding under the Original Indenture. The Series T Bonds are being issued under the Original Indenture, as further supplemented by a Fourteenth Supplemental Indenture dated as of September 1, 2001 (the "Fourteenth Supplemental Indenture") between the Commission and the Trustee, and will be secured, together with all other outstanding Bonds and other Parity Bonds (as defined herein), by a pledge of the Tolls. The Tolls are *not* pledged to secure the Oil Franchise Tax Revenue Bonds (as defined below) and will *not* be pledged to secure the future Registration Fee Revenue Bonds (as defined below). The Commission may in the future, under the terms of the Restated Indenture, identify in writing addressed to the Trustee certain roads, other than the Mainline Section and the Northeast Extension, as not being part of the System for the purposes of the Restated Indenture.

The Commission's second principal stream of revenues consists of that portion of the Commonwealth's Oil Franchise Tax revenues (the "Oil Franchise Tax Revenues") paid by the Commonwealth for the benefit of the Commission to the holders of the Oil Franchise Tax Revenue Bonds (the "Oil Franchise Tax Revenue Bonds"). The Oil Franchise Tax Revenues are *not* pledged to secure the Bonds or the Registration Fee Revenue Bonds.

The Commission's third principal stream of revenues consists of that portion of the Commonwealth's vehicle registration fee revenues (the "Registration Fee Revenues") paid by the Commonwealth for the benefit of the Commission or the holders of any of the Commission's Registration Fee Revenue Bonds (the "Registration Fee Revenue Bonds"), none of which have yet been issued. The Commission expects in the near future to issue bonds secured by Registration Fee Revenues for construction of additional portions of the Mon/Fayette Expressway. Registration Fee Revenue Bonds are to be paid solely from the Registration Fee Revenues. The Registration Fee Revenues are *not* pledged to secure the Bonds or the Oil Franchise Tax Revenue Bonds.

In addition to Additional Bonds under the Original Indenture, the Commission may, from time to time, issue other notes and bonds payable from such sources as may be available, including but not limited to federal grants so long as the Tolls, the Oil Franchise Tax Revenues or the Registration Fee Revenues are not pledged to such other notes and bonds or, if pledged, are pledged on a subordinate basis.

The Series T Bonds are being issued pursuant to the Fourteenth Supplemental Indenture under the Original Indenture. The Commission is proposing to enter into an Amended and Restated Trust Indenture between the Commission and the Trustee (the "Restated Indenture"). The Restated Indenture is a complete amendment and restatement of the Original Indenture as described in APPENDIX C, SUMMARY OF CERTAIN PROVISIONS OF THE RESTATED INDENTURE for which the Commission is seeking consent from Bondholders. The provisions of the Restated Indenture are materially different than the comparable provisions in the Original Indenture. Accordingly, each purchaser of Series T Bonds should read the summaries of the Restated Indenture set forth in APPENDIX C and in the body of this Official Statement as well as APPENDIX B, SUMMARY OF CERTAIN PROVISIONS OF THE ORIGINAL INDENTURE. These amendments are being made to make the Restated Indenture consistent and workable with the present day management, data processing and operating environment of the System.

**The body of this Official Statement sets forth certain provisions of the Restated Indenture which will become effective upon approval by all Bondholders. Such approval is expected to be completed on or about December 1, 2002. Each purchaser of the Series T Bonds, by receipt of delivery thereof or as a Direct or Indirect Participant of DTC, shall be deemed to have consented to the provisions of the Restated Indenture. The Underwriters as the original purchasers of the Series T Bonds from the Commission will also consent to the Restated Indenture as the Bondholders. See APPENDIX C, SUMMARY OF CERTAIN PROVISIONS OF THE RESTATED INDENTURE. Certain provisions of the Restated Indenture may become effective upon approval by the holders of two-thirds in aggregate principal amount of the Bonds then outstanding. Prior to such approval, the Bonds will be subject to the provisions of the Original Indenture which are described in APPENDIX B, SUMMARY OF CERTAIN PROVISIONS OF THE ORIGINAL INDENTURE. Although the Restated Indenture is not effective at this time, the descriptions of the terms and provisions of the Restated Indenture contained in the forepart of this Official Statement are from the Restated Indenture because it is expected that Bondholders will be subject to these provisions for the greater part of the term of the Bonds. It should be recognized that these provisions generally are considered to be more flexible and permissive for the Commission.**

**SERIES T BONDS.** The Series T Bonds will bear interest at a fixed rate. The maturity dates, interest rates, approximate yields and prices on the Series T Bonds are set forth on the inside front cover page hereof. They will bear interest from September 1, 2001, payable semi-annually on June 1 and December 1 of each year commencing on June 1, 2002. See DESCRIPTION OF THE SERIES T BONDS.

**SECURITY.** The Series T Bonds are limited obligations of the Commission. They will be equally and ratably secured, along with other outstanding Turnpike Revenue Bonds issued under the Original Indenture and the Restated Indenture and certain other Parity Bonds, by a pledge by the Commission of the Trust Estate consisting primarily of Tolls. **THE RESTATED INDENTURE PLEDGES TO THE TRUSTEE FOR THE BENEFIT OF THE OWNERS OF THE BONDS ALL TOLLS RECEIVED BY OR ON BEHALF OF THE COMMISSION FROM THE SYSTEM; THE ORIGINAL INDENTURE PLEDGED NOT ONLY ALL TOLLS, RECEIPTS, REVENUES AND OTHER MONIES RECEIVED BY OR ON BEHALF OF THE COMMISSION FROM THE OWNERSHIP, OPERATION OR LEASING OF ALL OR ANY PORTION OF THE SYSTEM BUT ALSO ALL INCOME, RECEIPTS AND REVENUES RECEIVED BY OR ON BEHALF OF THE COMMISSION FROM THE OWNERSHIP OR OPERATION OF ANY BUSINESS OR PROPERTY. SEE SECURITY FOR THE SERIES T BONDS FOR A MORE DETAILED DESCRIPTION OF THE TRUST ESTATE UNDER THE RESTATED INDENTURE.** The Commission has agreed in the Restated Indenture that it will at all times establish



and maintain schedules of Tolls for traffic over the System so that the Net Revenues of the System in each Fiscal Year will at all times be at least sufficient to provide funds in an amount not less than (1) the greater of (i) 130% of the Annual Debt Service for such Fiscal Year on account of all Applicable Long-Term Indebtedness then outstanding under the provisions of the Restated Indenture; or (ii) 100% of the Maximum Annual Debt Service on all Applicable Long-Term Indebtedness, plus (a) the amount of required transfers from the Revenue Fund to the credit of the Reserve Maintenance Fund pursuant to the Annual Capital Budget, and (b) an amount sufficient to restore any deficiency in the Debt Service Reserve Fund within an 18 month period; plus (2) the amount of any Short-Term Indebtedness outstanding pursuant to the Restated Indenture for more than 365 consecutive days. In addition, Net Revenues in excess of the sum of the amounts set forth in clauses (1) and (2) above, together with Other Revenues pledged to the payment of Subordinated Indebtedness, shall be sufficient to pay the Annual Debt Service for any Subordinated Indebtedness (such covenant is referred to as the "Rate Covenant"). **THE SERIES T BONDS SHALL NOT BE DEEMED TO BE A DEBT OF THE COMMONWEALTH OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH. THE COMMONWEALTH IS NOT OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT OF ANY OF THE SERIES T BONDS.**

**BOND INSURANCE.** Payment of the principal of and interest on the Series T Bonds when due will be insured by a Municipal Bond New Issue Insurance Policy to be issued by Financial Guaranty Insurance Company ("Financial Guaranty") simultaneously with the delivery of the Series T Bonds. See BOND INSURANCE.

**REDEMPTION.** The Series T Bonds are subject to optional redemption prior to maturity under certain circumstances as more fully set forth herein. See DESCRIPTION OF THE SERIES T BONDS-Optional Redemption.

**BOOK-ENTRY ONLY.** The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series T Bonds. All Series T Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). Fully registered Bond certificates will be issued and deposited with DTC. See BOOK-ENTRY ONLY SYSTEM.

**PLAN OF FINANCE.** The Series T Bonds are being issued to provide funds to (a) currently refund a portion of the Commission's outstanding Series M and Series N Bonds; (b) fund the Debt Service Reserve Fund to the extent necessary; (c) pay a premium for the bond insurance; and (d) pay the costs of issuance of the Series T Bonds.

## **DESCRIPTION OF THE SERIES T BONDS**

### **General**

The Series T Bonds will be dated September 1, 2001 and will bear interest from that date at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. Interest on the Series T Bonds will be payable semi-annually on June 1 and December 1 of each year commencing June 1, 2002 (each, an "Interest Payment Date").

The Series T Bonds will be issued as fully registered bonds in denominations of \$5,000 each or any multiple thereof. Bonds will be transferable in accordance with the provisions of the Original Indenture and the Restated Indenture. The Trustee may charge an amount sufficient to reimburse it for any tax, fee or other governmental charge required to be paid in connection with any such transfer, registration, conversion or exchange plus such amount as the Commission deems appropriate for such transfer, registration, conversion or exchange. Principal of the Series T Bonds is payable at the designated office of the Trustee. Interest on the Series T Bonds shall be paid by check or draft mailed by First Union National Bank, as Paying Agent, to the registered holders at their addresses as they appear in the registry books of the Trustee as of the regular record date which shall be the fifteenth calendar day of the month immediately preceding the Interest Payment Date. Any interest not paid on an Interest Payment Date shall be paid to the persons in whose names Series T Bonds are registered as of a special record date established by the Trustee, notice of which shall have been mailed not less than 15 days prior to such date to the persons in whose names Series T Bonds are registered at the close of business on the fifth day prior to such mailing.

So long as the Series T Bonds are in book-entry only form, the principal and redemption price of, and interest on, such Series T Bonds is payable by check or draft mailed or wire transferred to Cede & Co., as nominee for DTC

and registered owner of the Series T Bonds, for redistribution by DTC to the its Participants and in turn to Beneficial Owners as described under BOOK-ENTRY ONLY SYSTEM.

The Original Indenture and the Restated Indenture, and all provisions thereof, are incorporated by reference in the text of the Series T Bonds, and the Series T Bonds provide that each registered owner, Beneficial Owner, Participant or Indirect Participant (as such terms are defined hereinafter) by acceptance of a Series T Bond (including receipt of a book-entry credit evidencing an interest therein) assents to all of such provisions as an explicit and material portion of the consideration running to the Commission to induce it to issue such Series T Bond.

**The body of this Official Statement sets forth certain provisions of the Restated Indenture which will become effective upon approval by all Bondholders. See APPENDIX C, SUMMARY OF CERTAIN PROVISIONS OF THE RESTATED INDENTURE. Such approval is expected to be completed on or about December 1, 2002. Certain provisions of the Restated Indenture may become effective upon approval by the holders of two-thirds in aggregate principal amount of the Bonds then outstanding. Prior to such approval, the Bonds will be subject to the provisions of the Original Indenture which are described in APPENDIX B, SUMMARY OF CERTAIN PROVISIONS OF THE ORIGINAL INDENTURE.**

### PLAN OF FINANCING

The Series T Bonds are being issued to provide funds to (a) currently refund a portion of the Commission's outstanding Series M and Series N Bonds; (b) fund the Debt Service Reserve Fund to the extent necessary; (c) pay a premium for the bond insurance; and (d) pay the costs of issuance of the Series T Bonds. The proceeds of the Series M Bonds were used to advance refund portions of the Commission's Series C and Series D Bonds. The proceeds of the Series N Bonds were used to advance refund portions of the Commission's Series E and Series K Bonds. A portion of the proceeds of the Series T Bonds will be deposited with the Trustee in escrow pursuant to the Escrow Deposit Agreement for the current gross refunding on December 1, 2001 of \$41,790,000 principal amount of Series M Bonds. An additional portion of the proceeds of the Series T Bonds will be deposited with the Trustee in escrow pursuant to the Escrow Deposit Agreement for the current gross refunding on December 1, 2001 of \$46,105,000 principal amount of Series N Bonds.

The sources of funds in connection with the issuance of the Series T Bonds will include \$9,819,551.14 released from the Series N Bonds Debt Service Reserve Fund and deposited into the Series T Debt Service Reserve Fund.

The accuracy of the arithmetical computations with respect to the cash deposited in escrow to pay the principal, interest and redemption price of the portions of the Series M and Series N Bonds to be refunded will be verified by Causey Demgen & Moore Inc.

### ESTIMATED SOURCES AND USES OF FUNDS

#### SOURCES OF FUNDS

Par Amount of Bonds	\$86,660,000
Net Original Issue Premium	6,298,526
Transfer from Series N Bonds Debt Service Reserve Fund	9,819,551
Transfer from Series N Bonds Debt Service Fund	2,604,290
Accrued Interest	64,831
<b>TOTAL SOURCES</b>	<b><u>\$105,447,198</u></b>

#### USES OF FUNDS

Deposit under Escrow Deposit Agreement	\$92,451,630
Deposit to Debt Service Reserve Fund	11,835,135
Bond Insurance Premium	242,762
Accrued Interest Deposit to Debt Service Fund	64,831
Costs of Issuance <sup>1</sup>	852,841
<b>TOTAL USES</b>	<b><u>\$105,447,198</u></b>

<sup>1</sup> Costs of Issuance include underwriters' discount, Bond Counsel fee, Underwriters Counsel fee and other legal fees, printing expenses, Financial Advisor's fee, Verification Agent's fee and Trustee's fee.

## BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series T Bonds. The Series T Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series T Bond will be issued for each maturity as set forth on the Inside Cover Page, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC 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. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all Series T Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series T Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series T Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series T Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series T Bonds within each series 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. will consent to vote with respect to Series T Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission 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 Series T Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series T Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of

DTC, the Paying Agent, the Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Commission, the Trustee or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, which information the Commission and the Underwriters believe to be reliable. No representation is made by the Commission 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.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES T BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES T BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES T BONDS.

IT IS THE DUTY OF EACH BENEFICIAL OWNER TO ARRANGE WITH THE DTC PARTICIPANT OR INDIRECT PARTICIPANT TO RECEIVE FROM SUCH DTC PARTICIPANT OR INDIRECT PARTICIPANT PAYMENTS OF PRINCIPAL AND INTEREST, CREDIT BALANCES, NOTICE OF REDEMPTION AND ALL OTHER COMMUNICATIONS WHICH THE DTC PARTICIPANT OR INDIRECT PARTICIPANT RECEIVES FROM DTC.

NEITHER THE COMMISSION, THE TRUSTEE NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE TO ANY DTC PARTICIPANT, ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR INTEREST ON THE SERIES T BONDS; (3) THE DELIVERY OF ANY NOTICE TO ANY DTC PARTICIPANT, ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE SERIES T BONDS TO BE GIVEN TO BONDHOLDERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

In the event that the Book-Entry Only System is discontinued and the Beneficial Owners become registered owners of the Series T Bonds, the Series T Bonds will be transferable in accordance with the provisions of the Restated Indenture.

## SECURITY FOR THE SERIES T BONDS

The Series T Bonds are limited obligations of the Commission. They are secured, along with the other outstanding Bonds and certain other Parity Bonds, under the Original Indenture and will be secured under the Restated Indenture by the pledge by the Commission to the Trustee of (1) the Tolls, (2) all monies deposited into accounts or funds, other than the Rebate Fund, created by the Restated Indenture, (3) any insurance proceeds, (4) all payments received pursuant to Parity Swap Agreements and (5) all investment earnings on all monies held in accounts and funds, other than the Rebate Fund, established by the Restated Indenture (all five of these items being collectively referred to as the "Trust Estate"). **THE TRUST ESTATE, HOWEVER, DOES NOT INCLUDE OTHER SOURCES OF COMMISSION REVENUES NOT DERIVED FROM THE SYSTEM, INCLUDING WITHOUT LIMITATION OIL FRANCHISE TAX REVENUES AND REGISTRATION FEE REVENUES. IT ALSO EXCLUDES ALL MONIES HELD IN THE REBATE FUND. ANY ADDITIONAL BONDS ISSUED PURSUANT TO THE RESTATED INDENTURE WILL BE EQUALLY AND RATABLY SECURED UNDER THE RESTATED**

**INDENTURE. THE ORIGINAL INDENTURE, WHICH IS BEING REPLACED BY THE RESTATED INDENTURE, PLEDGED NOT ONLY ALL TOLLS, RECEIPTS, REVENUES AND OTHER MONIES RECEIVED BY OR ON BEHALF OF THE COMMISSION FROM THE OWNERSHIP, OPERATION OR LEASING OF ALL OR ANY PORTION OF THE SYSTEM AND BUT ALSO ALL INCOME, RECEIPTS AND REVENUES RECEIVED BY OR ON BEHALF OF THE COMMISSION FROM THE OWNERSHIP OR OPERATION OF ANY BUSINESS OR PROPERTY.**

Payment of the principal of and the interest on the Bonds, including any Additional Bonds, are secured, pro rata and without preference or priority of one Bond over another, by a valid pledge of the Trust Estate and by the Restated Indenture.

The Restated Indenture further provides that the Commission may not issue Additional Bonds or incur other Parity Obligations except upon satisfaction of various requirements as expressly provided in the Restated Indenture. See APPENDIX C, SUMMARY OF CERTAIN PROVISIONS OF THE RESTATED INDENTURE.

### **Rate Covenant**

The Commission has agreed in the Restated Indenture that it will at all times establish and maintain schedules of Tolls for traffic over the System so that the Net Revenues of the System in each Fiscal Year will at all times be at least sufficient to provide funds in an amount not less than (1) the greater of (i) 130% of the Annual Debt Service for such Fiscal Year on account of all Applicable Long-Term Indebtedness then outstanding under the provisions of the Restated Indenture; or (ii) 100% of the Maximum Annual Debt Service on all Applicable Long-Term Indebtedness, plus (a) the amount of required transfers from the Revenue Fund to the credit of the Reserve Maintenance Fund pursuant to the Annual Capital Budget, and (b) an amount sufficient to restore any deficiency in the Debt Service Reserve Fund within an 18 month period; plus (2) the amount of any Short-Term Indebtedness outstanding under the Restated Indenture for more than 365 consecutive days. In addition, the amount of Net Revenues in excess of the sum of the amounts set forth in clauses (1) and (2) above, together with Other Revenues pledged to the payment of Subordinated Indebtedness, shall be sufficient to pay the Annual Debt Service for any Subordinated Indebtedness.

The Commission's failure to meet the Rate Covenant shall not constitute an Event of Default under the Restated Indenture if (i) no Event of Default occurred in debt service payments as a result of such failure and (ii) the Commission promptly after determining that the Rate Covenant was not met retains a Consultant to make written recommendations as to appropriate revisions to the schedules of Tolls necessary or appropriate to meet the Rate Covenant and advises the Trustee in writing of such retention. Anything in the Restated Indenture to the contrary notwithstanding, if the Commission shall comply with the recommendations of the Consultant in respect of Tolls, it will not constitute an Event of Default under the provisions of the Restated Indenture if the Commission fails to meet the Rate Covenant during the succeeding Fiscal Year as long as no Event of Default has occurred in debt service payments. If the Commission does not comply with the recommendations of the Consultant in respect of Tolls, the Trustee may and, upon the request of the holders of not less than 25% in Principal Amount of the Bonds then outstanding and upon being indemnified to its satisfaction, shall institute and prosecute in a court of competent jurisdiction any appropriate action to compel the Commission to revise the schedules of Tolls. The Commission covenants that it will adopt and charge Tolls in compliance with any final order or decree entered in any such proceeding.

In the event that the Consultant shall fail to file with the Commission such recommendations in writing within 60 days after such retention, the Trustee may designate and appoint a different Consultant to make recommendations as to an adjustment of the schedules of Tolls, which recommendations shall be reported in writing to the Commission and to the Trustee within sixty 60 days after such retention. Such written report shall for all purposes be considered to be the equivalent of and substitute for the recommendations of the Consultant retained by the Commission.

In preparing its recommendations, the Consultant may rely upon written estimates of Revenues prepared by the other Consultants of the Commission. Copies of such written estimates signed by such Consultants shall be attached to such recommendations. The Commission covenants that promptly after receipt of such recommendations and the adoption of any revised schedules of Tolls, certified copies thereof will be filed with the Trustee.

The Commission has agreed that Tolls will be classified in a reasonable way to cover all traffic, so that the Tolls may be uniform in application to all traffic falling within any reasonable class regardless of the status or character

of any person, firm or corporation participating in the traffic; provided, however, that the foregoing shall not be interpreted to restrict the Commission's right, in its discretion in connection with its management of the System, to establish and maintain flexible Toll schedules including, but not limited to, provisions for, utilizing or otherwise taking into account, peak and nonpeak pricing, introductory pricing, weight, method of payment, frequency, carpooling, electronic Tolls or other new Toll collection technologies, traffic management systems, and similar classifications. The Commission has agreed that it shall not grant free passage or reduced Tolls within a class, except in the limited manner permitted by the Restated Indenture.

In the event the Commission did not meet the Rate Covenant for the preceding Fiscal Year, any classification resulting in a reduced Toll or new classification shall be subject to a Consultant approving the same before it is implemented. In all events, the Commission shall not make a change in classification or any new classification which would cause the Commission to fail to meet the Rate Covenant.

The Commission's covenant as to uniformity of Tolls shall not be construed as requiring that Tolls for any given class of traffic shall be identical in amount throughout the entire System for trips of approximately identical lengths. The Commission may fix and place in effect schedules of Tolls for any given class of traffic wherein the Tolls charged for travel on a given section of the System shall be different from the Tolls charged on another section of said System notwithstanding the fact that both of said sections shall be of identical or approximately identical length.

### **Revenue Fund**

All Revenues will be deposited daily, as far as practicable, with the Trustee or in the name of the Trustee with a depository or depositories designated by the Commission and approved by the Trustee, to the credit of the Revenue Fund. The monies in the Revenue Fund are to be held by the Trustee in trust and applied in accordance with the Restated Indenture.

Except as otherwise provided in the Restated Indenture, transfers from the Revenue Fund shall be made to the following funds and in the following order of Priority:

- (i) Rebate Fund;
- (ii) Operating Account;
- (iii) Debt Service Fund;
- (iv) Reserve Maintenance Fund;
- (v) Debt Service Reserve Fund; and
- (vi) General Reserve Fund.

### **Operating Account**

The Commission shall establish an account known as the Operating Account which shall be held by the Commission in the name of the Commission outside of the Restated Indenture until applied as set forth in the Restated Indenture. The Trustee shall transfer from the Revenue Fund on or before the last Business Day of each month to the credit of the Operating Account an amount equal to (i) the amount shown by the Annual Operating Budget to be necessary to pay Current Expenses for the ensuing month and (ii) an amount certified by a Commission Official as being reasonably necessary to pay Current Expenses which are expected for such month, after taking into account the amount on deposit in the Operating Account (including the amount described in clause (i) above).

In making payments from the Operating Account, the Commission shall be deemed to be certifying that obligations in the stated amounts have been incurred by the Commission and that each item thereof was properly incurred in maintaining, repairing and operating the System, and has not been paid previously.

### **Debt Service Fund**

After first having made the hereinabove specified deposits to the Operating Account, the Trustee is required to withdraw from the Revenue Fund and deposit to the applicable account in the Debt Service Fund, held by the Trustee

under the Restated Indenture, the amounts hereinafter specified which shall be applied by the Trustee for the purposes for which the same shall be deposited:

(1) On or before the last business day preceding an Interest Payment Date, an amount which equals the interest due on such Interest Payment Date;

(2) On or before the last business day preceding a principal payment date, an amount which equals the principal amount of the Bonds or Parity Obligations maturing on such principal payment date; and

(3) On the dates specified in any Supplemental Indenture relating to Additional Bonds or Parity Obligations, the amounts required to be deposited on said dates to the credit of the Interest Account or Principal Account pursuant to the provisions of such Supplemental Indenture for the purpose of paying the interest on and the principal of such Additional Bonds.

The Trustee is required to pay out of the Interest Account, from time to time, without further authorization from the Commission, and as the same shall become due and payable, the interest upon the Bonds, except to the extent payable from funds and accounts other than the Debt Service Reserve Fund as provided in any Supplemental Indenture. The Trustee is required likewise to pay out of the Principal Account, from time to time, without further authorization from the Commission, as the same shall become due and payable, the principal of the Bonds, except to the extent payable from funds and accounts other than the Debt Service Reserve Fund as provided in any Supplemental Indenture.

If at the time the Trustee is required to make a withdrawal from the Debt Service Fund, the monies therein shall not be sufficient for the purpose, the Trustee shall withdraw the amount of such deficiency from the monies on deposit in the following funds or accounts and transfer the same to the Debt Service Fund in the following order: the Debt Service Reserve Fund, the General Reserve Fund, and the Reserve Maintenance Fund.

#### **Reserve Maintenance Fund**

In each Fiscal Year, after first having made the deposits provided by the Restated Indenture, the Trustee shall transfer from the Revenue Fund on or before the last Business Day of each month to the credit of the Reserve Maintenance Fund the amount shown in the Annual Capital Budget for the ensuing month.

Except as otherwise provided in the Restated Indenture, or except in case of an emergency, as characterized in a certificate signed by a Commission Official stating that the monies to the credit of the Operating Account are insufficient to meet such emergency, monies in the Reserve Maintenance Fund shall be disbursed to pay current capital expenditures shown in the Annual Capital Budget for the System, plus the cost of unusual or extraordinary maintenance (as determined solely by the Commission) and shall be disbursed only for such purposes, except to the extent hereinafter provided. Such purposes shall include, but not be limited to, paying the cost of constructing, improving and reconstructing improvements and betterments to all parts of the System now or hereafter open to vehicular traffic, including, without limitation, additional lanes, tunnels, interchanges, Toll plazas, bridges and connecting roads, transit interface facilities and any other improvements deemed necessary or desirable by the Commission.

Payments from the Reserve Maintenance Fund, except the transfers which the Trustee is authorized to make in this Section, shall be made pursuant to a requisition process which follows the process described in the Restated Indenture for payments from the Construction Fund.

The Trustee shall transfer any monies from the Reserve Maintenance Fund to the credit of the General Reserve Fund from time to time upon the receipt of a certificate of a Commission Official certifying that the amount so to be transferred is not required for the purposes for which the Reserve Maintenance Fund has been created.

#### **Debt Service Reserve Fund**

Deposits are being made to the Debt Service Reserve Fund from the proceeds of the Series T Bonds and by a transfer from the Debt Service Reserve Fund for the Series N Bonds. This account, together with other accounts in the Debt Service Reserve Fund, shall constitute under the Restated Indenture parity security for all holders of outstanding Bonds and other Long-Term Indebtedness. See APPENDIX B, SUMMARY OF CERTAIN PROVISIONS

OF THE ORIGINAL INDENTURE – THE ORIGINAL INDENTURE – Debt Service Reserve Fund for information with respect to the Debt Service Reserve Fund under the Original Indenture.

In each Fiscal Year, after first having made the deposits provided by the Restated Indenture, the Trustee shall transfer from the Revenue Fund on or before the last day of each month to the credit of the Debt Service Reserve Fund (1) the amount, if any, required to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Requirement which restoration, as provided in the Rate Covenant contained in the Restated Indenture, is intended to occur within 18 months and (2) the amount set forth in a Supplemental Indenture if an amount different from the Debt Service Reserve Requirement is required.

To the extent accounts are created in the Debt Service Reserve Fund for Debt Service Reserve Fund Bonds, the funds and DSRF Security, as hereinafter defined, held therein shall be available to make payments required under the Restated Indenture for the benefit of all Debt Service Reserve Fund Bonds.

Monies held in the Debt Service Reserve Fund shall be used for the purpose of paying interest on, and maturing principal of, Debt Service Reserve Fund Bonds whenever and to the extent that the monies held for the credit of the Debt Service Fund shall be insufficient for such purpose. If at any time the monies and the principal amount of any DSRF Security (as hereinafter defined) held in the Debt Service Reserve Fund shall exceed the Debt Service Reserve Requirement, the Commission shall direct whether such excess monies shall be transferred by the Trustee to the credit of the General Reserve Fund or used to reduce the principal amount of any DSRF Security as described below.

In the event the Trustee shall be required to withdraw funds from the Debt Service Reserve Fund to restore a deficiency in the Debt Service Fund arising with respect to Debt Service Reserve Fund Bonds, the amount of such deficiency shall be allocated pro rata among such Bonds.

In lieu of the deposit of monies into the Debt Service Reserve Fund, the Commission may cause to be provided a surety bond, an insurance policy, a letter of credit or similar financial instrument satisfactory to the Rating Agency (as evidenced by a letter from the Rating Agency confirming that the DSRF Security will not result in the rating on any outstanding Bonds being downgraded) (each, a "DSRF Security") payable to the Trustee for the benefit of the Bondholders in an amount equal to the difference between the Debt Service Reserve Requirement and the amounts then on deposit in the Debt Service Reserve Fund. The DSRF Security shall be payable (upon the giving of notice as required under the Restated Indenture) on any Interest Payment Date on which monies will be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of the principal of or interest on any Bonds to the extent that such withdrawals cannot be made by amounts on deposit in the Debt Service Reserve Fund.

If a disbursement is made pursuant to a DSRF Security, the Commission shall be obligated either (i) to reinstate the maximum limits of such DSRF Security or (ii) to deposit into the Debt Service Reserve Fund, funds in the amount of the disbursement made under such DSRF Security, or a combination of such alternatives, as shall provide that the amount credited to the Debt Service Reserve Fund equals the Debt Service Reserve Requirement within a time period of 18 months.

If the DSRF Security shall cease to have a rating described above, the Commission shall use reasonable efforts to replace such DSRF Security with one having the required rating, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Revenues in the Debt Service Reserve Fund in lieu of replacing such DSRF Security with another.

### **General Reserve Fund**

After first having made the above specified deposits to the Operating Account, the Debt Service Fund, the Reserve Maintenance Fund and the Debt Service Reserve Fund, and while any Bonds are outstanding, the Trustee is required to transfer from the Revenue Fund on or before the last Business Day of each Fiscal Year (or more frequently if requested by a Commission Official) to the credit of the General Reserve Fund any funds which a Commission Official determines to be in excess of the amount required to be reserved therein for future transfers to the Debt Service Fund. Monies in the General Reserve Fund may be expended by the Commission to restore deficiencies in any funds or accounts created under the Restated Indenture, and absent any such deficiency, for any of the following purposes, with no one item having priority over any of the others:



- (1) to purchase or redeem Bonds;
- (2) to secure and pay the principal or redemption price of, and interest on, any Subordinated Indebtedness;
- (3) to make payments into the Construction Fund;
- (4) to fund improvements, extensions and replacements of the System; or
- (5) to further any corporate purpose.

### **BOND INSURANCE**

Concurrently with the issuance of the Series T Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series T Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Commission. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Series T Bonds or the Paying Agent of the nonpayment of such amount by the Commission. The Fiscal Agent will disburse such amount due on any Series T Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series T Bond includes any payment of principal or interest made to an owner of a Series T Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series T Bonds. The Policy covers failure to pay principal of the Series T Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Series T Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series T Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made for the circumstances, if any, under which the Commission is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Series T Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Series T Bonds. Reference should be made to the description of the Commission for a discussion of the ratings, if any, assigned to the Commission's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of March 31, 2001, the total capital and surplus of Financial Guaranty was approximately \$1.132 billion. Financial Guaranty prepares financial statements on the basis of both statutory

accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

## THE COMMISSION

The Commission was created as an instrumentality of the Commonwealth by Act 211 of the General Assembly approved May 21, 1937, P.L. 774, as amended, (the "Act"), with power to construct, operate and maintain the System. Its composition, powers, duties, functions, duration and all other attributes are derived from the Act as amended and supplemented by subsequent legislation. The Act may be modified, suspended, extended or terminated at any time by further legislation.

The Commission is required to be composed of five members, one of whom, Bradley L. Mallory, is the Secretary of the Pennsylvania Department of Transportation serving as an ex-officio member. Any vacancy in the membership of the Commission (other than the Secretary of Transportation) shall be filled by appointment of the Governor by and with the advice and consent of two-thirds of the members of the Pennsylvania Senate.

The present members of the Commission and the dates on which their respective terms expire are as follows:

<u>Name</u>	<u>Position</u>	<u>Expiration of Term</u> <sup>(1)</sup>
Bradley L. Mallory	Chairman	Ex-Officio
James J. Dodaro	Vice Chairman	December 7, 2003
Bonney C. Daubenspeck	Commissioner	December 9, 2001
Mitchell Rubin	Commissioner	June 3, 2002
Timothy J. Carson	Commissioner	November 21, 2004

(1) Or until their successors are appointed and qualified but not later than 90 days after expiration of the stated term, whichever period is shorter.

Act 61 expanded the scope of and modified the earlier legislation and granted additional powers to the Commission. It authorized and empowered the Commission to undertake the Capital Improvement Program (hereinafter defined) as well as other construction projects. It further authorized the Commission to issue, by resolution, Turnpike Revenue Bonds for the purpose of paying the costs of such turnpike projects. Such Turnpike Revenue Bonds may be issued for a term not to exceed 40 years from their dates of issuance without any other proceedings or the happening of any other conditions or things other than those proceedings, conditions and things which are presently specified and required by Act 61. Act 26 made certain changes to Act 61 by shifting the priority of certain Act 61 projects and by adding provisions regarding certain new projects. Act 26 also authorized, after certain approvals, the conversion of certain portions of the interstate system to toll roads, if necessary.

The Act provides that the Commission shall not be required to pay any taxes or assessments on any property acquired or used by it. It also provides that Turnpike Revenue Bonds issued by the Commission shall not be deemed to be a debt of the Commonwealth or a pledge of the faith and credit of the Commonwealth and that the Commonwealth is not obligated to levy or pledge any form of taxation or make any appropriation for the payment of such bonds. The Commission has no taxing power.

### Executive Personnel

John T. Durbin has been Executive Director since 1995. Prior to that time, from 1988 to 1995, he served in executive management positions with the Commission.

Deborah L. Everly has been Associate Executive Director since 1995. Prior to that time, from 1991 to 1995, she served as Assistant Deputy Director of Fare Collections.

Robert L. Brown has been Deputy Executive Director of Information Technology since 1996. Prior to that time, from 1993 to 1996, he was Worldwide Manager for Strategic Planning and Systems Development at Black and Decker Corporation and, from 1988 to 1993, he was a Manager in the Aero and Naval Systems Division of Martin Marietta Corporation.

J. Blair Fishburn has been Deputy Executive Director of Finance and Administration since February 1997. Prior to that time, from 1996 to 1997, he was a financial consultant for AMP, Inc. and, from 1976 to 1996, he was with IBM Corporation.

Alexander R. Jansen has been the Deputy Executive Director of Engineering and Maintenance since July of 1997. Prior to that time, from 1991 to 1997 he was Commander and Division Engineer for the United States Army Corps of Engineers and, from 1988 to 1991, he was Chief of NATO Infrastructure, Supreme Headquarters Allied Powers Europe.

Gregory R. Richards has been the Deputy Executive Director of Customer Service since September of 1999. Prior to that time, from 1996 to 1998, he was Director of Telecommunications Marketing and, from 1987 to 1996, he was Director of Military Aerospace Sales and Marketing at AMP, Inc.

William A. Chesnutt has been Chief Counsel for the Commission since October 1995. Prior to that time, he was a partner in McNeese, Wallace & Nurick of Harrisburg, Pennsylvania.

## **THE PENNSYLVANIA TURNPIKE**

### **Background**

The Pennsylvania Turnpike was constructed prior to development of the National Interstate Highway System. Portions of the System have been designated as Interstate Routes, but no Federal Highway Trust Fund monies have been utilized in the construction of the Turnpike other than a portion of the cost of the Mon/Fayette Expressway.

### **Mainline Section, Northeast Extension and Mon/Fayette Expressway**

The System is comprised of the Mainline Section traversing the southern portion of Pennsylvania from east to west identified as the Mainline Section, the Northeast Extension, and the Mon/Fayette Expressway. A north-south connection, known as the Beaver Valley Expressway, is approximately 16 miles in length and intersects the Turnpike Mainline. The Amos K. Hutchinson Bypass is approximately 13 miles in length and adjoins the Turnpike Mainline near the New Stanton Interchange.

The Mainline Section, together with the New Jersey Turnpike, the Ohio Turnpike, the Indiana Toll Road and the Chicago Skyway, is part of an all toll, limited access highway network from New York City to the central business district of Chicago. Major metropolitan areas such as Newark, Trenton, Philadelphia, Pittsburgh and Cleveland are served by this highway facility. The Mainline Section commences on the eastern boundary of Pennsylvania at the Delaware River Bridge which connects the System to the New Jersey Turnpike. The Delaware River Bridge is owned jointly by the Pennsylvania Turnpike Commission and the New Jersey Turnpike Authority. The Mainline Section traverses the state in a westerly direction generally paralleling the southern border of the state immediately north of Philadelphia and south of Harrisburg to the vicinity of Somerset. West of Somerset, the highway follows a northwesterly direction to the northeast of Pittsburgh and to the Ohio state line, south of Youngstown, Ohio. The Mainline Section connects with the Ohio Turnpike at its western terminus. Its total length is approximately 360 miles.

The Northeast Extension is approximately 110 miles in length and connects the Mainline Section and the area north of Scranton. The Northeast Extension meets the Mainline Section at a point north of Plymouth Meeting and traverses the eastern portion of Pennsylvania in a northerly direction through Allentown and Scranton to its northern terminus where it connects with Interstate Route 81.

Two projects constructed as part of the Mon/Fayette Expressway are in operation. One is a six-mile toll road between Interstate Route 70 and U.S. Route 40 in Washington County. This project was built by PennDot and turned over to the Commission upon its opening in 1990. The other is an eight mile section of toll road from the

Pennsylvania/West Virginia border to Fairchance, which is located just south of Uniontown. When completed, the Mon/Fayette Expressway will extend from Interstate Route 68 in West Virginia to Interstate Route 376 near Pittsburgh.

The Mainline Section has been designated as Interstate Route 276 between the area where Interstate Route 95 crosses the System between Interchanges 28 and 29 and the Valley Forge Interchange, Interchange 24. The portion of the Mainline Section west of the Valley Forge Interchange to the western terminus at the Ohio State line has been designated as Interstate Route 76. In addition, the Mainline Section between the New Stanton and Breezewood Interchanges, Interchanges 8 through 12, respectively, has been designated as Interstate Route 70. The Northeast Extension is designated as Interstate Route 476.

### Interchanges and Service Areas

The System has a total of 41 interchanges which connect it with major arteries and population centers in its 470 mile traffic corridor. Thirty-one of the interchanges are located on the Mainline Section, including mainline barriers at the New Jersey and Ohio State lines, and the remaining ten interchanges are situated on the Northeast Extension. The System serves, through its more important interchanges, the Ohio Turnpike (Interchange 1); the Pittsburgh Metropolitan Area (Interchanges 3 through 9); New Stanton (Interchange 8); Johnstown (Interchange 10); the Washington, D.C. Area by way of Breezewood (Interchange 12); Harrisburg (Interchanges 17, 18 and 19); the Philadelphia Metropolitan Area (Interchanges 24 through 28); the New Jersey Turnpike, by way of the Delaware River Bridge (Interchange 30); Lehigh Valley-Allentown (Interchange 33); Pocono Resort Area by way of Pocono (Interchange 35); and the Wilkes-Barre Scranton Area (Interchanges 36, 37 and 38).

There are 22 service plazas along the System providing gasoline and diesel fuel, other automotive supplies and services and restaurant services. Sunoco operates and provides automotive services for these service stations pursuant to a lease. Through competitive bidding, the Commission provides for restaurant service at the 22 service plazas. There are service leases with Marriott Corporation, McDonald's and Arby's.

### Toll Schedule and Rates

The current System generally employs a closed or ticket system method for toll collection. Tolls are determined on the basis of the length of the trip and vehicle class. There are nine vehicle classes determined either by axles or, in the case of commercial vehicles, by axles and weight. Historically, all drivers were issued a ticket upon entering the System and were required to surrender the ticket and pay the appropriate toll upon exiting. Alternative toll collection methods, however, have been implemented on a portion of the System and are expected to be implemented in the entire System within the next two years. See THE PENNSYLVANIA TURNPIKE – E-ZPass.

Since 1957, the Commission has implemented only four revisions in its toll schedule, effective on September 1, 1969, August 1, 1978, January 2, 1987 and June 1, 1991. The increase which became effective on June 1, 1991 was approximately 30%.

The following Table I illustrates the existing Tolls and per mile rates applicable to each vehicle class for a trip on the Mainline Section from Interchange 1 through Interchange 29.

**TABLE I**  
**Existing Tolls and Per Mile Rates for a**  
**Mainline Section Through Trip by Vehicle Class**

Vehicle Toll Class	Gross Vehicle Weight (Thousand Pound)	Current Toll	Per Mile Rate
1	1-7	\$ 14.70	\$ .0409
2	7-15	21.70	.0604
3	15-19	26.50	.0738
4	19-30	31.20	.0869
5	30-45	44.00	.1226
6	45-62	55.50	.1546
7	62-80	79.95	.2227
8	80-100	104.40	.2908
9	Over 100	603.35	1.6806

The 1998 Transportation Equity Act for the 21st Century, known as TEA 21, prohibits, during the reconstruction of Route 30, the collection of Tolls on the System for travel either entering Breezewood Interchange and exiting Bedford Interchange or entering Bedford Interchange and exiting Breezewood Interchange. On August 18, 1998, the Federal Highway Administration ("FHWA"), the Pennsylvania Department of Transportation ("PennDOT") and the Commission entered into a Tri-Party Partnership Agreement for the payment of \$3,000,000 in federal funds appropriated by the FHWA to the Commission through PennDOT for the prepayment of revenue which would have been generated by direct Toll collection at those Interchanges. The 2001 Federal Appropriations Act provides an additional \$8,000,000 in federal funds which is an estimate of prepayment of revenues intended to replace Tolls not collected between the Bedford and Breezewood Interchanges. These federal funds are expected to be received in the near future.

**Five-Year Financial History**

The following tables II and III illustrate the financial history of the System for the five fiscal years from 1996 to 2000. The financial statements are a combination of cash basis financial statements with certain accruals included. Tables II and III should be read in conjunction with the financial statements prepared in accordance with generally accepted accounting principles and related notes included in APPENDIX A, AUDITED 2000 AND 1999 FINANCIAL STATEMENTS.

**TABLE II**  
**Number of Vehicles and Fare Revenues**  
**Summarized by Fare Classification**  
**(000's Omitted)**

Year Ended <u>May 31:</u>	<u>Number of Vehicles</u>			<u>Fare Revenues</u>				<u>Net Fare Revenues</u>
	<u>Passenger</u>	<u>Commercial</u>	<u>Total</u>	<u>Passenger</u>	<u>Commercial</u>	<u>Total</u>	<u>Discount</u>	
1996	121,911	16,719	138,630	\$172,339	\$145,503	\$317,842	\$9,234	\$308,608
1997	126,653	17,480	144,133	\$179,303	\$150,554	\$329,857	\$9,717	\$320,140
1998	132,472	18,627	151,099	\$186,290	\$159,514	\$345,804	\$10,478	\$335,326
1999	136,399	19,833	156,232	\$191,804	\$169,852	\$361,656	\$11,091	\$350,565
2000	138,762	21,341	160,103	\$195,301	\$184,352	\$379,653	\$12,316	\$367,337

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**TABLE III**  
**Summary of System Revenues and Operating Expenditures**  
**Before Interest and Other Charges (1)**  
**(000's Omitted)**  
**Years Ended May 31**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues					
Net Toll Revenues	\$308,608	\$320,140	\$335,326	\$350,564	\$367,337
Concession Revenues	8,087	8,018	8,679	9,433	9,869
Interest Income	14,267	12,834	13,560	14,522	16,904
Miscellaneous	<u>1,701</u>	<u>2,232</u>	<u>2,540</u>	<u>2,137</u>	<u>2,126</u>
Total Revenues	\$332,663	\$343,224	\$360,105	\$376,656	\$396,236
Operating Expenditures					
Lumpike Patrol	\$17,884	\$17,968	\$19,339	\$20,414	\$21,416
General & Administrative	15,192	17,705	17,794	18,981	12,894
Normal Maintenance	51,239	46,043	47,225	48,633	39,237
Fare Collection	56,883	57,562	60,520	61,283	49,953
Traffic Services, Safety & Communications	<u>13,214</u>	<u>13,320</u>	<u>13,385</u>	<u>11,453</u>	<u>40,947</u>
Total Operating Expenditures	\$154,412	\$152,598	\$158,263	\$160,764	\$164,447
Revenues less Operating Expenditures	\$178,251	\$190,626	\$201,842	\$215,892	\$231,789
Annual Debt Service Requirement	\$87,293	\$85,096	\$86,191	\$87,008	\$87,841
Coverage Ratio	2.04	2.24	2.34	2.48	2.64
Transfer to the Reserve Maintenance Fund	\$65,164	\$84,435	\$98,356	\$100,870	\$120,139

NOTE: Due to rounding, totals may vary from audited statements.

(1) This summary of revenues and operating expenditures is not intended to present results of operations in conformity with generally accepted accounting principles.

#### **Financial History and Discussion – Eleven Month Period from 6/1/00 to 4/30/01**

The following is a discussion of several key financial performance measurements for the eleven month period ending April 30, 2001 as compared to the eleven month period ending April 30, 2000. Included in this discussion are unaudited numbers regarding Net Toll Revenues (Passenger & Commercial vehicles) and Operating Expenses. The unaudited numbers are derived from cash accounting reports. These numbers will be converted to GAAP accounting for the annual report consistent with prior audited financial statements.

Net Toll Revenues for the eleven month period were less than the Fiscal Year 2001 budgeted number by \$17,692,000 and less than the actual results for the comparable eleven month period of Fiscal Year 2000 by \$1,949,000. These changes represent 5.6% and 0.8% decreases, respectively. While both passenger and commercial traffic reflect revenue declines, the decline in passenger revenue was greater. However, overall unit traffic volume on a combined basis increased by 1.2% from the comparable eleven month period of Fiscal Year 2000. The decrease in revenue is still being analyzed but several causal relationships may include higher fuel prices and the slowdown in the nation's economy.

Operating Expenses for such eleven month period were less than the budget for Fiscal Year 2001 by \$450,000 and in excess of the comparable eleven month period of Fiscal Year 2000 actual results by \$13,104,000. This change represents a 0.3% decrease and a 8.8% increase, respectively. While this information is also still being analyzed, expenses relating to snow removal and implementation of the E-ZPass system increased from the comparable eleven month period of Fiscal Year 2000. Revenues less Operating Expenditures before Annual Debt Service Requirement for the eleven month period of Fiscal Year 2001 were \$197 million as compared to \$212 million for the comparable eleven month period of Fiscal Year 2000.

#### **Budget Process**

The Commission's Financial Planning and Analysis Department develops preliminary budget information for all Commission departments. This information is provided to each of the respective departments for their review and

to enable them to make any proposed revisions for their budget requests. The information is then returned to the Financial Planning and Analysis Department and a Commission wide preliminary budget is prepared. This budget is reviewed by senior management, and in cooperation with the respective departments revisions are made when necessary to conform to the annual financial plan. The final recommended budget is then presented to the Commission for formal approval.

### **Investment Policy and Guideline**

The Commission adopted on June 6, 1997 an Investment Policy and Guideline for the investment of cash assets. The policy statements set forth the purpose, investment objectives, investment guidelines for eligible securities, performance benchmarks, periodic reviews and amendments with respect to investments.

### **E-ZPass**

The Commission is installing the E-ZPass system of toll collection initially for passenger vehicles. This is an automatic toll collection system which enables a driver of a vehicle who has prepurchased a pass to pay tolls utilizing an electronic sensor on the vehicle. It is expected to speed significantly the process of passing through toll booths and is intended to be part of a nationwide toll collection system. The E-ZPass system was installed and is currently operational for passenger vehicles from Interchange 16 (Carlisle) through Interchange 30 (Delaware River Bridge) and Interchange 25A (Mid-County) through Interchange 37 (Wyoming Valley). Deployment of E-ZPass for passenger traffic over the entire system is planned to occur by the end of 2001. Commercial traffic will be incorporated into E-ZPass by the end of 2002. In addition, current construction projects, such as the Mon/Fayette Expressway, are being designed and built to be compatible with the introduction of the E-ZPass system. The installation of the E-ZPass system has required the incorporation of innovative technologies, such as video enforcement, into a single toll system which uses hardware and software adaptable to future technologies. The E-ZPass system implementation is a major component of the Commission's Ten Year Capital Plan.

### **Slip Ramps**

The Commission has constructed an alternate interchange (a "Slip Ramp") near the Fort Washington Interchange. These ramps are exclusively for the use of vehicles with E-ZPass cards and are expected to reduce backups currently occurring at certain toll plazas. The Commission is actively considering other Slip Ramp locations.

### **Video Cameras at Interchanges**

The Commission is in the process of installing video cameras at interchanges to monitor toll collections. A number of video cameras are in operation in the Philadelphia area.

### **Personnel and Labor Relations**

As of January 15, 2001, the Commission employed 2,400 persons, consisting of 429 management employees, 1,971 union members and 188 temporary employees. 78 % of all employees are engaged in maintenance operations and fare collection. No work stoppages or other labor union action has been taken against the Commission since union representation began. The civil service requirements applicable to the state government do not apply to employees of the Commission.

The Commission is a party to three collective bargaining agreements and one memorandum of understanding with Teamsters' Local Unions covering central office, field and first level supervisory personnel. The three collective bargaining agreements are scheduled to expire on September 30, 2003. The memorandum of understanding has no termination date.

### **Retirement Plan**

Substantially all employees of the Commission are covered by the State Employee's Retirement System of the Commonwealth. The costs of the contributory plan are paid by the Commission quarterly based upon a stipulated contribution rate. Participating agency contributions, including those for the Commission, are mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide the State Employee's Retirement System with assets sufficient to meet the benefits to be paid to the State Employees' Retirement System members. Retirement plan contributions, which are treated as an operating expense of the System, was approximately \$3.8 million for Fiscal Year 2000, with a contribution rate of 4.02%.

## CAPITAL IMPROVEMENT PROGRAM

### Act 61 Projects

In 1985, the General Assembly of the Commonwealth enacted legislation which, among other things, authorized and empowered the Commission to undertake the construction of new projects and to operate them as part of the System. This legislation, known as the Turnpike Organization, Extension and Toll Road Conversion Act, also known as Act 1985-61 ("Act 61"), included several groups of projects for the System.

### Mon/Fayette Expressway and Southern Beltway

Two projects constructed as part of the Mon/Fayette Expressway are in operation. One is a six-mile toll road between Interstate Route 70 and U.S. Route 40 in Washington County. This project was built by PennDot and turned over to the Commission upon its opening in 1990. The other is an eight mile section of toll road from the Pennsylvania/West Virginia border to Fairchance, which is located just south of Uniontown. These are now part of the System.

Three other projects will complete the entire Mon/Fayette Expressway. A 17 mile section of toll road from Interstate Route 70, Washington County, to PA Route 51 in Allegheny County is currently under construction and is scheduled to open in 2002. A section, extending from Uniontown to Brownsville, has completed its environmental design and its engineering design is now underway. A section, extending from PA Route 51 to Interstate Route 376 in Pittsburgh, is in the environmental study phase. The environmental studies for this section are to be completed in 2002.

The proposed Southern Beltway is to be constructed from the Mon/Fayette Expressway, near Finleyville, extending as part of a beltway south of Pittsburgh to PA Route 60 at the Pittsburgh International Airport. It is presently planned for construction in three sections. Two of these sections are now in the environmental study phase. One is in the final design phase.

The total estimated cost of the Mon/Fayette Expressway and the Southern Beltway is approximately \$3.2 billion. The proceeds of the Commission's Oil Franchise Tax Bonds, Series A&B of 1998, have been applied toward these costs. It is anticipated that the Mon/Fayette Expressway and the Southern Beltway will be financed out of Oil Franchise Tax Revenues and Registration Fee Revenues along with other funding sources. Although these are to be toll roads, System Revenues will not be pledged for the financing of their construction.

### Ten Year Capital Plan

The Commission has a Ten Year Capital Plan consisting of highway, information technology and infrastructure support programs. The highway programs consist of roadway, bridge, tunnel and toll plaza projects. The information technology programs consist of toll collection, communication and management projects. The infrastructure support programs consist of service plaza, facility and equipment projects.

The highest priority project is the total full depth roadway reconstruction of the Mainline Section which is anticipated to cost approximately \$5,000,000 to \$7,000,000 per mile. This work includes the reconstruction not only of the roadway but the shoulders, the widening of the median, and the replacement of drainage components and guard rails. The initial reconstruction involves certain sections of the 160 mile stretch of the original Pennsylvania Turnpike first opened in 1940 from Irwin to near Carlisle. Additional work includes replacement and widening of various bridges crossing over the Mainline Section. Total expenditures for this initial section of road, both currently underway and yet to be completed, are projected to cost \$303,800,000. The Commission's Ten Year Capital Plan contemplates \$247,100,000 being spent on this section of road through fiscal year 2004.

The Ten Year Capital Plan also includes the completion of the third and final phase of implementing the E-ZPass system. In this phase, toll equipment operating the mainline ticket system will be replaced with PC-based lane controllers. 330 lanes will be retrofitted with these new controllers. Some proprietary toll equipment, such as lane toll terminals, will no longer be used; E-ZPass functions will be added to the lane controllers; and video enforcement equipment will be added to all interchange toll lanes for the mainline ticket system, Mon/Fayette Expressway interchanges, and other weigh barrier interchanges. Additional equipment, such as personal computers for lane controllers, video cameras for video enforcement, and antennas and tag readers for the E-ZPass system, will be purchased in this phase. Most of the interchanges will be rewired and fiber optic cables will be installed. Total expenditures for completion of this E-ZPass implementation phase are projected to be \$60,580,000. The Commission's Ten Year Capital Plan provides for \$55,486,000 to be spent on this project through Fiscal Year 2004.



# TEN YEAR CAPITAL PLAN

PENNSYLVANIA TURNPIKE COMMISSION  
 FISCAL YEAR 2000-2001 VERSION CALCULATED WITHOUT INFLATION  
 FACTORS (FINAL PLAN)  
 OF THE TEN YEAR CAPITAL PLAN (IN MILLIONS OF \$)

CAPITAL PLAN CATEGORY	# OF PROJECTS	% OF PROJECTS	Current FY 2000-2001	Priority A Year 2 - 4			Priority B Year 5 - 7			Priority C Year 8 - 10			TOTAL	% OF TOTAL
				FY 2001-2002	FY 2002-2003	FY 2003-2004	FY 2004-2005	FY 2005-2006	FY 2006-2007	FY 2007-2008	FY 2008-2009	FY 2009-2010		
<b>Highway Program</b>														
Roadway	94	38%	117.8	107.7	115.9	137.2	146.0	169.0	165.1	171.3	206.9	217.8	\$1,555	66%
Structures	49	20%	24.2	41.5	44.4	35.1	30.6	9.9	25.0	33.0	6.0	4.0	\$254	11%
Tunnels	11	4%	2.1	13.9	4.6	0.8	0.3	0.8	0.2	0.2	0.0	0.0	\$23	1%
Toll Plazas	15	6%	15.6	19.7	20.6	10.2	8.2	5.1	0.5	0.5	0.5	0.5	\$81	3%
<b>TOTAL</b>	<b>169</b>	<b>68%</b>	<b>159.7</b>	<b>182.8</b>	<b>185.5</b>	<b>183.2</b>	<b>185.1</b>	<b>184.8</b>	<b>190.8</b>	<b>205.0</b>	<b>213.4</b>	<b>222.3</b>	<b>\$1,913</b>	<b>81%</b>
<b>Information Technology Program</b>														
Toll Collection	3	1%	23.4	30.5	10.0	1.1	6.2	7.7	8.9	9.4	12.5	0.3	\$110	5%
Communications	8	3%	22.4	10.5	7.8	7.2	1.1	0.9	3.4	0.9	0.2	8.3	\$63	3%
Application Development	11	4%	3.9	1.7	0.8	0.4	0.4	0.4	0.4	0.4	0.9	0.4	\$10	0%
Technical Operations	3	1%	5.3	2.3	1.5	1.3	4.3	4.0	1.3	4.3	1.4	7.0	\$33	1%
<b>TOTAL</b>	<b>22</b>	<b>9%</b>	<b>55.0</b>	<b>45.0</b>	<b>20.0</b>	<b>10.0</b>	<b>12.0</b>	<b>13.0</b>	<b>14.0</b>	<b>15.0</b>	<b>15.0</b>	<b>16.0</b>	<b>\$215</b>	<b>9%</b>
<b>Infrastructure Support Program</b>														
Service Plazas	11	4%	2.1	2.2	3.5	0.4	2.1	1.1	1.9	1.5	1.8	5.3	\$22	1%
Facilities	45	18%	24.9	18.6	15.6	9.5	14.3	18.1	17.2	14.1	17.8	15.3	\$165	7%
Equipment (Rolling Stock)	2	1%	4.1	4.2	1.8	1.5	3.5	3.0	3.0	6.5	6.6	7.1	\$41	2%
<b>TOTAL</b>	<b>58</b>	<b>23%</b>	<b>31.0</b>	<b>25.0</b>	<b>21.0</b>	<b>11.3</b>	<b>19.9</b>	<b>22.2</b>	<b>22.1</b>	<b>22.1</b>	<b>26.2</b>	<b>27.7</b>	<b>\$228</b>	<b>10%</b>
<b>TOTAL TURNPIKE NEEDS BY YEAR</b>	<b>249</b>	<b>100%</b>	<b>\$245.7</b>	<b>\$252.8</b>	<b>\$226.5</b>	<b>\$204.6</b>	<b>\$217.0</b>	<b>\$219.9</b>	<b>\$226.9</b>	<b>\$242.0</b>	<b>\$254.6</b>	<b>\$266.0</b>	<b>\$2,356</b>	<b>100%</b>
<b>TOTAL TURNPIKE NEEDS BY PRIORITY</b>			<b>\$245.7</b>	<b>\$683.8</b>			<b>\$643.8</b>			<b>\$742.6</b>			<b>\$2,356</b>	

As of April 1, 2001.

## **Capacity Needs Study**

The Commission authorized Gannett Fleming to complete a mainline capacity analysis of the System in 1997. The Commission identified the need to evaluate demand projected through 2015. The study identified roadway and other deficiencies projected to occur during this period. The results of this study have been incorporated into the needs portion of the Commission's Ten Year Capital Plan.

## **Future Financings**

Assuming favorable interest rate conditions, the Commission intends to currently refund the remaining portions of its outstanding Series M and Series N Bonds by the issuance of new Series U Bonds in the principal amount of approximately \$170,500,000 at a variable interest rate, combined with a swap to a fixed interest rate, on or about the same time as the issuance of the Series T Bonds. In addition, assuming favorable interest rate conditions, the Commission intends to currently refund its Series O and Series P Bonds at variable interest rates, combined with swaps to fixed interest rates, on or about December 1, 2002. These refinancings will allow the Commission to benefit from debt service savings, to restructure debt service payments and to implement the Restated Indenture and defeasance of the Original Indenture.

The Commission expects in the near future to issue bonds secured by Registration Fee Revenues for additional construction of the Mon/Fayette Expressway.

## **AUDITED FINANCIAL STATEMENTS**

The financial statements of the Commission for the years ended May 31, 2000 and May 31, 1999 are set forth in APPENDIX A, AUDITED 2000 AND 1999 FINANCIAL STATEMENTS certified by Ernst & Young, in its capacity as Independent Auditor. The Commission has not asked Ernst & Young to perform any additional review in connection with this Official Statement. The audited financial statements of the Commission for the year ended May 31, 2001 are expected to be released in August 2001 prior to the closing on the Series T Bonds. These are will be made available by the Commission to the nationally recognized municipal securities information repositories ("Repositories").

## **CONTINUING DISCLOSURE**

In order to enable the Underwriters to comply with the requirements of Securities and Exchange Commission Rule 15c2-12, the Commission will enter into a Continuing Disclosure Agreement for the benefit of the registered owners from time to time of the Series T Bonds, to be dated the date of original delivery and payment for the Series T Bonds (the "Disclosure Agreement").

Pursuant to the Disclosure Agreement, the Commission will provide to the Repositories and to the appropriate state information depository ("SID"), if any, within 180 days of the end of each fiscal year of the Commission commencing with the fiscal year ending May 31, 2001, annual financial information, consisting of financial and operating data of the type set forth in this Official Statement in Tables I, II and III and in APPENDIX A, AUDITED 2000 AND 1999 FINANCIAL STATEMENTS. In the event that audited financial statements are not available within 180 days of the close of the applicable fiscal year, the Annual Financial Information will contain unaudited financial statements and the audited financial statements will be provided for filing when available.

The Disclosure Agreement will also provide that the Commission will file in a timely manner, with the Municipal Securities Rulemaking Board (the "MSRB"), notice of the occurrence of any of the following events with respect to the Series T Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Series T Bonds; (vii) modifications to rights of holders of the Series T Bonds; (viii) Series T Bond calls; (ix) defeasances; (x) release, substitution, or sale

of property securing repayment of the Series T Bonds; and (xi) rating changes. The foregoing events are quoted from Rule 15c2-12.

In addition, the Commission shall give notice in a timely manner to the MSRB of any failure to provide the annual financial information on or before the date specified for such filing.

The Commission may amend the Disclosure Agreement and waive any of the provisions thereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the Commission or the governmental operations conducted by the Commission; (ii) the Disclosure Agreement, as modified by the amendment or waiver, would have been the written undertaking contemplated by Rule 15c2-12 at the time of original issuance of the Series T Bonds, taking into account any amendments or interpretations of Rule 15c2-12; and (iii) the amendment or waiver does not materially impair the interests of the registered owners of the Series T Bonds. Evidence of compliance with the foregoing conditions shall be satisfied by delivery to the Commission of an opinion of counsel having recognized skill and experience in the issuance of municipal securities and federal securities law to the effect that the amendment or waiver satisfies the conditions set forth in the preceding sentence. Notice of any amendment or waiver shall be filed by the Commission with each Repository and the State Information Depository, if any, and shall be sent to the registered owners of the Series T Bonds.

The Disclosure Agreement will recite that it is entered into for the benefit of the registered owners from time to time of the Series T Bonds. For the purposes of the Disclosure Agreement, for so long as the Series T Bonds are registered in the name of DTC or its nominee, "registered owner" shall mean and include the holder of a book-entry credit evidencing an interest in the Series T Bonds. Holders of book-entry credits may file their names and addresses with the Commission for the purposes of receiving notices or giving direction under the Disclosure Agreement.

A default under the Disclosure Agreement shall not be deemed to be a default under the Series T Bonds or the Restated Indenture, and the sole remedy to enforce the provisions of the Disclosure Agreement shall be the right of any registered owner, by mandamus, suit, action or proceeding at law or in equity, to compel the Commission to perform the provisions and covenants contained in the Disclosure Agreement.

The Disclosure Agreement will terminate (1) upon payment or provision for payment in full of the Series T Bonds, (2) upon repeal or rescission of Section (b)(5) of Rule 15c2-12, or (3) upon a final determination that Section (b)(5) of Rule 15c2-12 is invalid or unenforceable. A copy of the Disclosure Agreement is on file at the principal office of the Commission.

## **RELATIONSHIPS OF CERTAIN PARTIES**

Cohen & Grigsby, P.C., Bond Counsel, has represented the Commission in various matters. Dilworth Paxson LLP, Counsel to the Underwriters, has also represented the Commission in various matters. First Union National Bank, the Trustee and one of the Underwriters, has performed other services for the Commission.

## **UNDERWRITING**

The Series T Bonds are being purchased by the Underwriters listed on the cover page (the "Underwriters") for whom Bear, Stearns & Co. Inc. is acting as the Representative. The Underwriters have severally agreed to purchase the Series T Bonds at an aggregate underwriting discount of \$569,833.90. The Underwriters will be obligated to purchase all of the Series T Bonds if any of such Series T Bonds are purchased. The Series T Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing such Series T Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters. The Commission has agreed to be liable to the Underwriters to the extent of all losses, claims, damages and liabilities arising out of incorrect statements or information contained in this Official Statement or material omissions therein, except for information furnished by the Underwriters, and with respect to certain other matters.

## **RATINGS**

The Commission has received municipal bond ratings of "AAA", "Aaa", and "AAA" respectively for the Series T Bonds from Standard & Poor's, Moody's Investors Service and Fitch, Inc. based upon the Municipal Bond New Issue Insurance Policy to be issued by Financial Guaranty.

An explanation of the significance of each of such ratings may be obtained from the rating agency furnishing the same. The Commission furnished to such rating agencies certain information and materials respecting the Series T Bonds and itself. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions made by the rating agencies. There is no assurance that such ratings will be retained for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies, or either of them, if in their or its judgment circumstances so warrant. Any such downward change in or withdrawal of one or more of such ratings may have an adverse effect on the market price of the Series T Bonds.

## **LITIGATION**

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series T Bonds, or in any way contesting or affecting the validity of the Series T Bonds or any proceedings of the Commission taken with respect to the offer or sale thereof, or the pledge or application of any monies or security provided for the payment of the Series T Bonds, the existence or powers of the Commission or the construction of the Commission's capital improvement program.

The Commission is covered by Act No. 152 approved September 28, 1978 which provides for a limited waiver of sovereign immunity by the Commonwealth. Damages for any loss are limited to \$250,000 for each person and \$1,000,000 for each accident.

There are currently 46 open claims for personal injury and/or property damage pending against the Commission which are covered by the Commission's excess liability insurance policies to the extent the claims result in liability to the Commission in excess of the amount of self-insurance.

## **LEGAL MATTERS**

Certain legal matters will be passed upon by Cohen & Grigsby, P.C., Pittsburgh, Pennsylvania, Bond Counsel. A copy of the form of opinion of Bond Counsel which will be delivered with the Series T Bonds is set forth in APPENDIX D, FORM OF OPINION OF BOND COUNSEL. Certain other legal matters will be passed upon for the Underwriters by their Counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania, and for the Commission by its Chief Counsel, William A. Chesnutt, Esquire.

## **FINANCIAL ADVISOR**

Penn Capital Advisors is the Financial Advisor to assist the Commission in connection with the issuance of the Series T Bonds and other financial matters.

## **TAX EXEMPTION AND OTHER TAX MATTERS**

### **Federal Tax Exemption**

On the date of issuance of the Series T Bonds, Bond Counsel will deliver its opinion (substantially in the form attached as APPENDIX D hereto) to the effect that, under existing law, interest on the Series T Bonds (including any original issue discount properly allocable to a holder and treated as interest) will not be includible in gross income of the holders of the Series T Bonds for federal income tax purposes and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining

"adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on such corporations. For the purpose of rendering the opinion set forth in this paragraph, Bond Counsel has assumed compliance by the Commission with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Series T Bonds in order that interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series T Bonds to be included in gross income retroactive to the date of issuance of the Series T Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series T Bonds.

#### **Other Tax Matters**

Ownership of the Series T Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income" and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series T Bonds. Bond Counsel expresses no opinion as to such collateral tax consequences.

#### **Original Issue Premium**

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (the "Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Series T Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser's basis in a Premium Bond and, under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocated to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

#### **Pennsylvania Tax Exemption**

In the opinion of Bond Counsel, under existing law, the Series T Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Series T Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

### **MISCELLANEOUS**

The financial data and other information contained herein have been obtained from the Commission's records, audited financial statements and other sources which are believed to be reliable. No guarantee is however given that any of the assumptions, forecasts or estimates contained herein will be realized.

The references herein to the Act, the Series T Bonds, the Original Indenture, the Restated Indenture, the Fourteenth Supplemental Indenture, the Continuing Disclosure Agreement and the Escrow Deposit Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and, accordingly, are qualified by reference and are subject to the full texts thereof.

Neither this Official Statement nor any other disclosure in connection with the Series T Bonds is to be construed as a contract with the holders of the Series T Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so identified, are intended merely as such and not as representations of fact.

PENNSYLVANIA TURNPIKE COMMISSION

By: /s/ Bradley L. Mallory  
*Chairman*

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**APPENDIX A**  
**AUDITED 2000 AND 1999 FINANCIAL STATEMENTS**

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# Financial Statements

## Pennsylvania Turnpike Commission

*Years ended May 31, 2000 and 1999  
with Report of Independent Auditors*

Pennsylvania Turnpike Commission

Financial Statements

Years ended May 31, 2000 and 1999

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## Report of Independent Auditors

The Commissioners  
Pennsylvania Turnpike Commission

We have audited the accompanying balance sheets of the Pennsylvania Turnpike Commission as of May 31, 2000 and 1999, and the related statements of revenues, expenses, and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Pennsylvania Turnpike Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pennsylvania Turnpike Commission as of May 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

*Ernst + Young LLP*

August 23, 2000

# Pennsylvania Turnpike Commission

## Balance Sheets

	<b>May 31</b>	
	<b>2000</b>	<b>1999</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$149,362	\$183,485
Short-term investments	23,993	47,728
Accounts receivable	13,267	12,351
Accrued interest receivable	13,036	9,116
Inventories	6,316	6,915
Total current assets	205,974	259,595
Long-term investments	565,364	732,535
Fixed assets:		
Land	116,387	104,872
Buildings	403,187	400,124
Improvements other than buildings	40,534	39,998
Equipment	165,758	151,144
Infrastructure	2,763,771	2,548,199
Construction in progress	746,898	536,074
	4,236,535	3,780,411
Less accumulated depreciation	1,948,740	1,811,110
	2,287,795	1,969,301
Other assets:		
Other assets	11,129	13,602
Deferred bond issuance costs	17,228	18,328
Total other assets	28,357	31,930
Total assets	\$3,087,490	\$2,993,361

	May 31	
	2000	1999
	<i>(In Thousands)</i>	
<b>Liabilities and fund equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$124,953	\$104,868
Current portion of bonds payable	39,120	36,775
Total current liabilities	<u>164,073</u>	<u>141,643</u>
Bonds payable, less current portion, net of unamortized discount of \$35,436 in 2000 and \$37,829 in 1999	1,469,979	1,506,706
Other noncurrent liabilities	23,657	17,439
	<u>1,493,636</u>	<u>1,524,145</u>
Total liabilities	<u>1,657,709</u>	<u>1,665,788</u>
Fund equity:		
Contributed capital	290,272	247,480
Reserved retained earnings	1,139,509	1,080,093
Total fund equity	<u>1,429,781</u>	<u>1,327,573</u>
Total liabilities and fund equity	<u><u>\$3,087,490</u></u>	<u><u>\$2,993,361</u></u>

*See accompanying notes.*

## Pennsylvania Turnpike Commission

### Statements of Revenues, Expenses, and Changes in Retained Earnings

	<b>Year ended May 31</b>	
	<b>2000</b>	<b>1999</b>
	<i>(In Thousands)</i>	
Operating revenues:		
Net fares	<b>\$367,336</b>	\$350,565
Other	<b>11,623</b>	12,700
	<b>378,959</b>	363,265
Operating expenses:		
Cost of services	<b>180,671</b>	190,179
Depreciation	<b>139,962</b>	132,866
	<b>320,633</b>	323,045
Operating income	<b>58,326</b>	40,220
Nonoperating revenues (expenses):		
Oil company franchise tax	<b>42,143</b>	41,891
Interest earned on investments	<b>37,626</b>	36,079
Interest expense	<b>(78,679)</b>	(79,895)
	<b>1,090</b>	(1,925)
Net income	<b>59,416</b>	38,295
Retained earnings at beginning of year	<b>1,080,093</b>	1,041,798
Retained earnings at end of year	<b>\$1,139,509</b>	\$1,080,093

*See accompanying notes.*

# Pennsylvania Turnpike Commission

## Statements of Cash Flows

	<b>Year ended May 31</b>	
	<b>2000</b>	<b>1999</b>
	<i>(In Thousands)</i>	
<b>Operating Activities</b>		
Operating income	<b>\$58,326</b>	\$40,220
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	<b>139,962</b>	132,866
Change in operating assets and liabilities:		
Accounts receivable, net of nonoperating revenue receivables	<b>(812)</b>	472
Inventories	<b>599</b>	(54)
Other assets	<b>3,573</b>	(20,840)
Accounts payable and accrued liabilities, excluding interest payable	<b>19,299</b>	15,804
Other noncurrent liabilities	<b>6,218</b>	6,994
Net cash provided by operating activities	<b>227,165</b>	175,462
<b>Investing Activities</b>		
Purchases of investments, excluding cash equivalents	<b>(389,075)</b>	(1,352,637)
Proceeds from sales of investments, excluding cash equivalents	<b>557,479</b>	898,277
Interest received on investments	<b>54,091</b>	36,935
Net cash provided by (used in) investing activities	<b>222,495</b>	(417,425)
<b>Capital and Related Financing Activities</b>		
Capital grants received	<b>42,792</b>	30,933
Acquisition of fixed assets	<b>(446,135)</b>	(293,715)
Payments for redemption of revenue bonds	<b>(36,775)</b>	(30,010)
Interest paid on bonds	<b>(85,704)</b>	(72,406)
Advanced refunding of bonds	-	(115,752)
Proceeds from new bonds	-	588,355
Net cash (used in) provided by capital and related financing activities	<b>(525,822)</b>	107,405
<b>Noncapital Financing Activities</b>		
Cash proceeds from oil company franchise tax	<b>42,039</b>	41,854
Net cash provided by noncapital financing activities	<b>42,039</b>	41,854
Decrease in cash and cash equivalents	<b>(34,123)</b>	(92,704)
Cash and cash equivalents at beginning of year	<b>183,485</b>	276,189
Cash and cash equivalents at end of year	<b>\$149,362</b>	\$183,485

*See accompanying notes.*

# Pennsylvania Turnpike Commission

## Notes to Financial Statements

May 31, 2000

### **1. Financial Reporting Entity**

The Pennsylvania Turnpike Commission (Commission) was created as an instrumentality of the Commonwealth of Pennsylvania on May 21, 1937, with powers to construct, operate, and maintain the Turnpike System and to issue Turnpike revenue bonds, repayable solely from tolls and other Commission revenues. The Commission, which is a component unit of the Commonwealth of Pennsylvania (Commonwealth), is presented as an enterprise fund on the accrual basis with a capital maintenance measurement focus.

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units in accordance with Government Accounting Standards Board (GASB) Statement No. 14 (GASB #14), "The Reporting Entity." GASB No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Based on the Commission's review of GASB #14, the Commission believes it has no component units.

The Commission consists of five members, one of whom is the Secretary of Transportation. The other four are appointed for four-year terms by the Governor with the approval of a majority of the Senate.

The Commission's revenue bonds have been issued under the provisions of a Trust Indenture, dated July 1, 1986, as supplemented (1986 Indenture), and a Trust Indenture dated August 1998 (1998 Indenture), (collectively referred to as the Indentures) between the Commission and the Trustees (First Union National Bank and National City Bank of Pennsylvania). Accordingly, certain activities of the Commission are restricted by the Indentures.

### **2. Accounting Policies**

#### **Cash Equivalents**

For purposes of the statements of cash flows, the Commission considers all highly liquid debt investment securities with a maturity of three months or less when purchased to be cash equivalents.



## **2. Accounting Policies (continued)**

### **Investments**

Investments are stated at fair value. Certain nonparticipating contracts such as repurchase agreements are reported at cost. Fair values are based on published market rates.

### **Fixed Assets**

Fixed assets are stated at cost. Donated fixed assets are valued at their estimated fair market value on the date received. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Buildings	10-45 years
Improvements other than buildings	15-20 years
Equipment	3-45 years
Infrastructure	5-50 years

Net interest costs of \$9.9 million and \$627 thousand were capitalized as part of fixed assets for the years ended May 31, 2000 and 1999, respectively. The amount capitalized includes interest costs incurred during the years ended May 31, 2000 and 1999, of \$12.1 million and \$7.6 million, respectively, net of \$2.2 million and \$7.0 million, respectively, of interest earned on related investments acquired with revenue bond proceeds.

### **Inventories**

Inventories are valued at the lower of average cost (determined on a first-in, first-out method) or market.

### **Bond Discount and Issuance Costs**

Bond discount and issuance costs are being amortized using the effective interest method over the varying terms of the bonds issued.

## **2. Accounting Policies (continued)**

### **Accounts Payable and Accrued Liabilities**

The accounts payable and accrued liabilities include accruals for expenses incurred but not yet paid including expenses relating to vacation and sick pay, payroll, interest, operating expenses, and the short-term portion of liabilities for self-insurance.

### **Grants**

The Commission receives grants from other governments for reimbursement of costs for various highway construction projects. The proceeds from these grants are recorded as contributed capital. During the years ended May 31, 2000 and 1999, the Commission received \$42.8 million and \$30.9 million, respectively, in reimbursements from federal and state governments which were recorded as additions to infrastructure and contributed capital.

### **Retained Earnings**

Retained earnings in the amounts of \$120.4 million and \$110.6 million are reserved for retirement of debt at May 31, 2000 and 1999, respectively. Retained earnings in the amounts of \$1.0 billion and \$969.5 million are reserved for maintenance and construction of the Turnpike System at May 31, 2000 and 1999, respectively.

### **Motor License Fund Grants**

The Commission received \$28.0 million in a grant during each of fiscal years 2000 and 1999 from the Commonwealth's Motor License Fund. This grant is recorded directly to contributed capital. The Commission has elected to account for this grant in a separate fund. This fund's assets, which consisted of cash and investments, totaled \$88 million and \$56 million as of May 31, 2000 and 1999, respectively.

### **Oil Franchise Revenues**

The Commission receives 14% of the Commonwealth's oil franchise tax revenues. The revenues are recorded as non-operating revenue. Such revenues totaled \$42.1 million and \$41.9 million for the fiscal years ended May 31, 2000 and 1999, respectively. As required by the applicable indenture, these revenues are kept in a separate fund. This fund's assets, which consisted of essentially cash and investments, aggregated \$315.1 million and \$485.8 million as of May 31, 2000 and 1999, respectively.

## **2. Accounting Policies (continued)**

### **Self-Insurance**

The Commission is exposed to various risks of losses—theft of, damage to, and destruction of assets, errors and omissions, third-party torts, injuries to employees, injuries to third parties due to accidents caused by Commission automobiles, and natural disasters. The Commission has purchased commercial insurance for all risks of losses, including employee medical benefits, except for torts, injuries to employees, and injuries to third parties due to accidents caused by Commission automobiles. No settlements exceeded insurance coverage for each of the past three years.

The Commission has recorded a liability of \$24.3 million and \$17.5 million for loss and loss adjustment expenses on claims relating to self-insurance that have been incurred but not reported as of May 31, 2000 and 1999, respectively. This liability is based on GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,” which requires that a liability for claims be recorded if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is calculated based on the Commission’s past loss experience. The liability was discounted using a rate of 5.0% as of May 31, 2000 and 1999. The liability includes amounts for claims adjustment expense and is net of any salvage and subrogation. Salvage and subrogation were not material for the years ended May 31, 2000 and 1999. The Commission believes the liability established is reasonable and appropriate to provide for settlement of losses and related loss adjustment expenses.

Management believes that its reserve for claims incurred but not reported is determined in accordance with generally accepted actuarial principles and practices. However, estimating the ultimate liability is a complex and judgmental process inasmuch as the amounts are based on management’s informed estimates and judgments using data currently available. As additional experience and data become available regarding claim payments and reporting patterns, legislative developments, and economic conditions, the estimates are revised accordingly and the impact is reflected currently in the Commission’s financial statements.

## 2. Accounting Policies (continued)

### Self-Insurance (continued)

The following summary provides aggregated information on self-insurance liabilities for the years ended May 31, 2000 and 1999:

	Year ended May 31, 2000 (In Thousands)							May 31, 2000 Liability
	June 1, 1999 Liability	Effects of Discount as of June 1, 1999	Incurred Claims		Paid Claims		Effects of Discount as of May 31, 2000	
			Current Year	Prior Years	Current Year	Prior Years		
Workers compensation	\$6,367	\$2,655	\$2,000	\$4,431	\$550	\$1,112	\$3,062	\$10,729
Automobile/ general tort	11,100	—	1,799	1,557	65	791	—	13,600
	<u>\$17,467</u>	<u>\$2,655</u>	<u>\$3,799</u>	<u>\$5,988</u>	<u>\$615</u>	<u>\$1,903</u>	<u>\$3,062</u>	<u>\$24,329</u>

	Year ended May 31, 1999 (In Thousands)							May 31, 1999 Liability
	June 1, 1998 Liability	Effects of Discount as of June 1, 1998	Incurred Claims		Paid Claims		Effects of Discount as of May 31, 1999	
			Current Year	Prior Years	Current Year	Prior Years		
Workers compensation	\$7,488	\$3,046	\$1,600	\$(2,017)	\$345	\$750	\$2,655	\$6,367
Automobile/ general tort	5,500	—	864	5,935	106	1,093	—	11,100
	<u>\$12,988</u>	<u>\$3,046</u>	<u>\$2,464</u>	<u>\$3,918</u>	<u>\$451</u>	<u>\$1,843</u>	<u>\$2,655</u>	<u>\$17,467</u>

The foregoing reflects an adjustment for a deficiency of \$6.0 million in the May 31, 2000 prior years' incurred claims that resulted from a change in estimate as more information became available.

## **2. Accounting Policies (continued)**

### **Application of FASB Pronouncements**

The Commission has elected not to apply any FASB statements and interpretations issued after November 30, 1989.

### **Pending Accounting Pronouncements**

In December 1998, the GASB issued Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." This Statement provides accounting and reporting guidance for nonexchange transactions (e.g., most taxes, grants, and donations). The Commission is required to adopt GASB Statement No. 33 in fiscal year 2001, unless it early adopts GASB Statement No. 34, in which case it is effective when the Commission adopts GASB Statement No. 34.

In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement provides significant new accounting and financial reporting requirements for governments. The Commission is required to adopt GASB Statement No. 34 in fiscal year 2002 when the Commonwealth of Pennsylvania adopts the Statement, except for certain provisions relating to infrastructure which it is required to adopt in calendar year 2006.

The Commission has not completed the varied and in some cases complex analyses required to estimate the financial statement impact of these new statements.

## **3. Indenture Requirements**

The Commission is required to maintain certain accounts with the Trustee as specified by the Indentures. Funds maintained in such accounts are restricted to use for construction, Turnpike System maintenance and operation, and debt service. Nonrestricted funds of \$300 million and \$255 million, representing residual amounts after all mandatory transfers have been made as required by the Indentures, were included in cash, temporary investments, and accounts receivable at May 31, 2000 and 1999, respectively.

Substantially all other Commission funds were pledged and restricted under the Indentures for the benefit of the bondholders.

#### 4. Cash and Investments

Cash deposits are in six financial institutions at May 31, 2000, and are carried at fair value. The Indentures require that cash deposits be either insured or collateralized by a pledge of direct Series T Bonds of the United States Government or the Commonwealth of Pennsylvania or otherwise in accordance with the laws of the Commonwealth of Pennsylvania governing trust funds of public bodies.

The following summary presents the amount of Commission deposits all of which are fully insured or collateralized with securities held by the Commission or its agent in the Commission's name (in thousands):

	<b>Total Bank Balance</b>	<b>Total Book Balance</b>
<b>May 31, 2000</b>		
Demand deposits	<b>\$86,097</b>	<b>\$75,644</b>
<b>May 31, 1999</b>		
Demand deposits	\$71,242	\$62,095

The Indentures permit investments in Series T Bonds of, or guaranteed by, the United States of America, its agencies and instrumentalities (United States Government Series T Bonds); certificates of deposit with financial institutions which are fully insured or collateralized with United States Government Series T Bonds; investment agreements with certain financial institutions; and repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York collateralized with Series T Bonds of, or guaranteed by, the United States of America. The 1998 Indenture also permits investments in long-term debt Series T Bonds of any state or political subdivision but only to the extent that the applicable rating agency has assigned a rating to such Series T Bonds that is in any of the three highest rating categories assigned by the rating agency; short-term investment funds that invest in U.S. government Series T Bonds and commercial paper that is rated the highest by the applicable rating agency. The 1986 Indenture also requires that no investment have a maturity greater than fifteen years; there is no such restriction under the 1998 Indenture.

#### 4. Cash and Investments (continued)

The following is a categorization of investment securities and cash equivalents by risk and type (in thousands):

	May 31	
	2000	1999
Uninsured, unregistered, and held by the counterparty's trust department in the Commission's name:		
United States Government Series T Bonds	\$519,467	\$202,540
Repurchase agreements	81,211	420,625
	<u>600,678</u>	<u>623,165</u>
Uncategorized:		
Mutual funds	62,397	278,488
Total investment securities and cash equivalents	<u>\$663,075</u>	<u>\$901,653</u>

## 5. Bonds Payable

Bonds payable consist of the following:

	May 31	
	2000	1999
	<i>(In Thousands)</i>	
Revenue bonds payable:		
1991 Series L: Issued \$273,405 in June 1991 at 5.60% to 6.60%, due in varying installments through June 1, 2015	<b>\$242,065</b>	\$250,300
1991 Series M and N: Issued \$267,495 in January 1992 at 4.50% to 6.60%, due in varying installments through December 1, 2019	<b>255,950</b>	257,315
1992 Series O and P: Issued \$570,715 in September 1992 at 2.50% to 6.00%, due in varying installments through December 1, 2017	<b>466,940</b>	485,340
1998 Series Q: Issued \$53,000 in July 1998 at a variable rate, due in varying installments through June 1, 2028	<b>53,000</b>	53,000
Total revenue bonds payable	<b>1,017,955</b>	1,045,955
Tax revenue bonds payable:		
1998 Series A and B Oil Franchise Tax Revenue: Issued \$538,880 in August 1998 at 3.85% to 5.50%, due in varying installments through December 1, 2027	<b>526,580</b>	535,355
	<b>1,544,535</b>	1,581,310
Less unamortized discount:		
(Includes unamortized discount relating to the 1998 Series A and B Oil Franchise Tax Revenue bonds payable of \$6,967 and \$7,083 as of May 31, 2000 and 1999, respectively)	<b>35,436</b>	37,829
	<b>1,509,099</b>	1,543,481
Less current portion	<b>39,120</b>	36,775
	<b>\$1,469,979</b>	\$1,506,706



## **5. Bonds Payable (continued)**

Interest on the bonds, except 1998 Series Q revenue bonds, is payable semiannually on June 1 and December 1 of each year. The interest on the 1998 Series Q revenue bonds is payable the first of every month.

On July 2, 1998 the Commission issued \$53 million in Series Q variable rate demand bonds. The bonds, which will bear interest at a variable rate determined daily by the remarketing agent, will be used to pay for a construction project in Westmoreland County, Pennsylvania, expansion and renovation of the Commission's administration building and various other construction projects.

On August 13, 1998, the Commission issued \$310.5 million in Series A Oil Franchise Tax Senior Revenue bonds and \$228.4 million in Series B Oil Franchise Tax Subordinated bonds. The proceeds from the bonds advance refunded the remainder (\$101,517,000) of the 1994 Series A Oil Franchise Tax Revenue bonds (1994 Bonds), with the remainder of the proceeds to be used for various construction projects, including continued construction of the Mon/Fayette project. The Commission defeased the 1994 Bonds by placing \$115,752,000 of the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result of this advance refunding, the Commission recognized an economic loss of \$15,662,000, which it will defer over the remaining life of the 1994 Bonds.

In prior years, the Commission defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Commission's financial statements. As of May 31, 2000, the Commission has \$724 million of refunded bonds outstanding that are considered defeased.

## 5. Bonds Payable (continued)

Debt service requirements subsequent to May 31, 2000, are as follows:

Year ending May 31	Principal Maturities	Interest	Total
	<i>(In Thousands)</i>		
2001	\$39,120	\$81,295	\$120,415
2002	41,255	79,202	120,457
2003	43,850	76,956	120,806
2004	45,945	74,532	120,477
2005	49,435	71,922	121,357
2006-2010	296,105	312,457	608,562
2011-2015	403,260	210,535	613,795
2016-2020	318,580	117,426	436,006
2021-2025	127,260	46,641	173,901
Thereafter	179,725	12,396	192,121
	\$1,544,535	\$1,083,362	\$2,627,897

Debt service requirements subsequent to May 31, 2000 related to the 1998 Series A and Series B Oil Franchise Tax Revenue Bonds only, are as follows:

Year ending May 31	Principal Maturities	Interest	Total
	<i>(In Thousands)</i>		
2001	\$9,125	\$25,654	\$34,779
2002	9,495	25,283	34,778
2003	9,880	24,902	34,782
2004	10,290	24,490	34,780
2005	10,725	24,056	34,781
2006-2010	61,905	111,993	173,898
2011-2015	80,190	93,708	173,898
2016-2020	80,985	92,915	173,900
2021-2025	127,260	46,641	173,901
Thereafter	126,725	12,396	139,121
	\$526,580	\$482,038	\$1,008,618

## **5. Bonds Payable (continued)**

The 1986 Indenture requires that tolls be adequate to provide funds to cover current expenses and provide (1) funds in an amount not less than the greater of 130% of the maximum principal and interest requirements for the succeeding year; or (2) 100% of the maximum principal and interest payments for the next fiscal year plus the amount required for maintenance of the Turnpike System as determined by the Commission's Consulting Engineer. Should any deficiencies occur, the Commission is authorized to raise tolls appropriately.

The 1998 Series A and Series B Oil Franchise Tax Revenue Bonds are secured by a pledge and assignment by the Commission to the Trustee of (1) all proceeds from the Commission's allocation of the Commonwealth of Pennsylvania's Oil Franchise Tax; (2) the Commission's right to receive its allocation of the Oil Company Franchise Tax and any portion of the allocation actually received by the Commission; (3) all monies deposited into accounts or funds created by the 1998 Indenture and; (4) all investment earnings on all monies held in accounts and funds established by the 1998 Indenture.

The 1998 Indenture requires the Commission to petition the General Assembly of the Commonwealth of Pennsylvania for additional funds in the event that the Commission's allocation of the Oil Company Franchise Tax is inadequate to pay maximum principal and interest payments for the succeeding year.

## **6. Retirement Benefits**

Substantially all employees of the Commission participate in the Commonwealth of Pennsylvania State Employees' Retirement System (System), a cost-sharing multiple-employer public employee retirement system that was established under the provisions of Public Law 858, No. 331.

Membership in the System is mandatory for most Commission employees. The System provides retirement, death, and disability benefits which were established and can be amended according to statute. Retirement benefits vest after 10 years of credited service. Employees who retire at age 60, or with 35 years of service if under age 60, are entitled to an unreduced annual retirement benefit. The general annual benefit provided by statute is 2% of the member's highest three-year average salary times years of service.

## 6. Retirement Benefits

Covered employees are required by statute to contribute to the System at a rate of 5% of their gross pay. The employees' contributions are recorded in an individually identified account which is also credited with interest, calculated quarterly to yield 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Participating agency contributions, including those for the Commission, are also mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide the System with assets sufficient to meet the benefits to be paid to System members.

The Commission's required contributions and percentage contributed for the years ended May 31, 2000, May 31, 1999, and May 31, 1998 are as follows:

<b>For the Year Ended</b>	<b>Commission Required Contribution</b>	<b>% Contributed</b>
<i>(Dollars are in Millions)</i>		
<b>May 31, 2000</b>	<b>\$3.8</b>	<b>100%</b>
May 31, 1999	\$5.0	100%
May 31, 1998	\$5.4	100%

A copy of the System's annual financial statements can be obtained by writing to: State Employees' Retirement System, 30 North Third Street, P.O. Box 1147, Harrisburg, Pennsylvania 17108-1147.

## 7. Commitments and Contingencies

### Litigation

The Commission is a defendant in a number of legal proceedings pertaining to matters normally incidental to routine operations. Such litigation includes, but is not limited to, claims asserted against the Commission arising from alleged torts, alleged breaches of contracts, and condemnation proceedings. Tort claims against the Commission are generally barred by sovereign immunity, except as waived by statute. Further, to the extent waived, damages for any loss are limited by sovereign immunity to \$250,000 for each person and \$1,000,000 for each accident. Based on the current status of all of the Commission's legal proceedings, it is the opinion of Commission management and counsel that they will not have a material effect on the Commission's financial position.

### Construction Commitments

At May 31, 2000, the Commission had contractual commitments for various Turnpike System improvement projects. A summary of construction commitments and their related funding source at May 31, 2000, is as follows:

	<b>Scheduled Completion Date</b>	<b>Estimated Project Cost</b>	<b>Contracts Awarded Through May 31, 2000</b>	<b>Incurred Through May 31, 2000</b>
<i>(In Thousands)</i>				
Funded by 1998 Bonds and future Oil Company Franchise Taxes:				
Mon/Fayette Extension	2010	\$1,089,401	\$689,558	\$474,113
Funded by operations:				
Other construction projects	Various	512,764	454,387	285,808
		<u>\$1,602,165</u>	<u>\$1,143,945</u>	<u>\$759,921</u>

The Commission expects to issue additional bonds as well as obtain other revenues to help defray the costs of the Mon/Fayette Extension.

## 7. Commitments and Contingencies (continued)

### Forward Interest Rate Swaps

During 1999, the Commission entered into four forward interest rate swap agreements with various financial institutions in order to hedge against potential rising interest rates in the future. Under these agreements, the Swap-counter party agrees to make a variable rate payment to the Commission which is expected to cover the debt service on future variable rate refunding bonds if the Commission decides to issue bonds to currently refund certain outstanding Commission debt. The forward start dates range from June 1, 2001 to December 1, 2002 and the swap termination dates are December 1, 2028. In return for this payment, the Commission agrees to pay the Swap-counter party a fixed interest rate payment. The Commission has until the forward start dates to decide whether or not to liquidate the swap agreement in which event a termination payment will be due to the Commission or to the Swap-counter party, depending upon interest rates at the time.

### 8. Contributed Capital

Contributed capital for the years ended May 31, 2000 and 1999, consisted of the following (in thousands):

Balance as of June 1, 1998	\$216,547
Grants from the federal government and Commonwealth of Pennsylvania	30,933
Balance as of May 31, 1999	<u>247,480</u>
Grants from the federal government and Commonwealth of Pennsylvania	42,792
Balance as of May 31, 2000	<u><u>\$290,272</u></u>

### 9. Related Party Transactions

The Commission incurred costs to the Commonwealth of \$20.1 million and \$19.7 million related to its use of the Commonwealth's State Police in patrolling the Turnpike System in 2000 and 1999, respectively.

## **10. Post-Retirement Benefits**

The Commission offers certain post-retirement benefits such as medical, prescription drug, dental, and eyecare to most employees who are eligible. Such benefits are usually fully funded by the Commission. To be eligible, these employees either have to reach the retirement age of 60 (union) or 65 (management) or have at least 25 consecutive years of employment with the Commission. There were 654 retirees eligible for such benefits as of May 31, 2000.

The Commission has elected to account for the post-retirement benefits on a pay as you go basis. The Commission's expense for post-retirement benefits was \$1,534,200 and \$1,516,764 in 2000 and 1999, respectively.

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**APPENDIX B**

**SUMMARY OF CERTAIN PROVISIONS OF THE ORIGINAL INDENTURE**

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**APPENDIX B**  
**SUMMARY OF CERTAIN PROVISIONS OF THE ORIGINAL INDENTURE**

The following, together with other portions of this Official Statement, is only a brief summary of certain provisions of various documents and does not purport to summarize or describe all of the provisions thereof. Reference is hereby made to the documents for the complete provisions thereof, copies of which will be furnished by the Commission upon request.

**The body of this Official Statement sets forth certain provisions of the Restated Indenture which will become effective upon approval by all Bondholders, which is expected to be received on or about December 1, 2002. Prior to such approval, the Bonds will be subject to the provisions of the Original Indenture, which is described in this APPENDIX B.**

**CERTAIN DEFINITIONS**

The following definitions from the Original Indenture, including the Original Indenture and all supplements thereto, including the Fourteenth Supplemental Indenture, are used in this summary. Terms used but not defined herein shall have the meanings set forth in the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture, the Thirteenth Supplemental Indenture or the Fourteenth Supplemental Indenture. For purposes of this Appendix B, the term "Indenture" refers to the Original Indenture.

"Additional Bonds" shall mean Bonds of any series authorized under the Original Indenture, other than the 1986 Series A Bonds, duly executed, authenticated, issued and delivered pursuant to the provisions thereof.

"Additional Improvements" shall mean the improvements, extensions and replacements to the Pennsylvania Turnpike System, other than the Initial Project referred to in Section 210 of the Original Indenture.

"Annual Budget" means the finally adopted budget of Current Expenses of the Commission required by Section 505 of the Original Indenture.

"Authenticating Agent" shall mean, with respect to a series of Bonds, each Person designated and authorized to authenticate such Bonds. The initial Authenticating Agent for the Series T Bonds shall be First Union National Bank.

"Authorized Denominations" with respect to the Series T Bonds shall mean \$5,000 and integral multiples of \$5,000.

"Average Principal and Interest Requirements" shall mean as to any Bonds under consideration, the sum of the Principal and Interest Requirements for the Fiscal Years contained in the period under consideration with respect to such Bonds, after deducting from said sum the amount of any capitalized interest, divided by the number of Fiscal Years contained in such period provided, however, for the purpose of calculating the Average Principal and Interest Requirements, the interest requirements on any Bonds bearing interest at a variable rate shall be calculated assuming an interest rate which rate shall be the maximum rate of interest which will be established for such series of Bonds while bearing interest at a variable rate as set forth in the Supplemental Indenture under which such Additional Bonds are issued. Any determination of the Average Principal and Interest Requirements with respect to Bonds of all series outstanding shall be made on the basis of a separate determination of the Average Principal and Interest Requirements for each series of Bonds at the time outstanding. The "period under consideration" shall mean, as to a particular series of Bonds, the period beginning with the Fiscal Year in which the Bonds of such series shall have been issued and ending with the final maturity of the Bonds of such series.

"Bond" shall mean any Series A Bond or any Additional Bond issued under the provisions of the Original Indenture, but shall not include any subordinated indebtedness which may be incurred pursuant to Section 214 of the Original Indenture.

"Bond Counsel" shall mean any attorney or firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

"Bond Insurer" shall mean, with respect to the Series B through D Bonds, Series G Bonds, Series H Bonds, Series I Bonds, Series J Bonds, certain of the Series M Bonds, certain of the Series N Bonds, Series O Bonds Series P Bonds, Financial Guaranty Insurance Company; with respect to the Series E Bonds, the Series K Bonds, certain of the Series L Bonds and certain of the Series P Bonds, Municipal Bond Investors Assurance Corporation; with respect to the Series F Bonds, certain of the Series L Bonds and certain of the Series P Bonds, AMBAC Indemnity Corporation; with respect to the Series R Bonds, Ambac Assurance Corporation; with respect to the Series S Bonds, Financial Guaranty Insurance Company; and with respect to the Series T Bonds, Financial Guaranty Insurance Company.

"Bond Insurance Policy" or "Policy" shall mean, with respect to the Series B through D Bonds, the Series E, Series F, Series G, Series H, Series I, Series J, Series K, Series L Bonds, Series M Bonds, Series N Bonds, Series O Bonds, Series P Bonds, Series R Bonds, Series S Bonds and Series T Bonds respectively, the municipal bond insurance policy or policies issued by the applicable Bond Insurer or Bond Insurers, and the municipal bond debt service reserve fund policy issued by the applicable Bond Insurer in respect of the Non-refunded Series A Bonds, Series B through D Bonds, and the Series E Bonds, Series I Bonds, Series J Bonds, Series K Bonds, Series L Bonds, Series M Bonds, Series O Bonds, Series P Bonds, Series R Bonds, Series S Bonds and Series T Bonds, respectively.

"Bondholder" or "Owner" means the registered owner of any Bond.

"Business Day" means, with respect to the Series T Bonds, any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Pittsburgh, Pennsylvania or in any other city in which the office of the Trustee or the Paying Agent is located are required or authorized by law (including executive order) to close or on which the Office of the Trustee or the Paying Agent is closed for reasons not related to financial condition or (iii) a day on which the New York Stock Exchange is closed.

"Code" means, with respect to the Series T Bonds, the Internal Revenue Code of 1986, as amended, including any amendments and successor provisions thereto, and the rules and regulations thereunder.

"Commission Official" means any commissioner, director, officer or employee of the Commission authorized to perform specific acts or duties by resolution duly adopted by the Commission.

"Consultant" shall mean a Person who shall be independent, appointed by the Commission as needed, qualified and having a nationwide and favorable reputation for skill and experience in such work for which the Consultant was appointed. In those situations in which a Consultant is appointed to survey risks and to recommend insurance coverage, such Consultant may not be a broker or agent with whom the Commission transacts business.

"Consulting Engineers" shall mean the engineer or engineering firm or corporation at the time employed by the Commission under the provisions of Section 706 of the Original Indenture.

"Convertible Bonds" shall mean Additional Bonds issued under the provisions of Section 213 of the Original Indenture, the proceeds of which are used to purchase Government Obligations to be held in escrow as security for the Bonds pending application of such funds pursuant to the terms of the Supplemental Indenture under which the Convertible Bonds shall have been issued, and which upon release from escrow, shall be secured on a parity basis with all Bonds issued under the Original Indenture.

"Cost" as applied to any Project financed under the provisions of the Original Indenture, shall include, without intending thereby to limit or restrict any proper definition of such word under the provisions of the act authorizing such Project, all obligations and expenses and all items of cost which are set forth in Section 404 of the Original Indenture,

including, without intending thereby to limit or restrict or to extend any proper definition of such cost under the provisions of the Enabling Acts, the following:

- (a) obligations incurred for labor and to contractors, builders and materialmen in connection with the construction of the Project, for machinery and equipment, and for the restoration or relocation of property damaged or destroyed in connection with such construction;
- (b) the cost of acquiring by purchase, if such purchase shall be deemed expedient, and the amount of any award or final judgment in or any settlement or compromise of any proceeding to acquire by condemnation, such lands, property rights, rights-of-way, franchises, easements and other interests as may be deemed necessary or convenient for the construction and operation of the Project, options and partial payments thereon, and the amount of any damages incident to or consequent upon the construction and operation of the Project;
- (c) the cost of any indemnity and surety bonds to secure deposits of moneys in the Construction Fund, the fees and expenses of the Trustee during construction, taxes or other municipal or governmental charges lawfully levied or assessed during construction upon the Project or any property acquired therefor, and premiums on insurance (if any) in connection with the Project during construction;
- (d) the cost of borings and other preliminary investigations to determine foundation or other conditions, expenses necessary or incident to determining the feasibility or practicability of constructing the Project, and fees and expenses of engineers for making training studies, surveys and estimates of costs and of revenues and other estimates and for preparing plans and specifications and supervising construction, as well as for the performance of all other duties of engineers set forth herein in relation to the construction of the Project or the issuance of Bonds therefor;
- (e) expense of administration properly chargeable to the Project, legal expenses and fees, financing charges, cost of audits and all other items of expense not elsewhere in this Section specified incident to the construction and equipment of the Project, the financing thereof, the placing of the same in operation and the acquisition of lands, property rights, rights-of-way, franchises, easements and interests therefor, including abstracts of title, title insurance, cost of surveys and other expenses in connection with such acquisition;
- (f) any expense heretofore or hereafter incurred by the Department of Transportation or any expense or obligation including, but not limited to, Bonds or notes heretofore or hereafter incurred or issued by the Commission for any or all of the foregoing purposes;
- (g) the cost of any insurance that is required to be obtained during construction of any Project;
- (h) an amount equal to the interest accruing on Bonds issued to finance the cost of any Project, prior to, during and for one year after completion of construction (i.e., capitalized interest); and
- (i) reimbursements of amounts of money advanced towards the costs of Projects by the Commission.

"Credit Facility" shall mean any letter of credit, line of credit, standby letter of credit, indemnity or surety insurance policy or agreement to purchase a debt obligation or any similar extension of credit, credit enhancement or liquidity support obtained by the Commission from a responsible financial or insurance institution to provide for or to secure payment of principal and purchase price of, and interest on, Bonds pursuant to the provisions of a Supplemental Indenture under which such Bonds are issued.

"Current Expenses" shall apply to the entire Pennsylvania Turnpike System, and shall mean the Commission's reasonable and necessary current expenses of maintenance, repair and operation and shall include, without limiting the generality of the foregoing, all ordinary and usual expenses of maintenance, repair and operation, which may include expenses not annually recurring, premiums for insurance and payments into any Self-Insurance Reserve Fund and its accounts, all administrative and engineering expenses relating to maintenance, repair and operation, fees and expenses of the Trustee and of the Paying Agents, legal expenses, and any other expenses required to be paid by the Commission under the provisions of the Original Indenture or by law, but shall not include any reserves for extraordinary

maintenance or repair, or any allowance for depreciation, or any deposits or transfers to the credit of the Reserve Maintenance Fund or the General Reserve Fund, which are funds created under the Original Indenture or any payments made from these funds. Current expenses shall also include Policy Costs as such term is defined in the Second Supplemental Indenture and the Third Supplemental Indenture.

"Debt Service Fund" shall mean the special fund created by the Original Indenture and described below under "Debt Service Fund."

"Debt Service Reserve Fund" shall mean the special fund created by the Original Indenture and described below under "Debt Service Reserve Fund."

"Debt Service Reserve Requirement" shall mean that amount equal to the maximum Principal and Interest Requirements for any succeeding Fiscal Year on account of the Bonds of each series theretofore issued and outstanding under the provisions of the Original Indenture.

"Defeased Tax-Exempt Securities" shall mean Municipal Obligations provided that (i) such obligations have been advance refunded with and are secured by Government Obligations held by an escrow agent, (ii) prior to the purchase thereof, (A) an opinion of Bond Counsel is obtained that the interest on the Bonds to be paid or refunded with such obligations will continue to be tax exempt and (B) an Opinion of Counsel is obtained to the effect that such Government Obligations are protected from the bankruptcy of the escrow agent and the Commission, (iii) such obligations are rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation or if such corporations are dissolved or liquidated or otherwise cease to perform securities rating services, such other nationally-recognized securities rating agency as may be designated by the Commission and not unsatisfactory to the Trustee, and (iv) such obligations are non-callable prior to the date needed to meet the requirements of defeasance.

"Fiscal Year" shall mean the period commencing on the first day of June of one year and ending on the last day of May of the following year.

"Fitch" means, with respect to the Series T Bonds, Fitch, Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Commission.

"General Reserve Fund" means the special fund created by the Original Indenture and described below under "General Reserve Fund."

"Government Obligations" means direct obligations of, or obligations the principal and interest on which are unconditionally guaranteed by, the United States of America. For purposes of the Fourteenth Supplemental Indenture and the definition of "Series T Permitted Investments," the term "Government Obligations" means:

- (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America,
- (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in clause (a) above issued or held in book-entry form in the name of the Paying Agent only on the books of the Department of Treasury of the United States of America),
- (c) any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in clause (a) or (b) above, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(d) stripped obligations of interest issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), the interest on which, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to FIRREA, and

(e) obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that cash, obligations described in clause (a), (b), (c) or (d) above, or a combination thereof have been irrevocably pledged to and deposited into a segregated escrow account for the payment when due of the principal or redemption price of and interest on such obligations, and provided further that, at the time of purchase, such obligations are rated by the Rating Service in its highest rating category.

"Historic Net Revenues" shall mean Net Revenues for any 12 consecutive calendar months during the period of 24 calendar months immediately preceding the date of a Secretary's Certificate, as required by Section 209(c) of the Original Indenture, with such adjustments as may be required by Section 209(d) of the Original Indenture and described below in clause (d) under "Issuance of Additional Bonds Generally."

"Interest Payment Date" shall mean, with respect to the Series T Bonds, December 1 and June 1 of each year. With respect to each other series of Bonds, the Interest Payment Date shall mean such dates as are defined in the Supplemental Indenture under which such Bonds are issued. However, in each case, if the date specified above is not a Business Day then the Interest Payment Date shall be the Business Day next succeeding the date specified above.

"Moody's" means, with respect to the Series T Bonds, Moody's Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Commission.

"Municipal Obligations" shall mean obligations of any state of the United States or any agency or political subdivision thereof, including industrial development bonds, which are (i) noncallable prior to the date needed to meet the requirements of defeasance and (ii) rated in one of the two highest rating categories by Moody's or S&P or if such corporations are dissolved or liquidated or otherwise cease to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Commission and not unsatisfactory to the Trustee.

"Net Revenues" for any particular period, shall mean the amount by which all Revenues exceed Current Expenses; provided, however, that for the purpose of calculating Net Revenues at any given time, Revenues shall be increased in an amount equal to any capitalized interest that is then available to pay interest accruing on Outstanding Bonds other than Convertible Bonds.

"Original Indenture" shall mean the Original Indenture, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture, the Thirteenth Supplemental Indenture and the Fourteenth Supplemental Indenture.

"Pennsylvania Turnpike System" shall mean the Original Turnpike, all extensions and improvements thereto and any additional Projects which may be financed under the provisions of the Enabling Acts.

"Permitted Investments" shall mean (to the extent permitted by law) (a) Government Obligations: (b) obligations issued or guaranteed as to full and timely payment of principal and interest by any agency or person controlled or supervised by and acting as an instrumentality of the United States of America, pursuant to authority granted by the Congress of the United States of America; (c) obligations of the Government National Mortgage Association, the Export-Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, Maritime Administration and Public Housing Authorities, provided that the full and timely payment of the principal and interest on such obligations shall be unconditionally guaranteed by the United States of America:

(d) obligations of the Federal Intermediate Credit Corporation and of the Federal National Mortgage Association; (e) obligations of the Federal Banks for Cooperatives; (f) obligations of Federal Land Banks; (g) obligations of Federal Home Loan Banks; provided that the obligations described in clauses (c) through (g) above shall constitute Permitted Investments only to the extent that Moody's or S&P have assigned a rating to such obligations which is not lower than the highest rating assigned by such rating agencies to any series of comparable bonds then outstanding; (h) certificates of deposit of any bank, savings and loan or trust company organized under the laws of the United States of America or any state thereof, including the Trustee or any holder of the Bonds, provided that such certificates of deposit shall be fully collateralized (with a prior perfected security interest), to the extent they are not insured by the Federal Deposit Insurance Corporation, or the Federal Savings and Loan Insurance Corporation, by Permitted Investments described in (a), (b), (c), (d), (e), (f) or (g) above having a market value at all times equal to the uninsured amount of such deposit; (i) investment agreements (which term, for purposes of this clause, shall not include repurchase agreements) with a bank, a bank holding company or a financial institution which has outstanding long term indebtedness rated "Aa" or better by Moody's and rated "AA" or better by S&P, or their respective successors; (j) repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York ("Repurchasers"), including but not limited to the Trustee and any of its affiliates, provided that each such repurchase agreement results in transfer to the Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified Government Obligations which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the Repurchaser) as the agent solely of, or in trust solely for the benefit of, the Trustee, provided that Government Obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such Government Obligations or the repurchase price thereof set forth in the applicable repurchase agreement; or (k) bonds or notes issued by any state or municipality which are rated by Moody's or S&P in one of the two highest rating categories assigned by such agencies.

"Person" means an individual, public body, a corporation, a partnership, an association, a joint stock company, a trust, and any unincorporated organization.

"Principal and Interest Requirements" (1) as applied to the Bonds of any series all of which mature on the same date, shall mean the amount required in each Fiscal Year, beginning with the first complete Fiscal Year following delivery of the Bonds and continuing until and including the Fiscal Year immediately preceding the stated maturity of such Bonds, to provide for paying the interest on all such Bonds at the time outstanding as the same becomes due and payable and for paying all such Bonds by their stated maturity, such amount to be computed as nearly as practicable in accordance with standard amortization tables of equal annual payments to discharge a debt with interest without the payment of any redemption premium (the amount computed for each Fiscal Year for the payment of principal being a multiple of \$5,000); (2) as applied to the Bonds of any series maturing in annual installments, shall mean the amount required in each Fiscal Year, beginning with the Fiscal Year of the first maturity of such Bonds, to pay the principal of and the interest on all such Bonds which become due and payable in such Fiscal Year; and (3) as applied to the Bonds of any series which mature on two or more dates but not in annual installments, a separate computation shall be made for the Bonds of each maturity in the manner set forth in clause (1) of this paragraph and the Principal and Interest Requirements for the Bonds of such series shall mean the totals of the respective amounts so computed; all such computations shall be made by the Trustee under the provisions of Section 906 of the Original Indenture except that the computations pursuant to clauses (1) and (3) shall not be required if the Commission notifies the Trustee to treat the Bonds of any such Series as maturing on their scheduled maturity dates rather than as being amortized over their term (which the Commission may choose to do in connection with wrap-around debt). To the extent any Bonds under consideration bear interest at a variable rate the Principal and Interest Requirements for such Bonds shall be calculated assuming an interest rate which rate shall be set forth in a certificate of the Commission's Consultant upon the issuance of such Bonds, which rate shall be based upon the average interest rate of Municipal Obligations of similar term and credit rating, provided, however, that such assumed rate shall be revised by the Commission's Consultant from time to time but no less often than annually.

"Project" includes the Initial Project and any Additional Improvements or refundings which are authorized by the Enabling Acts or which may hereafter be authorized by law.

"Rating Service" means, with respect to the Series T Bonds, Moody's if the Series T Bonds are rated by such at the request of the Commission at the time, S & P if the Series T Bonds are rated by such at the request of the



Commission at the time and Fitch if the Series T Bonds are rated by such at the request of the Commission at the time, and their respective successors and assigns, or if any of them shall be dissolved or no longer assigning credit ratings to long term debt, then any other nationally recognized entity assigning credit ratings to long term debt designated by the Commission and satisfactory to the Trustee.

"Regular Record Date" means, with respect to the Series T Bonds, the day which is fifteen days prior to any date on which principal of or interest on such Bond is due and payable; provided, however, if the date specified above is not a Business Day, then the Regular Record Date shall be the Business Day next preceding the date specified above. "Reserve Maintenance Fund" the special fund created by the provisions of Section 509 of the Original Indenture.

"Reserve Maintenance Fund Requirement" means the amount to be deposited to the credit of the Reserve Maintenance Fund from the Revenues of the Commission pursuant to Section 509 of the Original Indenture.

"Revenue Fund" shall mean the special fund created by the provisions of Section 503 of the Original Indenture.

"Revenues" shall mean all tolls, receipts, revenues and other monies received by or on behalf of the Commission from the ownership, operation or leasing of all or any portion of the Pennsylvania Turnpike System, the interest and income earned on any fund or account where said interest or income is required to be credited to the Revenue Fund pursuant to the Original Indenture, and all income, receipts and revenues received by or on behalf of the Commission from the ownership or operation of any business or property, but excluding any monies received by way of grant or contribution from any governmental agency or other entity specifically designated by the grantor or contributor for a particular purpose. Revenues do not include the Turnpike's share of the Commonwealth's Oil Franchise Tax, which funds are dedicated for toll road projects under Act 61. In the event the Commission receives advances or prepayments or otherwise operates or participates in a system in which funds are collected prior to the actual usage of the Pennsylvania Turnpike System, such funds shall not be deemed to be Revenues until the usage occurs or the funds are earned pursuant to the agreement under which the Commission receives such funds.

"S & P" means, with respect to the Series T Bonds, Standard & Poor's Ratings Group, a division of McGraw-Hill, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S & P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Remarketing Agent with the consent of the Commission and the Bank.

"Semiannual Period" means a six month period commencing on a Semiannual Date and ending on and concluding the day immediately preceding the next Semiannual Date.

"Series" shall mean individually, each of the bonds of Series A of 1986, Series B of 1986, Series C of 1986, Series D of 1986, Series E of 1986, Series F of 1986, Series G of 1986, Series H of 1986, Series I of 1986 and Series J of 1986, Series K of 1989, Series L of 1991, Series M of 1991, Series N of 1991, Series O of 1992, Series P of 1992, Series Q of 1999, Series R of 2001, Series S of 2001 and Series T of 2001.

"Series T Permitted Investments" means, as long as the Series T Bonds shall be Outstanding and the Series T Insurance Policy shall remain in full force and effect and the Series T Insurer shall not be in default under the Series T Insurance Policy, notwithstanding any contrary provision of the Indenture, any of the following (with any investment maturing on or before the date it is reasonably expected to be used):

- (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);
- (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America;
- (3) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

- Export - Import Bank
- Farmer Credit System Financial Assistance Corporation
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank

- (4) senior debt obligations rated "AAA" by Standard & Poor's Ratings Group ("Standard & Poor's") and "Aaa" by Moody's Investors Service ("Moody's") issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, obligation of the Resolution Funding Corporation (REFCORP), senior debt obligations of the Federal Home Loan Bank System, and senior debt obligations of other government-sponsored agencies approved by the Series T Insurer;
- (5) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A 1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);
- (6) commercial paper which is rated at the time of purchase in the single highest classification, "A- 1 +" by Standard & Poor's and "P- 1 " by Moody's and which matures not more than 270 days after the date of purchase;
- (7) investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's and shares of money market mutual funds registered under the Investment Company Act of 1940, as amended, that invest solely in direct obligations issued by the U.S. Government and repurchase agreements backed by those obligations, and that are rated in the highest category by Standard & Poor's or Moody's, including funds for which the Trustee or an affiliate of the Trustee performs a service and receives a fee for such services, whether as investment advisor, custodian, transfer agent, registrar, sponsor, distributor, manager or otherwise;
- (8) pre-refunded municipal obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's and Moody's or any successors thereto; or (B)(i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

- (9) municipal obligations rated "Aaa/AAA" or general obligation of states with a rating of at least "A2/A" or higher by both Standard & Poor's and Moody's;
- (10) investment agreements approved in writing by the Series T Insurer; and

- (11) certificates of deposit secured at all times by collateral described in (2) or (3) above. Such certificates must be issued by commercial banks (including the Trustee or any affiliate of the Trustee), savings and loan associations or mutual savings banks. The collateral must be held by the Trustee, an affiliate of the Trustee or a third party and the Trustee must have a perfected first lien security interest in the collateral; and
- (12) other forms of investments (including repurchase agreements) permitted by and approved in writing by the Series T Insurer.

The obligations described in (1) and (2) above may be used for refunding escrow purposes.

Any security listed in clause (2) or (3) above which is a book-entry security shall be held in a trust account with the Federal Reserve Bank.

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

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

(a) For securities:

- (1) the closing bid price quoted by Interactive Data Systems, Inc.; or
- (2) a valuation performed by a nationally recognized and accepted pricing service acceptable to the Series T Insurer whose valuation method consists of the composite average of various bid price quotes on the valuation date; or
- (3) the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by Moody's and S&P and must be market makers in the securities being valued.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest; and

(c) As to any investment not specified above: the value thereof established by prior agreement among the Commission, the Trustee and the Series T Insurer.

"Sinking Fund" shall mean the Series A Bonds Sinking Fund, the applicable accounts in the Series B through J Bonds Sinking Fund, the Series K Bonds Sinking Fund, the Series L Bonds Sinking Fund, the Series M Bonds Sinking Fund, the Series N Bonds Sinking Fund, the Series O Bonds Sinking Fund, the Series P Bonds Sinking Fund, the Series Q Bonds Sinking Fund, the Series R Bonds Sinking Fund, the Series S Bonds Sinking Fund, and the Series T Bonds Sinking Fund established under the Original Indenture, and those special funds authorized by the provisions of Section 508 of the Original Indenture.

"Special Record Date" shall mean that date eight days immediately preceding the date established by the Trustee for the payment of interest on the Bonds not paid on a regularly scheduled Interest Payment Date or such other date or dates specified in a Supplemental Indenture with respect to Additional Bonds issued under such Supplemental Indenture. With respect to the Series T Bonds, "Special Record Date" shall mean the date eight days immediately preceding the date established by the Trustee for the payment of interest on the Series T Bonds not paid on a regularly scheduled Interest Payment Date.

"Supplemental Indenture" shall mean any indenture supplemental to the Original Indenture, now or hereafter duly authorized and entered into in accordance with the provisions of the Original Indenture.

"Traffic Engineers" shall mean the engineer or engineering firm or corporation having a nationwide and favorable reputation for skill and experience in such work at the time employed by the Commission for the purpose of making the traffic reports and estimates required under the Original Indenture.

## THE ORIGINAL INDENTURE

### Security for Bonds

The Series T Bonds are secured, along with the other outstanding Bonds, under the Indenture by the assignment by the Commission to the Trustee of (1) all tolls, receipts, revenues and other monies received by or on behalf of the Commission from the ownership, operation or leasing of all or any portion of the Pennsylvania Turnpike System, the interest and income earned on any fund or account where said interest or income is required to be credited to the Revenue Fund pursuant to the Indenture and all income, receipts and revenues received by or on behalf of the Commission from the ownership or operation of any business or property, but excluding monies received by way of grant or contribution from any governmental agency or other entity specifically designated by the grantor or contributor for a particular purpose, (2) proceeds from the sale of bonds or indebtedness not otherwise pledged, (3) all monies deposited into accounts or funds created by the Original Indenture, (4) all insurance proceeds and (5) all investment earnings on all monies held in accounts and funds established by the Indenture (all five of these items being collectively referred to in this Appendix B as the "Trust Estate"). The Trust Estate, however, does not include other sources of Commission revenues not derived from the toll roads, including without limitation as Oil Franchise Tax Revenues and Registration Fee Revenues. It also excludes all monies held in the Rebate Funds. Any Additional Bonds issued pursuant to the Indenture will be equally and ratably secured under the Indenture.

Payment of the principal of and the interest on the Bonds, including any Additional Bonds, are secured, pro rata and without preference or priority of one Bond over another, by a valid pledge of the Trust Estate and by the Indenture.

The Indenture further provides that the Commission may not issue Additional Bonds except upon satisfaction of various requirements as expressly provided in the Indenture. See "The Original Indenture — Additional Bonds."

### Issuance of Additional Bonds

Issuance of Additional Bonds Generally. Additional Bonds may be issued under and secured by the Original Indenture, at any time or times, subject to the conditions hereinafter provided for the purpose of paying the cost of all or any part of any additional Project and, if elected by the Commission as hereinafter set forth, all or a portion of the expenses incurred by the Commission in connection with the issuance of such Bonds.

Before any such Bonds shall be authenticated by the Authenticating Agent and delivered by the Trustee, there shall be filed with the Trustee the following:

- (a) the documents required by Section 207 of the Original Indenture;
- (b) a Supplemental Indenture executed by the Commission in an appropriate number of counterparts setting forth, subject to the provisions of Article II of the Original Indenture, the terms and provisions of such Additional Bonds. The Supplemental Indenture shall provide that the Debt Service Reserve Fund be funded to an amount equal to the maximum Principal and Interest Requirements on all Bonds outstanding after the issuance of the Additional Bonds either from Additional Bond proceeds or from available Revenues withdrawn from the Revenue Fund in equal, annual installments, payable monthly, of not more than five years following the date of issuance of the Additional Bonds; and
- (c) a certificate, signed by the Secretary and Treasurer of the Commission (hereinafter sometimes referred to as the "Secretary's Certificate"), setting forth the following:

(I) the Historic Net Revenues,

(II) the amount of the maximum Principal and Interest Requirements on account of all Bonds to be outstanding under the Original Indenture after the delivery of the Bonds then requested to be authenticated and delivered other than those Bonds for which accounts are created in the Debt Service Reserve Fund and are available for the benefit of only the series of Bonds to which the particular account relates, and

(III) the amount of the estimated Revenues for the 12 consecutive calendar months immediately following the issuance of the Bonds then requested to be authenticated and delivered:

(d) In any computation of Historic Net Revenues for purposes of the Original Indenture provisions relating to issuance of Additional Bonds, if the schedule of tolls of the Commission during all or any part of the period for which any such calculation is made shall be different from the schedule of tolls in effect at the time such calculation is made, there shall be added to or deducted from said Net Revenues so calculated, any increase or decrease of the Net Revenues for such period which would result from the computation of such Net Revenues on the basis of the schedule of tolls in effect at the date of said calculation, rather than the schedule of tolls which were actually in effect during all or any part of that period. In any recomputation of Historic Net Revenues under this clause (d), the Revenues for the period covered shall be recomputed by the Traffic Engineer and any deductions therefrom shall be estimated by the Consultant. The Traffic Engineer in making such recomputation shall make adjustments for the effect which in their opinion said new schedule of tolls would have had on traffic. A signed copy of such recomputation shall be attached to the Secretary's Certificate;

(e) if such Bonds shall be delivered before the filing with the Trustee of the certificate of completion of any Project theretofore financed under the provisions of the Original Indenture, a certificate of the Chief Engineer of the Commission and of the Consulting Engineers stating that, in their opinion, on the basis of such firm contracts as have theretofore been entered into in connection with the construction of such Project, as the case may be, the balance, together with other available moneys including any interest and income to be earned on said balance, which shall be itemized in reasonable detail, in the appropriate special construction fund is sufficient to pay all items of cost of the Project or Additional Improvements, as the case may be, then remaining unpaid; and

(f) An opinion of Bond Counsel that the issuance of the Bonds will not adversely affect the tax exempt status of all outstanding Bonds or any outstanding Convertible Bonds.

The proceeds (excluding accrued interest and costs of issuance) of such Bonds shall be deposited with the Trustee to the credit of a special account of the Construction Fund appropriately designated or such other special fund created in the case of refunding Bonds and held in trust for the sole and exclusive purpose of paying the Cost of such Project.

Issuance of Additional Bonds for any Additional Improvements. Additional Bonds may be issued under and secured by the Original Indenture, to the extent from time to time permitted by law, subject to the conditions hereinafter provided in this Section, at any time or times for the purpose of paying the cost of constructing improvements, extensions or replacements to the Pennsylvania Turnpike System or any part thereof, or completion of any of the above (any of the foregoing being herein sometimes called "Additional Improvements") and for paying costs incurred in issuing such Additional Bonds and for necessary contributions to the Debt Service Reserve Fund.

Such Additional Bonds shall not be authenticated by the Authenticating Agent nor delivered by the Trustee, unless there shall be filed with the Trustee the documents required by Sections 207 of the Original Indenture and the documents described above under "Issuance of Additional Bonds Generally" and unless:

(1) the percentage derived by dividing the amount of the Historic Net Revenues as shown in item (I) of the Secretary's Certificate described above by the maximum Principal and Interest Requirements as shown in item (II) of such certificate shall be not less than one hundred thirty per centum (130%); and there shall be filed with the Trustee;

(2) a Consultant's Certificate, certifying that, in its opinion, the amount of the estimated Revenues of the Pennsylvania Turnpike System as shown in item (III) of the Secretary's Certificate will be sufficient for the Commission to comply with its covenants as to tolls as described below under-"Covenants As To Tolls."

Issuance of Additional Bonds for Completion of any Project or Additional Improvements. Additional Bonds may be issued under and secured by the Original Indenture, at any time or times, subject to the conditions hereinafter provided, to provide additional funds for completing payment of the Cost of any Project for which Bonds shall have previously been issued under the provisions of any Section of the Original Indenture (including costs of issuance), provided that the amount of Additional Bonds issued for such purpose under this Section shall not exceed ten percent (10%) of the cost of the Project to be completed as estimated in the certificate submitted by the Commission at the time of the prior issuance of Bonds.

Before such Bonds shall be authenticated by the Authenticating Agent and delivered by the Trustee there shall be filed with the Trustee the following:

- (a) The documents required by the Original Indenture for issuance of Additional Bonds generally;
- (b) a statement, signed by the Consulting Engineers, certifying the total amount required for paying the balance of the cost of the Project and that, in their opinion, the proceeds of such Additional Bonds, together with other available moneys including any interest and income to be earned on said proceeds, which shall be itemized in reasonable detail, are not less than the amount of such cost and are required for the payment thereof; and
- (c) a Commission Official's certificate, in the case of Bonds issued for paying the additional costs of Additional Improvements, stating the amount of any unexpended proceeds of the prior issue available for paying a portion of the costs of the Project.

Issuance of Additional Bonds: Refunding. Additional Bonds may be issued under and secured by the Original Indenture, subject to the conditions hereinafter provided in this Section, at any time or times, for the purpose of providing funds for refunding or advance refunding all of the outstanding Bonds of any series issued under the provisions of the Original Indenture, or any portion of the Bonds of any such series, including in each case the payment of any redemption premium thereon and the costs of issuance.

Before such Bonds shall be authenticated by the Authenticating Agent and delivered by the Trustee, there shall be filed with the Trustee the following:

- (a) the documents required by the Original Indenture for issuance of Additional Bonds generally;
- (b) in case all or a portion of such Bonds are to be issued for the purpose of redeeming Bonds prior to their stated maturity or maturities, such documents as shall be required by the Trustee to show that provision has been duly made for the redemption of such Bonds; and
- (c) a certificate of an independent public accountant verifying that the proceeds (excluding accrued interest but including any premium and after deducting an amount equal to all expenses incurred by the Commission in connection with the issuance of such Bonds to the extent that said expenses are to be paid from such proceeds) of such refunding Bonds and any investment income earned thereon shall be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Bonds to be refunded, and, if permitted by law and deemed necessary by the Commission, the payment of interest thereon to the date of redemption.

The Authenticating Agent and Trustee, however, shall not authenticate and deliver such Bonds unless

- (1) the percentage derived by dividing the amount of the Historic Net Revenues as shown in item (I) of the Secretary's Certificate described above under "Issuance of Additional Bonds Generally" by the maximum Principal and Interest Requirements as shown in item (II) of such certificate shall be not less than one hundred thirty per centum (130%); or there shall be filed with the Trustee;

(2) a Commission Official's certificate certifying that the amount of estimated Revenues as shown in item (III) of such Secretary's Certificate will be sufficient for the Commission to comply with its covenants as to tolls as described in this Official Statement under "SECURITY FOR THE SERIES T BONDS – Rate Covenant."

Simultaneously with the delivery of such Additional Bonds issued to refund Bonds issued under the provisions of the Original Indenture, the Trustee shall withdraw from the Debt Service Reserve Fund any amounts specified in the Order of the Chairman of the Commission issued pursuant to Section 207 of the Original Indenture required to effect the refunding. The amount so withdrawn and the proceeds of such Additional Bonds (excluding accrued interest but including any premium and after deducting an amount equal to all expenses incurred by the Commission in connection with the issuance of such Bonds to the extent that said expenses are to be paid from such proceeds) shall be held by the Trustee in trust for the sole and exclusive purpose of paying such principal, redemption premium, if any, and interest. The amount paid as accrued interest on any Additional Bonds issued under the provisions of this Section shall be deposited by the Trustee to the credit of the Interest Account of the Debt Service Fund.

Issuance of Additional Bonds: Convertible Bonds. Convertible Bonds may be issued under and secured by the Original Indenture, to the extent from time to time permitted by law, subject to the conditions hereinafter provided in this Section and such other conditions provided in a Supplemental Indenture hereto, at any time or times for the purpose of paying the cost of Additional Improvements and the costs of issuance.

Such Convertible Bonds shall not be authenticated by the Authenticating Agent nor delivered by the Trustee unless there shall be filed with the Trustee the documents required by Sections 207 of the Original Indenture and the documents described above under "Issuance of Additional Bonds Generally" and unless there shall be filed with the Trustee an executed copy of an escrow agreement between the Commission and the Trustee or such third party permitted by such Supplemental Indenture under which the Convertible Bonds are to be issued, which escrow agreement shall provide, inter alia, that the proceeds from the sale of such Convertible Bonds (less the costs of issuance) or the aggregate amount of Government Obligations acquired with such proceeds, will be in amounts certified by an independent public accountant to be fully sufficient to provide for the payment of the purchase price of such Convertible Bonds on the date the proceeds from the sale of such Bonds are to be released from escrow together with all interest payable on such Bonds until such date, which moneys or Government Obligations shall be held in a segregated account by the Trustee or such third party as security for the payment of principal of and interest on the Convertible Bonds until such time as certain conditions contained in such escrow agreement and such Supplemental Indenture have been satisfied, and that the funds held in escrow shall not be released to the Commission or to its order unless, as of the date of the release of such funds:

- (1) the one hundred thirty percent coverage requirement described above in clause (i) under "Issuance of Additional Bonds for Additional Improvements";
- (2) there is filed with the Trustee the Consultant's certificate described above in clause (2) under "Issuance of Additional Bonds for Additional Improvements";
- (3) there has been filed with the Trustee such other documents required for the remarketing of the Bonds on such date as required by the Supplemental Indenture under which such Bonds are issued; and
- (4) there has been filed with the Trustee an Order of the Chairman of the Commission designating the maximum rate of interest which the Convertible Bonds may bear upon the remarketing of such Convertible Bonds upon expiration of the escrow period at an interest rate other than a rate fixed to maturity.

Such Convertible Bonds shall state on their face that such Bonds shall have only a subordinate lien on any Revenues until released from escrow.

### **Rate Covenants**

The Commission has agreed in the Indenture that it will at all times fix and place in effect schedules of tolls for traffic over the Pennsylvania Turnpike System so that the Revenues of the Pennsylvania Turnpike System will at all times be at least sufficient to provide funds for the payment of Current Expenses, and to provide funds for making

transfers from the Revenue Fund, together with any other funds available in the General Reserve Fund under the provisions of the Indenture in each Fiscal Year, in an amount not less than the greater of: (i) 130% of the maximum Principal and Interest Requirements for any succeeding Fiscal Year on account of the Bonds of all series theretofore issued and then outstanding under the provisions of the Indenture; or (ii) 100% of the maximum Principal and Interest Requirements for any succeeding Fiscal Year on account of the Bonds of each series theretofore issued and then outstanding under the provisions of the Indenture, plus the amount of required transfers from the Revenue Fund to the credit of the Reserve Maintenance Fund pursuant to the provisions of the Indenture. The Commission has also agreed in the Indenture that, from time to time and as often as it shall appear necessary, it will request a Consultant to make recommendations as to a revision of the schedules of tolls and, upon receiving such recommendations, it will revise such schedules and such tolls as may be necessary or proper in order to increase the Revenues of the Commission so that the Commission will be in compliance with covenants contained in the Indenture and will file the revised schedule with the Trustee. The Commission has further covenanted in the Indenture that any deficiency in the amounts of the transfers to the credit of any funds created under the Indenture in any Fiscal Year shall, as promptly as may be practicable, be added to the amounts of required transfers in future Fiscal Years for purposes of adjusting, if applicable, such schedules of tolls, the amounts of such adjustments to be determined by the Consultant.

The Commission has further agreed in the Indenture that if the total amount transferred to the credit of the Revenue Fund in any Fiscal Year shall be less than the amount provided for above, it will, before the 15th day of July of the following Fiscal Year, retain a Consultant to make its recommendations as to a revision of the schedules of tolls, and copies of the recommendations of the Consultant shall be filed with the Trustee. If the Commission shall comply with all recommendations of the Consultant in respect to the tolls, it will not constitute an Event of Default under the provisions of the Indenture if the total amount transferred to the credit of the Revenue Fund or the Reserve Maintenance Fund, as the case may be, in any Fiscal Year shall be less than the amounts provided for in the Indenture for such Fiscal Year as set forth in clause (i) and clause (ii) in the paragraph above. The Trustee or the holders of not less than 15% in principal amount of the Bonds then outstanding may, however, and the Trustee is required to, upon the request of the holders of not less than 10% in principal amount of the Bonds then outstanding and upon being indemnified to its satisfaction, institute and prosecute in a court of competent jurisdiction any appropriate action to compel the Commission to revise the schedules of tolls. The Commission has agreed in the Indenture that it will adopt and charge tolls in compliance with any final order or decree entered in any such proceeding.

The Commission has agreed that tolls will be classified in a reasonable way to cover all traffic, so that the tolls may be uniform in application to all traffic falling within any reasonable class regardless of the status or character of any person, firm or corporation participating in the traffic; provided that the foregoing shall not be interpreted to restrict the Commission's right, in its discretion in connection with its management of the Pennsylvania Turnpike System, to establish and maintain flexible toll schedules including, but not limited to, provisions for, utilizing or otherwise taking into account, peak and nonpeak pricing, carpooling, electronic tolls, traffic management systems, and similar classifications. The Commission has agreed that it shall not grant free passage or reduced tolls within a class, except, in its discretion, it may grant free passage or reduced tolls within a class: (1) through the use of commutation or other tickets or privileges based upon frequency or volume; (2) for operational or safety reasons including, but not limited to, reasons arising out of a work stoppage, work slowdown or work action; (3) to members, officers and employees of the Commission in the discharge of their official duties; (4) for use by the Army, Air Force, Navy, Coast Guard, Marine Corps or militia or any branch thereof; or (5) for use by the Pennsylvania State Police or by consultants, contractors or agents with the Commission where the toll ultimately will be repaid directly or indirectly by the Commission.

Any classification described in the preceding paragraph or any reduced toll or free passage pursuant to the provisions described in clause (1) or (2) of the preceding paragraph shall be subject to a Consultant approving the same (or a formula or method to calculate the same) before it is implemented by the Commission unless the circumstances require immediate implementation, in which event such approval shall be required promptly following implementation.

The Commission's covenant as to uniformity of tolls does not require the tolls for any given class of traffic to be identical in amount throughout the entire Pennsylvania Turnpike System for trips of approximately identical lengths. The Commission may fix and place in effect schedules of tolls for any given class of traffic wherein the tolls charged for travel on a given section of the Pennsylvania Turnpike System shall be different from the tolls charged on another section of the Pennsylvania Turnpike System notwithstanding the fact that both of said sections shall be of identical or approximately identical length.



## **Revenue Fund**

All Revenues will be deposited daily, as far as practicable, with the Trustee or in the name of the Trustee with a depository or depositories designated by the Commission and approved by the Trustee, to the credit of the Revenue Fund. The monies in the Revenue Fund are to be held by the Trustee in trust and applied in accordance with the Indenture.

## **Operating Account**

The Trustee is required to deposit to the credit of a special account in the Revenue Fund called the "Operating Account" from the Revenue Fund on or before the 20th day of each month during each Fiscal Year an amount equal to (1) the amount shown by the Annual Budget to be necessary for Current Expenses for the ensuing month, (2) an amount determined by the Commission to be necessary to be transferred to the Operating Account, said amount not to exceed the amount shown by the Annual Budget to be necessary for Current Expenses for the second ensuing month and (3) in the event of a revision to the Annual Budget as provided for in the Indenture, an amount sufficient to bring the fiscal year to date transfers to the revised amount. Payments shall be made from the Operating Account by check drawn on the Operating Account and signed by a Commission Official or by any form of electronic or other payment permitted from such account and otherwise in accordance with the provisions of the Indenture.

## **Debt Service Fund**

After first having made the hereinabove specified deposits to the Operating Account, the Trustee is required to withdraw from the Revenue Fund and deposit to the applicable account in the Debt Service Fund, for each series of Bonds, the amounts specified in the Original Indenture or the Supplemental Indenture pursuant to which such series of Bonds was issued, which shall be applied by the Trustee for the purposes for which the same shall be deposited. Prior to the effectiveness of the Restated Indenture, the following deposits shall be made with respect to the Series T Bonds:

(1) On or before the 20th day of each month in the Fiscal Year, an amount which equals one-sixth of the amount necessary to pay, and for the purpose of paying, on outstanding Bonds (other than certain Series Q Bonds bearing interest at a variable rate), the interest due on the next succeeding Interest Payment Date therefor, which amount will be deposited in the Interest Account;

(2) On or before the 20th day of each month in the Fiscal Year, an amount which equals one-twelfth of the amount necessary to pay, and for the purpose of paying, the principal amount of the Bonds (other than certain Series Q Bonds bearing interest at a variable rate) maturing on the next succeeding maturity date occurring within one year after the first day of such month, which amount shall be deposited in the Principal Account, unless otherwise provided in the Indenture;

(3) On or before each Interest Payment Date for certain Series Q Bonds bearing interest at a variable rate, an amount equal to the amount necessary to pay, and for the purpose of paying, on such outstanding Series Q Bonds, the interest due on such Interest Payment Date, which amount will be deposited in the Interest Account of the Series Q Debt Service Account of the Debt Service Fund;

(4) On or before each date on which principal of any Series Q Bonds is due and payable, an amount equal to the amount necessary to pay, and for the purpose of paying, on the outstanding Series Q Bonds, the principal amount of the Series Q Bonds maturing on such date, which amount will be deposited in the Principal Account of the Series Q Debt Service Account of the Debt Service Fund unless otherwise provided in the Eleventh Supplemental Indenture; and

(5) On the dates specified in any Supplemental Indenture relating to Additional Bonds, the amounts required to be deposited on said dates to the credit of the Interest Account or Principal Account pursuant to the provisions of such Supplemental Indenture for the purpose of paying the interest on and the principal of such

### Additional Bonds.

The Trustee is required to pay out of the Interest Account, from time to time, without further authorization from the Commission, and as the same shall become due and payable, the interest upon the Bonds. The Trustee is required likewise to pay out of the Principal Account, from time to time, without further authorization from the Commission, as the same shall become due and payable, the principal of the Bonds, but only upon the presentation and surrender of the Bonds.

If at the time the Trustee is to make a withdrawal from the Debt Service Fund the monies therein shall not be sufficient for the purpose, the Trustee shall withdraw the amount of such deficiency from the monies to the credit of the following funds or accounts in the following order: the Debt Service Reserve Fund, the General Reserve Fund, any Sinking Fund and the Reserve Maintenance Fund.

### Sinking Funds

After first having made the deposits hereinabove specified to the Operating Account and the Debt Service Fund and while the Bonds are outstanding, the Trustee is required to transfer from the Revenue Fund to the respective accounts in the Sinking Funds for the various series of Bonds on or before the 20th day of each month of each Fiscal Year, one-twelfth of the amount required on the next succeeding mandatory redemption date occurring within one year from the first day, of such month as specified in the various series of Turnpike Revenue Bonds to pay the principal amount of the various series of Bonds subject to mandatory redemption on such date (or such lesser amount which when added to sums previously expended by the Trustee during the Fiscal Year for the purchase of the various series of Bonds pursuant to the Indenture, shall equal the above amount) and provided that if any Bonds are redeemed pursuant to an optional redemption as described in the various series of Bonds, the principal amount of the respective series of Bonds of each maturity so redeemed shall be applied as a credit against the principal amount of the respective series of Bonds of such maturity which is subject to mandatory redemption for the respective series of Bonds of such maturity.

On the dates specified in any Supplemental Indenture or Indentures relating to Additional Bonds, the Trustee is required to transfer from the Revenue Fund the amounts required to be deposited on such dates to the credit of the sinking, purchase or analogous fund, if any, established for such Additional Bonds. In the event that at any time monies available for transfer from the Revenue Fund are not sufficient to meet the current requirements of the Sinking Funds established for the various Series of Bonds, the total amount of monies available for transfer shall be prorated among the various Sinking Funds in the proportion that the Sinking Fund payment for each particular Sinking Fund bears to the total of all such Sinking Fund payments required to be made at the time in question. If at the time the Trustee is to make a withdrawal from the Sinking Fund, the monies therein shall not be sufficient for such purpose, the Trustee shall withdraw the amount of such deficiency from the monies to the credit of the following funds or amounts in the following order:

1. Debt Service Reserve Fund;
2. General Reserve Fund; and
3. Reserve Maintenance Fund.

### Reserve Maintenance Fund

On or before the first day of each Fiscal Year the Commission shall notify the Trustee in writing, with a copy to the Consulting Engineers, of the expected beginning balance in the Reserve Maintenance Fund, the amounts to be transferred monthly by the Trustee to the Reserve Maintenance Fund from the General Reserve Fund, the amounts expected to be transferred by the Trustee from the Reserve Maintenance Fund (which shall be consistent with the Commission's capital budget) and the desired year-end balance in such Fund. After first having made the deposits hereinabove specified to the Operating Account, the Debt Service Fund and any Sinking Fund, and while any Bonds are outstanding, the Trustee shall transfer from the Revenue Fund on or before the 20th day of each month of each Fiscal Year, to the credit of the Reserve Maintenance Fund, one-twelfth of the amount that was required at the beginning of such Fiscal Year, together with the beginning balance and amounts to be transferred to and from the General Revenue Fund, to make the amount deposited in such fund equal to the Reserve Maintenance Fund Requirement. The amount

of each transfer from the Revenue Fund may be reduced by any investment earnings in the Reserve Maintenance Fund during such year and is not previously taken into account under this provision of the Indenture. Except as otherwise provided in the Indenture, monies held for the credit of the Reserve Maintenance Fund are required to be held as a reserve for the purpose of paying the cost of resurfacing, replacing or reconstructing the Pennsylvania Turnpike System or any part thereof, the cost of unusual or extraordinary maintenance or repairs, renewals and replacements, and the cost of replacing equipment, and shall be disbursed only for such purposes. To the extent permitted by law, monies held for the credit of the Reserve Maintenance Fund may also be expended for the purpose of paying the cost of constructing, improving and reconstructing improvements and betterments to all parts of the Pennsylvania Turnpike System now or hereafter open to vehicular traffic, including, without limitation, additional lanes, tunnels, interchanges, toll plazas, bridges and connecting roads, transit interface facilities and any other improvements deemed necessary or desirable by the Commission.

The Trustee shall from time to time transfer any monies from the Reserve Maintenance Fund to the credit of the General Reserve Fund upon the receipt of a certified copy of a resolution duly adopted by the Commission directing such transfer and a certificate of a Commission Official certifying that the amount so to be transferred is not required for the purposes for which the Reserve Maintenance Fund has been created.

### **Debt Service Reserve Fund**

The Debt Service Reserve Fund must be funded as provided herein for all Bonds issued under the Indenture in an amount equal to the maximum Principal and Interest Requirements for any succeeding Fiscal Year on account of the Bonds of all series issued and then outstanding under the provisions of the Indenture and with respect to the Series T Bonds and other series of Bonds, as limited by the Internal Revenue Code of 1986, as amended (the "Debt Service Reserve Requirement"). The Debt Service Reserve Requirement for any series of Bonds may be funded with the deposit of monies into the Debt Service Reserve Fund, or alternatively, in lieu of the deposit of monies into the Debt Service Reserve Fund, the Commission may cause to be provided a surety bond or an insurance policy payable to the Trustee for the benefit of the holders of the Bonds, or a letter of credit to the Trustee in an amount equal to the difference between the Debt Service Reserve Requirement and the amounts then on deposit in the Debt Service Reserve Fund. After first having made the deposits above specified to the Operating Account, the Debt Service Fund, any Sinking Fund and the Reserve Maintenance Fund and while any Bonds are outstanding, the Trustee is required in each Fiscal Year to transfer from the Revenue Fund on or before the 20th day of each month to the credit of the Debt Service Reserve Fund out of the balance, if any, remaining in the Revenue Fund, the amount, if any, required to fully fund the Debt Service Reserve Requirement.

To the extent accounts are created in the Debt Service Reserve Fund for the Bonds of any series, the funds, letters of credit, insurance policies or surety bonds held therein shall be available to make payments required under the Indenture for the benefit of only the series of Bonds to which the particular account relates. In the event the Trustee shall be required to withdraw funds from the Debt Service Reserve Fund to restore a deficiency in any fund created under the Indenture other than the Debt Service Fund or the Sinking Fund, the amount of such deficiency shall be allocated pro rata among the accounts and unallocated funds in the Debt Service Reserve Fund on the basis of the ratio that the Debt Service Reserve Requirement for each particular series of Bonds then outstanding under the Indenture bears to the Debt Service Reserve Requirement for all Bonds then outstanding under the Indenture. In the event the Trustee shall be required to withdraw funds from the Debt Service Reserve Fund to restore a deficiency in the Debt Service Fund or the Sinking Fund, the amount of such deficiency shall be allocated pro rata among the accounts and unallocated funds in the Debt Service Reserve Fund that relate to the series of Bonds for which payment is coming due on the next succeeding payment date on the basis of the ratio that the Debt Service Reserve Requirement for each particular series of Bonds for which payment is coming due bears to the Debt Service Reserve Requirement for all series of Bonds for which payment is coming due on the next succeeding payment date.

Except as provided in the Indenture, monies held for the credit of the Debt Service Reserve Fund shall be used for the purpose of paying interest on and the principal of Bonds whenever and to the extent that the monies held for the credit of the Debt Service Fund or any Sinking Fund shall be insufficient for such purpose.

A special account within the Debt Service Reserve Fund was created with respect to each series of Bonds

issued under the Indenture other than the Series Q Bonds including any Supplemental Indenture. A separate account is not being created for the Series T Bonds. The amount deposited into the Debt Service Reserve Fund in respect of the Series T Bonds will be funded by a cash deposit by the Commission.

In the event monies in the Debt Service Fund are insufficient to make any required payments on a payment date, the deficiency will be allocated proportionately among the Bonds of each series for which payment is due. Accordingly, the insurance policies, surety bonds, cash and investments held in the various accounts in the Debt Service Reserve Fund shall each be drawn on in an amount equal to the proportionate share of the deficiency allocable to the respective series of Bonds.

### **General Reserve Fund**

After first having made the above specified deposits to the Operating Account, the Debt Service Fund, any Sinking Fund, the Reserve Maintenance Fund and the Debt Service Reserve Fund, and while any Bonds are outstanding, the Trustee is required to transfer from the Revenue Fund on or before the 20th day of each month of each Fiscal Year to the credit of the General Reserve Fund the balance, if any, of monies remaining in the Revenue Fund. Except as otherwise provided in the Indenture, monies held for the credit of the General Reserve Fund may be expended by the Commission, upon requisition to the Trustee, to make up deficiencies in any funds or accounts created under the Indenture, and absent any such deficiency, for any of the following purposes, with no one item having priority over any of the others:

- (1) to purchase or redeem Bonds;
- (2) to secure and pay the principal or redemption price of, and interest on, any Subordinated Indebtedness;
- (3) to make payments into the Construction Fund;
- (4) to fund improvements, extensions and replacements of the Pennsylvania Turnpike System; or
- (5) to further any corporate purpose.

### **Insurance**

The Commission covenants that it will at all times maintain or cause to be maintained, to the extent reasonably obtainable and to the extent a Consultant determines such insurance is customary and necessary for similar organizations, with one or more insurance companies authorized and qualified to do business under the laws of the Commonwealth of Pennsylvania, the following insurance, with such variations as shall reasonably be required to confirm to applicable customary insurance practice and subject to such exceptions and permissible deductions as are ordinarily required:

1. During the construction of any Project financed under the provisions of the Original Indenture, such builder's risk (or equivalent coverage) insurance upon any work done or material furnished under construction contracts with such exceptions as are ordinarily required by insurers and such other insurance as is customarily carried by others under similar circumstances. All such policies shall be for the benefit of the Trustee, the Commission and the contractor as their interest may appear and shall be written in completed value form for 100% of the insurable value of the contract. Any amounts payable to the Commission thereunder shall be deposited in the special construction fund established for the Project. The proceeds of any and all such insurance shall be held by the Trustee as security for the Bonds issued under the Original Indenture. The Commission covenants that, immediately after any damage to or destruction of any such Project or any portion thereof, it will promptly proceed in the manner described in paragraph (1) above. The proceeds of all insurance hereinbefore referred to in this clause 1, said proceeds having been deposited in a special construction fund as aforesaid, shall be disbursed by the Trustee in the manner provided in the Indenture for the purpose of being applied to, the repair, replacement or reconstruction of such Project. If such proceeds shall be insufficient for

such purpose, the deficiency shall be supplied by the Trustee and deposited in said special construction fund upon requisition of the Commission from any moneys in the following funds or accounts in the following order: General Reserve Fund, Reserve Maintenance Fund, Sinking Fund, Debt Service Reserve Fund, and the Revenue Fund. The Commission will also cause to be maintained workmen's compensation insurance and employer's liability insurance covering all employees of contractors and subcontractors in amounts required by law, and public liability and property insurance in amounts as recommended by the Consultant;

2. Multi-risk insurance on the facilities of the Pennsylvania Turnpike System which are of an insurable nature and of the character usually insured by those operating similar facilities, covering direct physical loss or damage thereto from causes customarily insured against, in such amount as a Commission Official and the Consultant shall estimate is sufficient to provide a full normal income during the period of suspension of use;

3. Use and occupancy insurance covering loss of Revenues by reason of the necessary interruption, total or partial, in the use thereof resulting from the damage to or destruction of any part thereof however caused, with such exceptions as are ordinarily required by insurers carrying similar insurance, in such amount as the Comptroller or chief fiscal officer of the Commission and the Consulting Engineers shall estimate is sufficient to provide a full normal income during the period of suspension of use; provided, however, that such insurance shall cover a period of suspension of not less than twelve (12) months and such longer period as the Consultant shall approve, and that such insurance may exclude loss sustained by the Commission during the first seven (7) days of any total or partial interruption of use;

4. Public liability and property damage insurance in such amount and covering such risk as the Commission may determine;

5. War risk insurance, if obtainable from the United States Government or an agency thereof and if recommended by the Consultant;

6. Any other insurance required by law; and

7. Any additional other insurance certified by the Consultant to be necessary or advisable.

#### **Self-Insurance Reserve Fund**

A special fund ("Self-Insurance Reserve Fund") is created under the Original Indenture for each type of self-insurance created by the Commission.

The Commission, with the written approval of the Consultant, may self-insure for all or any portion of the risks for which commercial insurance is required to be maintained with one or more insurance companies under the terms of the Original Indenture to the extent permitted by law, only:

1. To the extent commercial insurance is unavailable from any insurance company authorized and qualified to do business under the laws of the Commonwealth of Pennsylvania;

2. To the extent commercial insurance is not reasonably obtainable or is not economical, either as to the amount of such insurance or as to the risks covered thereby or as to the amount required to be paid therefor; or

3. To supplement any commercial insurance obtained under the Original Indenture.

Whenever the Commission elects to self-insure for a given type of risk, thereafter, the Consultant shall set forth in an annual certificate required by the Original Indenture, the total amount of money, if any, to be transferred in the succeeding Fiscal Year to the account established under the Original Indenture therefor. Said report shall also specify the dates and amounts on each date to be transferred thereto. The Trustee shall, unless said self-insurance shall be terminated as provided in the Original Indenture, withdraw from the Revenue Fund monies, on the dates and in the

amounts specified in said report, and deposit said monies in the appropriate account within the Self-Insurance Reserve Fund.

The Commission covenants that, immediately after the occurrence of any event for which the Commission has elected to provide self-insurance and for which an account has been established under the Original Indenture and monies deposited therein, it will promptly notify the Trustee of said fact. To the extent that the monies held in said account are insufficient for such purpose and to the extent appropriate, the deficiency shall be supplied by the Trustee upon requisition of the Commission from any monies in the following funds or accounts in the following order: General Reserve Fund; Reserve Maintenance Fund; Debt Service Reserve Fund; Sinking Fund; and Revenue Fund.

### **Investments**

The Original Indenture provides that money on deposit to the credit of any fund or account created under the Original Indenture may be invested by the Trustee only upon written request of the Commission, and in the case of monies held in any special account in the Construction Fund, such written request of the Commission shall be accompanied by the written approval of the Consulting Engineers of the amount of money to be so invested, directing such investment in Permitted Investments which shall be subject to withdrawal or shall mature or be subject to redemption at not less than the principal amount thereof or the cost of acquisition, whichever is lower, not later than the date when the monies may reasonably be expected to be needed for the purpose of the Original Indenture or fifteen (15) years from the date of such investment, whichever date shall be the earlier.

Amounts held in the funds and accounts established with respect to the Series T Bonds may be invested solely in Series T Permitted Investments to the extent permitted by applicable law.

### **Reports and Audits**

The Commission covenants in the Original Indenture to keep an accurate record of the total cost of the Pennsylvania Turnpike System, of the daily tolls and other revenues collected, of the number and class of vehicles using the Pennsylvania Turnpike System, and of the application of such tolls.

The Commission also covenants that at least once each month it will cause to be filed with the Trustee, the Consulting Engineers and all Bondholders who shall file their names and addresses with the Secretary and Treasurer of the Commission for such purpose, copies of any revisions to the toll schedules during the preceding calendar month, and a report which shall include a statement of its operations during the second preceding calendar month and a balance sheet as of the end of such month.

The Commission further covenants that in each Fiscal Year it will cause an annual audit to be made of its books and accounts relating to the Pennsylvania Turnpike System by an independent, certified public accountant of recognized ability and standing. A report of such audit shall be filed with the Commission and the Trustee, and copies of such report shall be mailed by the Commission to the Consulting Engineers and all Bondholders who shall file their names and addresses with the Secretary and Treasurer of the Commission for such purpose.

### **Sale, Lease and Encumbrance of Property**

The Commission covenants in the Original Indenture that so long as any Bonds are Outstanding under the Original Indenture, the Commission will not

(a) sell or otherwise dispose of any real estate comprising a portion of the Pennsylvania Turnpike System unless the Commission determines by resolution that (1) such real estate is not useful or necessary in the operation of the Pennsylvania Turnpike System or (2) such sale or disposition will not materially diminish its Revenues;

(b) lease any real estate comprising a portion of the Pennsylvania Turnpike System unless the Commission determines by resolution that such lease is necessary or appropriate; or

- (c) create or permit to be created any charge or lien on the Net Revenues.

In the case of (a) and (b) above, the Commission shall notify the Trustee of such sale, disposition or lease unless the Revenues derived therefrom are less than one percent of the Commission's Revenues during the prior Fiscal Year and all proceeds from such sale, disposition or lease shall be deposited in the Revenue Fund.

The Commission also may enter into contracts or other forms of agreement for the use of any real estate comprising a portion of the Pennsylvania Turnpike System including, but not limited to, rights of way for telephone, telegraph, optic fiber and other forms of communication, electric, gas transmission and other lines or facilities for utilities, and other uses which do not interfere with the operation of the Pennsylvania Turnpike System and may fix the terms, conditions, rents and rates or charges for such use provided that the payments received in connection with the same shall be deposited in the Revenue Fund.

### **Consulting Engineers**

The Commission covenants in the Original Indenture that, until the Bonds secured by the Original Indenture and any interest thereon shall have been paid or provision for such payment shall have been made, it will, for the purpose of performing and carrying out the duties imposed on the Consulting Engineers by the Original Indenture, employ an independent engineering firm or corporation having a nationwide and favorable repute for skill and experience in such work.

### **Modification of Original Indenture**

The Commission and Trustee may enter into Supplemental Indentures (a) to cure any ambiguity or formal defect or omission in the Original Indenture or in any Supplemental Indenture, (b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee, (c) to issue Additional Bonds pursuant to the Original Indenture, or (d) to obtain, maintain or upgrade the rating of the Bonds or a Credit Facility. In addition, the Original Indenture may be amended with the consent of the holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding; provided that no such amendment shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on any Bond issued under the Original Indenture, (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, (c) the creation of any lien upon or a pledge of Revenues ranking prior to or on a parity with the lien or pledge created by the Original Indenture, (d) a preference or priority of any Bond over any other Bond, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture.

### **Removal or Resignation of Trustee**

The Trustee may be removed at any time for cause by resolution of the Commission. The Trustee may be removed at any time with or without cause by written request of holders of a majority of all outstanding bonds. The Trustee can resign upon written notice of resignation and publication of such resignation, effective upon appointment of a successor Trustee. The Commission can appoint a successor Trustee unless such successor is appointed in writing by a majority of Bondholders.

### **Events of Default**

Each of the following events is defined in the Original Indenture as "event of default:

- (a) payment of the interest on, or principal and premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (b) the Commission shall unreasonably delay or fail to carry on with reasonable dispatch or discontinue without reasonable cause the construction of the Project or, in the event that Bonds shall be issued under the provisions

of Section 209 or Section 211 of the Original Indenture, the construction of the Project or portion thereof for which such Bonds shall be issued; or

(c) the Commission shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

(d) any substantial part of the Pennsylvania Turnpike System shall be destroyed or damaged to the extent of impairing its efficient operation and adversely affecting its gross revenues and shall not be promptly repaired, replaced or reconstructed (whether such failure promptly to repair, replace or reconstruct the same be due to the impracticability of such repair, replacement or reconstruction or to lack of funds therefor or for any other reason); or

(e) an order or decree shall be entered, with the consent or acquiescence of the Commission, appointing a receiver or receivers of the Pennsylvania Turnpike System or any part thereof or of the tolls or other Revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the Commission, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or

(f) any proceeding shall be instituted, with the consent or acquiescence of the Commission, for the purpose of effecting a compromise between the Commission and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Revenues; or

(g) the Commission shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provision contained in the Bonds or in the Original Indenture and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Commission by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the holders of not less than ten per centum (10%) in principal amount of the Bonds then outstanding, provided, however, that if the default cannot be remedied within 30 days and the Commission begins to diligently proceed in good faith to remedy said default, then said default shall not be deemed to be a continuing one.

The Eleventh Supplemental Indenture provides that "event of default" shall also include any failure to pay the purchase price of any Series Q Bond tendered for purchase pursuant to the optional or mandatory tender provision of the Eleventh Supplemental Indenture when it becomes due and payable.

### **Remedies of Bondholders**

Upon the happening and continuance of any event of default under the Original Indenture the Trustee may, and upon the written request of the holders of not less than 20% in principal amount of the Bonds then outstanding shall, by a notice in writing to the Commission, declare the principal of all of the Bonds then outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in Original Indenture to the contrary notwithstanding.

Upon the happening and continuance of any event of default under the Original Indenture the Trustee may proceed, and upon the written request of the holders of not less than 10% in principal amount of the Bonds then outstanding shall proceed, subject to the provision of Section 902 of the Original Indenture, to protect and enforce its right and the right of the Bondholders under the laws of Pennsylvania or under the Original Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem reasonable or necessary to protect and enforce such rights.

In the enforcement of any remedy under the Original Indenture the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Commission for principal, interest or otherwise under any of the provisions of the Original Indenture or of the Bonds and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds (to the extent that payment of such interest is enforceable under applicable law), together with any and all costs and expenses of collection



and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders and to recover and enforce judgment or decree against the Commission, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from moneys in the Sinking Fund and any other moneys available for such purpose) in any manner provided by law. the moneys adjudged or decreed to be payable.

### **Pro Rata Application of Funds**

If at any time the moneys in the Debt Service Fund or the Sinking Fund shall not be sufficient to pay the principal of or the interest on the Bonds as the same become due and payable (either by their terms or by acceleration of maturities under the provision described above, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in the Original Indenture, shall be applied as follows, subject to the payment of amounts owing to the Trustee pursuant to the Original Indenture:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied

first: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the person entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions for the Original Indenture), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full the principal of Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions of Article V of the Original Indenture.

(b) If the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or 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 and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 802 of the Original Indenture, then, subject to the provisions of paragraph (b) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys then remaining in and thereafter accruing to the Debt Service Reserve Fund and the Sinking Fund shall be applied in accordance with the provisions of paragraph (a) above.

### **Action by Bondholders; No Right of Bondholders to Take Individual Action**

Anything in the Original Indenture to the contrary notwithstanding, the holders of a majority in principal amount of the Bonds then outstanding shall have the right, subject to the provision of Section 902 of the Original Indenture, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceeds to be taken by the Trustee, provided that such direction shall not be otherwise than

in accordance with law or the provisions of the Original Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction. The Trustee may exercise any right or take any other action deemed proper by the Trustee which is not inconsistent with such direction.

No holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Original Indenture or for any other remedy hereunder unless such holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the holders of not less than 10% in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein above granted or to institute such action, suit or proceeding in its or their name, and unless, also, their shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Original Indenture or for any other remedy thereunder. It is understood and intended that no one or more holders of the Bonds shall have any right in any manner whatever by this or their action to affect, disturb or prejudice the security of the Original Indenture or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all holders of such outstanding Bonds.

#### **Defeasance of Bonds; Defeasance of Series T Bonds**

If, when the Bonds secured hereby shall have become due and payable in accordance with their terms or otherwise as provided in the Original Indenture or shall have been duly called for redemption or irrevocable instructions to call the Bonds for redemption shall have been given by the Commission to the Trustee, the whole amount of the principal and interest and the premium, if any, so due and payable upon all of the Bonds then outstanding shall be paid or there shall have been deposited with the Trustee or the Paying Agents an amount, evidenced by moneys, Government Obligations, Certificates of Deposit (such Certificates to be fully secured as to both principal and interest by Government Obligations) or Defeased Tax-Exempt Securities (that are either noncallable prior to the date needed to satisfy the requirements hereof or with respect to which the holder has the rights to demand the purchase of such obligations on the date needed to satisfy the requirements hereof), certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed, except as hereinafter provided), to be sufficient for the payment, at their maturities or redemption dates, of all principal, premium, if any, and interest on the Bonds to the date of maturity or redemption, as the case may be, and provision shall also be made for paying all other sums payable hereunder by the Commission, then and in that case the right, title and interest of the Trust shall thereupon cease, determine and become void, and the Trustee in such case, on demand of the Commission, and upon receipt of an Opinion of Counsel stating in substance that all conditions precedent provided for in the Original Indenture relating to defeasance have been satisfied, shall release the Original Indenture and shall execute such documents to evidence such release as may be reasonably required by the Commission, and shall turn over to the Commission or to such officer, board or body as may then be entitled by law to receive the same any surplus in any account in the Sinking Fund and all balances remaining in any other funds or accounts other than moneys held for redemption or payment of Bonds; otherwise the Original Indenture shall be, continue and remain in full force and effect.

The following additional provisions apply to the defeasance of the Series T Bonds:

(a) When the principal or redemption price (as the case may be) of, and interest on, all Series T 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 the Paying Agent and all other sums payable hereunder by the Commission, the Trustee, on demand of the Commission, shall release the Fourteenth Supplemental Indenture and shall execute such documents to evidence such release as may be reasonably required by the Commission and shall turn over to the Commission or

to such person, body or authority as may be entitled to receive the same all balances then held by it hereunder not required for the payment of the Series T Bonds and such other sums. If payment or provision therefor is made with respect to less than all of the Series T Bonds, the particular Series T Bonds (or portions thereof) for which provision for payment shall have been 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 Series T Bonds.

(b) Provision for the payment of Series T Bonds shall be deemed to have been made when the Trustee holds in the Debt Service Fund (1) cash in an amount sufficient to make all payments (including principal, premium, if any, interest and tender purchase price payments, if any) specified above with respect to such Series T Bonds, or (2) obligations described in paragraph (l) of the definition of Series T Permitted Investments or noncallable Government 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 (together with any earnings thereon) to make all such payments, or (3) any combination of cash and obligations described in clause (2) above the amounts of which and interest thereon, when due, are or will be, in the aggregate, sufficient (together with any earnings thereon) to make all such payments. If provision is to be made for the payment of less than 100% of the Series T Bonds Outstanding, the Trustee shall have received written confirmation from each Rating Service then rating the Series T Bonds at the request of the Commission that any ratings on the Series T Bonds for which such payment provision is not to be made will remain unaffected by such provision.

(c) Neither the moneys nor the obligations deposited with the Trustee pursuant to this Article 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 Series T Bonds (or portions thereof) to be no longer entitled to the lien of this Indenture; provided that such moneys, if not then needed for such purpose, shall, to the extent practicable, be invested and reinvested in Government Obligations maturing on or prior to the Interest Payment Date next succeeding the date of investment or reinvestment.

(d) Whenever moneys or obligations shall be deposited with the Trustee for the payment or redemption of Series T Bonds more than 60 days prior to the date that such Series T Bonds are to mature or be redeemed, the Trustee shall mail a notice to the Owners of Series T 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. Such notice shall also be sent by the Trustee to each Rating Service if then rating the Series T Bonds at the request of the Commission. Notwithstanding the foregoing, no provision for payment under this Section shall be deemed to have been made with respect to any Series T Bonds which are to be redeemed prior to their stated maturity until such Series T Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such Series T Bonds may be redeemed in accordance with the provisions of the Fourteenth Supplemental Indenture and proper notice of such redemption shall have been given in accordance with the Fourteenth Supplemental Indenture shall have given the Trustee and the Trustee, in form satisfactory to the Trustee and the Trustee, irrevocable instructions to give, in the manner and at the times prescribed by the Fourteenth Supplemental Indenture, notice of such redemption. Notwithstanding the foregoing, no provision for payment under this Section shall be deemed to have been made, unless the Trustee shall have received written confirmation from each Rating Service then rating the Series T Bonds at the request of the Commission that any ratings on the Series T Bonds for which such payment shall have been made will remain unaffected by such provision.

(e) If the principal or redemption price of any Series T Bonds becoming due, either at maturity, by call for redemption, upon acceleration or otherwise, together with all interest accruing thereon to the due date, has been paid or provision therefor made in accordance with the foregoing provisions, all interest on such Series T Bonds shall cease to accrue on the due date, and all liability of the Commission with respect to such Series T Bonds shall likewise cease, except as hereinafter provided. Thereafter, the Owners of such Series T Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Series T Bonds, and the Trustee shall hold such funds in trust for such 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 the Commission and if the Commission is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture or the Series T Bonds, be paid to the Commission, and the Owners of the Series

T Bonds for which the deposit was made shall thereafter be limited to a claim against the Commission; provided that the Trustee, before making payment to the Commission, may, at the expense of the Commission, cause a notice to be given to the Owners of the Series T Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to the Commission after a specified date.

**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE RESTATED INDENTURE**

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**APPENDIX C**  
**SUMMARY OF CERTAIN PROVISIONS OF THE RESTATED INDENTURE**

**(TO BECOME EFFECTIVE UPON APPROVAL BY BONDHOLDERS)**

The body of the Official Statement sets forth certain provisions of the Restated Indenture which will become effective upon approval by Bondholders, which approval is expected to be completed on or about December 1, 2002. See also APPENDIX C, SUMMARY OF CERTAIN PROVISIONS OF THE RESTATED INDENTURE. Certain provisions of the Restated Indenture may become effective upon approval by the holders of two-thirds in aggregate principal amount of the Bonds then outstanding. Prior to the effectiveness of the Restated Indenture, the Bonds will be subject to the provisions of the Original Indenture which are described in APPENDIX B, SUMMARY OF CERTAIN PROVISIONS OF THE ORIGINAL INDENTURE.

**DEFINITIONS OF CERTAIN TERMS**

In addition to words and terms elsewhere defined in this Official Statement, the following words and terms as used in this Appendix C and the Restated Indenture shall have the following meanings unless the context clearly indicates otherwise:

"Additional Bonds" -- Bonds of any Series authorized to be issued under the Restated Indenture.

"Annual Capital Budget" -- the budget adopted by the Commission pursuant to the provisions described under the heading "The Restated Indenture--Annual Operating Budget; Capital Budget."

"Annual Operating Budget" -- the budget adopted by the Commission pursuant to the provisions described under the heading "The Restated Indenture--Annual Operating Budget; Capital Budget."

"Annual Debt Service" -- (i) the amount of principal and interest paid or payable with respect to Bonds in a Fiscal Year plus (ii) Reimbursement Obligations paid or payable by the Commission in such Fiscal Year (but only to the extent they are not duplicative of such principal and interest), plus (iii) the amounts, if any, paid or payable by the Commission in such Fiscal Year with respect to Approved Swap Agreements, minus (iv) the amounts, if any, paid or payable to the Commission in such Fiscal Year with respect to Approved Swap Agreements, provided that the difference between the amounts described in clauses (iii) and (iv) shall be included only to the extent that such difference would not be recognized as a result of the application of the assumptions set forth below. The following assumptions shall be used to determine the Annual Debt Service becoming due in any Fiscal Year:

(a) in determining the principal amount paid or payable with respect to Bonds or Reimbursement Obligations in each Fiscal Year, payment shall be assumed to be made in accordance with any amortization schedule established for such Indebtedness, including amounts paid or payable pursuant to any mandatory redemption schedule for such Indebtedness;

(b) if any of the Indebtedness or proposed Indebtedness constitutes Balloon Indebtedness, then such amounts thereof as constitute Balloon Indebtedness shall be treated as if such Indebtedness is to be amortized in substantially equal annual installments of principal and interest over a term of 25 years from the date of issuance of such Indebtedness. Anything to the contrary in the Restated Indenture notwithstanding, during the year preceding the final maturity date of such Indebtedness, all of the principal thereof shall be considered to be due on such maturity date unless the Commission provides to the Trustee a certificate of a Financial Consultant certifying that, in its judgement, the Commission will be able to issue a take-out Indebtedness for such Balloon Indebtedness, in which event the Balloon Indebtedness shall be amortized over

the term of such take-out Indebtedness and shall bear the interest rate specified in the certificate of the Financial Consultant;

(c) if any of the Indebtedness or proposed Indebtedness constitutes Variable Rate Indebtedness, then interest in future periods shall be based on the Assumed Variable Rate.

(d) Termination or similar payments under an Approved Swap Agreement shall not be taken into account in any calculation of Annual Debt Service.

"Applicable Long-Term Indebtedness" -- includes Bonds, Additional Bonds, Reimbursement Obligations and obligations of the Commission under Approved Swap Agreements, to the extent the same constitute Long-Term Indebtedness, and excludes Subordinated Indebtedness.

"Approved Swap Agreement" -- shall have the meaning set forth below under the heading "The Restated Indenture--Approved and Parity Swap Obligations".

"Assumed Variable Rate" -- in the case of (1) Outstanding Variable Rate Indebtedness, the average interest rate on such Indebtedness for the most recently completed 12-month period; and (2) proposed Variable Rate Indebtedness, (a) which will, in the opinion of Bond Counsel delivered at the time of the issuance thereof be excluded from gross income for federal income tax purposes, the average of the Bond Market Association Swap Index ("BMA Index") for the 12 months ending 7 days preceding the date of calculation plus 100 basis points, or (b) in the case of Bonds not described in clause (a), the London Interbank Offered Rate ("Libor") most closely resembling the reset period for the Variable Rate Indebtedness plus 100 basis points; provided that if the BMA Index or Libor shall cease to be published, the index to be used in its place shall be that index which the Commission in consultation with the Financial Consultant determines most closely replicates such index, as set forth in a certificate of a Commission Official filed with the Trustee

"Authenticating Agent" -- that Person designated and authorized to authenticate any series of Bonds or such Person designated by the Authenticating Agent to serve such function, and shall initially be the Trustee.

"Authorized Denominations" -- with respect to any Additional Bonds issued under a Supplemental Indenture, those denominations specified in such Supplemental Indenture.

"Balloon Indebtedness" -- Long-Term Indebtedness of which 25% or more of the principal matures in the same Fiscal Year and is not required by the documents pursuant to which such Indebtedness was issued to be amortized by payment or redemption prior to that Fiscal Year, provided that such Indebtedness will not constitute Balloon Indebtedness if the Trustee is provided a certificate of a Commission Official certifying that such Indebtedness is not to be treated as Balloon Indebtedness (because, by way of example, such Indebtedness is intended to serve as "wrap around" Indebtedness).

"Bank" -- as to any particular Series of Bonds, each Person (other than a Bond Insurer) providing a letter of credit, a line of credit, a guaranty or another credit or liquidity enhancement facility as designated in the Supplemental Indenture providing for the issuance of such Bonds.

"Bank Fee" -- any commission, fee or expense payable to a Bank pursuant to a Reimbursement Agreement (but not amounts payable as reimbursement for amounts drawn under a Credit Facility or interest on such amounts).

"Bankruptcy Law" -- Title 9 of the United States Code, as amended from time to time, and any successor to or replacement of such Title and any other applicable federal or state bankruptcy, insolvency or similar law.

"Beneficial Owner" -- the beneficial owner of any Bond which is held by a nominee.

"Bond" or "Bonds" -- Bonds outstanding under the Prior Indenture and indebtedness of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, issued as Additional Bonds



under Section 210, other than Additional Bonds issued as Subordinated Indebtedness.

"Bond Buyer Index" -- shall mean the Bond Buyer 20-Bond Index as published weekly in "The Bond Buyer". If such Index shall cease to be published, the Financial Consultant shall select another index which shall be reflective of the Commission's fixed borrowing cost.

"Bond Counsel" -- any attorney or firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

"Bond Insurer" -- as to any particular maturity or any particular Series of Bonds, the Person undertaking to insure such Bonds as designated in a Supplemental Indenture providing for the issuance of such Bonds.

"Bond Owner," "Bondholder," "Holder," "Owner" or "Registered Owner" (or the lower case version of the same) -- the Person in whose name any Bond or Bonds are registered on the books maintained by the Registrar.

"Bond Register" -- the register maintained pursuant to Section 205.

"Bond Registrar" -- with respect to any series of Bonds, that Person which maintains the bond register or such other entity designated by the Bond Registrar to serve such function and initially shall be the Trustee.

"Book-Entry-Only System" -- a system similar to the system described in the Restated Indenture and this Official Statement under "Book-Entry Only System" pursuant to which Bonds are registered in book-entry form.

"Business Day" -- any day other than a Saturday or a Sunday or a day on which banking institutions are required or authorized by law or executive order to remain closed in the city in which the designated office of the Trustee is located, the Commonwealth or the City of New York.

"Chief Engineer" -- the employee of the Commission designated its "Chief Engineer" or any successor title.

"Code" -- the Internal Revenue Code of 1986, as amended, and the regulations proposed or in effect with respect thereto.

"Commonwealth" -- the Commonwealth of Pennsylvania.

"Commission Official" -- any commissioner, director, officer or employee of the Commission authorized to perform specific acts or duties by resolution duly adopted by the Commission.

"Conditional Redemption" -- a redemption of Bonds (1) that is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (2) that the Commission retains the right to rescind such notice at any time prior to the scheduled redemption date if the Commission delivers a certificate of a Commission Official to the Trustee instructing the Trustee to rescind the redemption notice.

"Consultant" -- a Person who shall be independent, appointed by the Commission as needed, qualified and having a nationwide and favorable reputation for skill and experience in such work for which the Consultant was appointed. In those situations in which a Consultant is appointed to survey risks and to recommend insurance coverage, such Consultant may be a broker or agent with whom the Commission transacts business.

"Consulting Engineers" -- the engineer or engineering firm or corporation at the time employed by the Commission under the Restated Indenture.

"Cost" -- all or any part of:

- (a) the cost of construction, reconstruction, restoration, repair and rehabilitation of a Project or

portion thereof (including, but not limited to, indemnity and surety bonds, permits, taxes or other municipal or governmental charges lawfully levied or assessed during construction),

(b) the cost of acquisition of all real or personal property, rights, rights-of-way, franchises, easements and interests acquired or used for such Project or portion thereof;

(c) the cost of demolishing or removing any structures on land so acquired, including the cost of acquiring any land to which the structures may be removed;

(d) any cost of borings and other preliminary investigations necessary or incident to determining the feasibility or practicability of constructing such Project and any cost necessary or desirable to satisfy conditions associated with the issuance of any permit for the construction thereof (including the costs of environmental mitigation required in connection therewith);

(e) the cost of all machinery and equipment, vehicles, materials and rolling stock;

(f) Issuance Costs;

(g) interest on Bonds and on any Reimbursement Obligation for the period prior to, during and for a period of up to one year after completion of construction as determined by the Commission, provisions for working capital, reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations and improvements;

(h) the cost of architectural, engineering, environmental feasibility, financial and legal services;

(i) plans, specifications, estimates and administrative and other expenses which are necessary or incidental to the determination of the feasibility of constructing such Project or portion thereof or incidental to the obtaining of construction contracts or to the construction (including construction administration and inspection), acquisition or financing thereof and which constitute capital costs;

(j) Current Expenses, provided that, if applicable, the Trustee has received an opinion of Bond Counsel (which opinion may address either specific Current Expenses or categories of Current Expenses) to the effect that the treatment of such Current Expenses as a Cost will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(k) the repayment of any loan or advance for any of the foregoing; and

(l) with respect to the use of Bond proceeds, such other costs and expenses as are permitted by the Enabling Acts at the time such Bonds are issued.

"Counsel" -- an attorney or law firm (who may be counsel for the Commission) not unsatisfactory to the Trustee.

"Credit Facility" -- any letter of credit, line of credit, standby letter of credit, indemnity or surety insurance policy or agreement to purchase a debt obligation or any similar extension of credit, credit enhancement or liquidity support obtained by the Commission from a responsible financial or insurance institution, to provide for or to secure payment of principal and purchase price of, and/or interest on Bonds pursuant to the provisions of a Supplemental Indenture under which such Bonds are issued. The use of such definition is not intended to preclude the Commission from providing the credit or liquidity support with respect to one or more series of Bonds directly rather than through a financial or insurance institution.

"Current Expenses" -- the Commission's reasonable and necessary current expenses of maintenance, repair and operation of the System, including, without limiting the generality of the foregoing, all premiums for insurance and payments into any self-insurance reserve fund, all administrative and engineering expenses relating to maintenance,

repair and operation of the System, fees and expenses of the Trustee and of the Paying Agents, Policy Costs, legal expenses and any other expenses required to be paid by the Commission as shown in the Annual Operating Budget for the System.

"Debt Service Fund" -- the fund created by the Restated Indenture and described under "The Restated Indenture--Debt Service Fund."

"Debt Service Reserve Fund" -- the fund created by the Restated Indenture and described under "The Restated Indenture—Debt Service Reserve Fund."

"Debt Service Reserve Fund Bonds" -- shall mean the Long-Term Indebtedness specified by the Commission in this or any Supplemental Indenture that is secured by the Debt Service Reserve Fund as described under "The Restated Indenture—Debt Service Reserve Fund."

"Debt Service Reserve Requirement" -- the amount equal to the Maximum Annual Debt Service on account of all the Debt Service Reserve Fund Bonds.

"Defeasance Securities" --

1. Cash,
2. Government Obligations,
3. Government Obligations which have been stripped by the U.S. Treasury and CATS, TIGRS and similar securities,
4. Resolution Funding Corp. strips which have been stripped by request [and are held by] the Federal Reserve Bank of New York in book-entry form,
5. Pre-refunded obligations of a state or municipality rated in the highest rating category by the Rating Agency, and
6. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:
  - a. Farmers Home Administration  
Certificates of beneficial ownership
  - b. Federal Financing Bank
  - c. General Services Administration  
Participation certificates
  - d. U.S. Maritime Administration  
Guaranteed Title XI financing
  - e. U.S. Department of Housing and Urban Development  
Project Local Authority Notes  
New Communities Debentures - U.S. government guaranteed debentures Bonds
  - f. U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

"Depository" -- a bank or trust company designated as such by the Commission to receive moneys under the provisions of the Restated Indenture and approved by the Trustee, and shall include the Trustee.

"Depository Participants" -- any Person for which the Securities Depository holds Bonds as securities depository.

"DSRF Security" -- shall have the meaning set forth under "The Restated Indenture—Debt Service Reserve Fund."

"DTC" -- The Depository Trust Company.

"Eastern Extension" -- the turnpike which, by virtue of an Act of the General Assembly of Pennsylvania approved May 16, 1940, P.L. 949, the Commission was authorized and empowered to construct, operate and maintain from a point at or near Middlesex in Cumberland County, Pennsylvania (the eastern terminus of the Original Turnpike) to a point at the City of Philadelphia, including all connecting roads, tunnels and bridges and all property, rights, easements and franchises relating thereto.

"Enabling Acts" -- the Act approved May 21, 1937, P.L. 774, as amended by Acts approved on various dates, including May 24, 1945 P.L. 972, and February 26, 1947, P.L. 17, and said Acts approved May 23, 1951, P.L. 335, August 14, 1951, P.L. 1232 and September 30, 1985, P.L. 240, as amended.

"Event of Bankruptcy" -- the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceedings) by or against the Commission as debtor, under Bankruptcy Law.

"Event of Default" -- those events specified under "The Restated Indenture—Events of Default" and such other events specified in any Supplemental Indentures.

"Financial Consultant" -- any financial advisor or firm of financial advisors of favorable national reputation for skill and experience in performing the duties for which a Financial Consultant is required to be employed pursuant to the provisions of the Restated Indenture and who is retained by the Commission as a Financial Consultant for the purposes of the Restated Indenture.

"Fiscal Year" -- the period commencing on the first day of June and ending on the last day of May of the following year.

"Fitch" -- Fitch, Inc., its successors and assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized rating agency designated by the Commission.

"General Reserve Fund" -- the fund created by the Restated Indenture and described under "The Restated Indenture—General Reserve Fund."

"Government Obligations" --

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America,

(b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in clause (a) above issued or held in book-entry form in the name of the Trustee only on the books of the Department of Treasury of the United States of America),

(c) any certificates or any other evidences of an ownership interest in obligations or specified

portions thereof (which may consist of specified portions of the interest thereon) of the character described in clause (a) or (b) above, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

(d) stripped obligations of interest issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), the interest on which, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to FIRREA, and

(e) obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that cash, obligations described in clause (a), (b), (c) or (d) above, or a combination thereof have been irrevocably pledged to and deposited into a segregated escrow account for the payment when due of the principal or redemption price of and interest on such obligations, and provided further that, at the time of purchase, such obligations are rated by the Rating Service in its highest rating category.

"Historical Debt Service Coverage Ratio" -- for any period of time, the ratio determined by dividing Net Revenues for such period by the Annual Debt Service for all Applicable Long-Term Indebtedness which is Outstanding during such period.

"Historical Pro Forma Debt Service Coverage Ratio" -- for any period of time, the ratio determined by dividing Net Revenues for such period by the Maximum Annual Debt Service for all Applicable Long-Term Indebtedness then Outstanding and the Applicable Long-Term Indebtedness proposed to be issued pursuant to the Restated Indenture pursuant to the provisions described under "The Restated Indenture—Covenants--Limitations on Issuance of Additional Bonds and Execution of Approved Swaps."

"Immediate Notice" -- notice transmitted by electronic means, in writing, by telecopier or other electronic means or by telephone (promptly confirmed in writing) and received by the Person to whom it was addressed.

"Indebtedness" -- any obligation or debt incurred for money borrowed.

"Interest Payment Date" -- with respect to each series of Additional Bonds, the dates which are defined as such in the Supplemental Indenture under which such Additional Bonds are issued. However, in each case, if the date specified above is not a Business Day then the Interest Payment Date shall be the Business Day next succeeding the date specified above.

"Issuance Cost" -- costs incurred by or on behalf of the Commission in connection with the issuance of Additional Bonds including, without limitation, the following: payment of financial, legal, accounting and appraisal fees and expenses, the Commission's fees and expenses attributable to the issuance of the Bonds, the cost of printing, engraving and reproduction services, fees and expenses incurred in connection with any Credit Facility and any Approved Swap Obligation, legal fees and expenses for Bond Counsel, Commission's counsel, Trustee's counsel and Underwriter's counsel relating to the issuance of the Bonds, the initial or acceptance fee of the Trustee, and all other fees, charges and expenses incurred in connection with the issuance of the Bonds and the preparation of the Restated Indenture.

"Letter of Representations" -- the letter of representations or similar document executed by the Commission and delivered to the Securities Depository (and any amendments thereto or successor agreements) for one or more Series of Book Entry Bonds.

"Long-Term Indebtedness" -- all Indebtedness, which is not (a) Short-Term Indebtedness or (b) Subordinated Indebtedness.

"Maximum Annual Debt Service" -- at any point in time the maximum amount of Annual Debt Service on all

Applicable Long-Term Indebtedness, as required by the context (e.g., whether relating to all such Applicable Long-Term Indebtedness or only specified Applicable Long-Term Indebtedness) paid or payable in the then current or any future Fiscal Year.

"Moody's" -- Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized rating agency designated by the Commission.

"Net Revenues" -- the amount by which total Revenues exceed Current Expenses for any particular period.

"Other Revenues" -- any funds received or payable to the Commission, other than Revenues, which the Commission chooses to include as security for Parity Obligations and/or Subordinated Indebtedness pursuant to a Supplemental Indenture.

"Original Indenture" -- the Indenture of Trust dated as of July 1, 1986 between the Commission and the Trustee.

"Original Turnpike" -- the turnpike which, pursuant to the Act of the General Assembly of Pennsylvania approved May 21, 1937, P.L. 774, Act 211, the Commission was authorized and empowered to construct, operate and maintain from a point at or near Middlesex in Cumberland County, Pennsylvania to a point at or near Irwin in Westmoreland County, Pennsylvania, including all connecting roads, tunnels and bridges and all property, rights, easements and franchises relating thereto.

"Outstanding" or "outstanding" in connection with Bonds -- all Bonds which have been authenticated and delivered under the Restated Indenture, except:

- (a) Bonds theretofore cancelled or delivered to the Trustee for cancellation under the Restated Indenture;
- (b) Bonds which are deemed to be no longer Outstanding in accordance with the provisions described under "The Restated Indenture--Defeasance"; and
- (c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Restated Indenture.

In determining whether the owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Restated Indenture, Bonds which are held by or on behalf of the Commission (unless all of the Outstanding Bonds are then owned by the Commission) shall be disregarded for the purpose of any such determination.

"Parity Obligations" -- includes Bonds and other obligations of the Commission owed to Secured Owners and excludes Subordinated Indebtedness.

"Parity Swap Agreement" -- shall have the meaning set forth under the heading "The Restated Indenture--Approved and Parity Swap Obligations".

"Parity Swap Agreement Counterparty" -- the counterparty to a Parity Swap Agreement with the Commission or with the Trustee.

"Paying Agent" -- with respect to any series of Bonds, that Person appointed pursuant to the Restated Indenture to make payments to Bondholders of interest and/or principal pursuant to the terms of the Restated Indenture, which initially shall be the Trustee.

"Permitted Investments" -- (to the extent permitted by law)

- (a) Government Obligations;
- (b) obligations issued or guaranteed as to full and timely payment of principal and interest by any agency or Person controlled or supervised by and acting as an instrumentality of the U.S., pursuant to authority granted by the U.S. Congress;
- (c) obligations of the Governmental National Mortgage Association, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, Maritime Administration and Public Housing Authorities, provided that the full and timely payment of the principal and interest on such obligations shall be unconditionally guaranteed by the U.S.;
- (d) obligations of the Federal Intermediate Credit Corporation and of the Federal National Mortgage Association;
- (e) obligations of the Federal Banks for Cooperation;
- (f) obligations of Federal Land Banks;
- (g) obligations of Federal Home Loan Banks; provided that the obligations described in clauses (c) through (g) above shall constitute Permitted Investments only to the extent that the Rating Agency has assigned a rating to such obligations which is not lower than the highest rating assigned by such Rating Agency to any series of comparable Bonds then Outstanding;
- (h) certificates of deposit of any bank, savings and loan or trust company organized under the laws of the U.S. or any state thereof, including the Trustee or any holder of the Bonds, provided that such certificates of deposit shall be fully collateralized (with a prior perfected security interest), to the extent they are not insured by the Federal Deposit Insurance Corporation, by Permitted Investments described in (a), (b), (c), (d), (e), (f) or (g) above having a market value at all times equal to the uninsured amount of such deposit;
- (i) money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, including funds for which the Trustee, its parent, its affiliates or its subsidiaries provide investment advisory or other management services, and which are rated by S&P, Moody's and Fitch in one of their two highest rating categories.
- (j) investment agreements (which term, for purposes of this clause, shall not include repurchase agreements) with a Qualified Financial Institution;
- (k) repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York ("Repurchasers"), including but not limited to the Trustee and any of its affiliates, provided that each such repurchase agreement results in transfer to the Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified Permitted Investments described in (a), (b), (c), (d), (e), (f) or (g) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the Repurchaser) as the agent solely of, or in trust solely for the benefit of, the Trustee, provided that Government Obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such Government Obligations or the repurchase price thereof set forth in the applicable repurchase agreement; or
- (l) Bonds or notes issued by any state or municipality which are rated by S&P, Moody's and Fitch in one of their two highest rating categories.
- (m) Commercial paper rated in the highest short-term, note or commercial paper Rating Category by S&P, Moody's and Fitch.

(n) Any auction rate certificates which are rated by S&P, Moody's and Fitch in one of their two highest rating categories.

(o) Any other investment approved by the Commission for which confirmation is received from the Rating Agency that such investment will not adversely affect such Rating Agency's rating on such Bonds.

"Person" -- an individual, public body, a corporation, a partnership, an association, a joint stock company, a trust and any unincorporated organization.

"Pledged Bonds" -- a Bond purchased by the Trustee or Paying Agent with amounts received pursuant to a drawing under a Credit Facility and pledged to or registered in the name of a Bank which is a provider of such Credit Facility or its designee.

"Policy Costs" -- a periodic fee or charge required to be paid to maintain a DSRF Security.

"Prior Indenture" -- the Original Indenture as supplemented and amended by a First Supplemental Trust Indenture dated as of August 1, 1986, a Second Supplemental Trust Indenture dated as of November 15, 1988, a Third Supplemental Trust Indenture dated as of May 15, 1989, a Fourth Supplemental Trust Indenture dated as of November 15, 1989, a Fifth Supplemental Trust Indenture dated as of May 15, 1990, a Sixth Supplemental Trust Indenture dated as of November 15, 1990, a Seventh Supplemental Trust Indenture dated as of June 1, 1991, an Eighth Supplemental Trust Indenture dated as of July 1, 1991, a Ninth Supplemental Trust Indenture dated as of November 15, 1991, a Tenth Supplemental Trust Indenture dated as of August 1, 1992, an Eleventh Supplemental Trust Indenture dated as of June 1, 1998, a Twelfth Supplemental Trust Indenture dated as of March 1, 2001, a Thirteenth Supplemental Trust Indenture dated as of May 1, 2001, and the Fourteenth Supplemental Trust Indenture dated as of September 1, 2001, and as further supplemented and amended until such time as the Restated Indenture becomes effective.

"Project" -- any improvements to the System or refundings which are authorized by the Enabling Acts or which may be hereafter authorized by law.

"Projected Annual Debt Service" -- for any future period of time, shall equal the amount of Maximum Annual Debt Service on all Applicable Long-Term Indebtedness then Outstanding and on any Applicable Long-Term Indebtedness proposed to be issued.

"Projected Debt Service Coverage Ratio" -- for the two Fiscal Years following the end of any period during which interest was fully capitalized on the Applicable Long-Term Indebtedness proposed to be issued, the ratio determined by dividing Projected Net Revenues for such period by the Projected Annual Debt Service for such period.

"Projected Net Revenues" -- projected Net Revenues for the period in question, taking into account any revisions of the Tolls which have been approved by the Commission and which will be effective during such period and any additional Tolls which the Commission or the Consultant, as appropriate, estimates will be received by the Commission following the completion of any Project then being constructed or proposed to be constructed.

"Purchase Price" -- shall mean the purchase price payment described in paragraph (a) of the definition of Tender Indebtedness.

"Qualified Financial Institution" (a) any U.S. domestic institution which is a bank, trust company, national banking association or a corporation, including the Trustee and any of its affiliates, subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, or a member of the National Association of Securities Dealers, Inc. whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within the two highest rating categories by the Rating Agency or which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated; (b) an insurance company with a claims-paying ability or a corporation whose obligations are guaranteed by an insurance company (in the form of an insurance policy) or by an insurance holding company rated in the highest rating category by the Rating Agency or whose unsecured obligations or uncollateralized long-term debt obligations have been assigned



a rating within the highest rating category by the Rating Agency; or (c) any banking institution whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the two highest rating categories by the Rating Agency.

"Rate Covenant" -- the requirement to establish and maintain a schedule of Tolls sufficient to provide the funds required pursuant to the Restated Indenture provisions described under "The Restated Indenture—Rate Covenant."

"Rating Agency" -- Fitch, Moody's or S&P or such other nationally recognized securities rating agency as may be so designated in writing to the Trustee by a Commission Official.

"Rating Category" -- each major rating classification established by the Rating Agency, determined without regard to gradations such as "1," "2" and "3" or "plus" and "minus."

"Rebate Fund" -- the fund created by the Restated Indenture and described under "The Restated Indenture—Rebate Fund."

"Rebate Regulations" -- the Treasury Regulations issued under Section 148(f) of the Code.

"Record Date" -- unless otherwise provided with respect to any series of Bonds in a Supplemental Indenture: (a) for Bonds on which interest is payable on the first day of a month, the fifteenth day of the immediately preceding month; or (b) for Bonds on which interest is payable on the fifteenth day of a month, the last day of the immediately preceding month. However, in each case, if the date specified above is not a Business Day, then the Record Date shall be the Business Day next preceding the date specified above.

"Reimbursement Agreement" -- an agreement between the Commission and one or more Banks pursuant to which, among other things, such Bank or Banks issue a Credit Facility with respect to Bonds of one or more Series and the Commission agrees to reimburse such Bank or Banks for any drawings made thereunder.

"Reimbursement Obligation" -- an obligation of the Commission pursuant to a Reimbursement Agreement to repay any amounts drawn under a Credit Facility and to pay interest on such drawn amounts pursuant to such Reimbursement Agreement.

"Reserve Maintenance Fund" -- the fund created by the Restated Indenture and described under "The Restated Indenture—Reserve Maintenance Fund."

"Reserve Maintenance Fund Requirement" -- the amount to be deposited to the credit of the Reserve Maintenance Fund from the Revenues of the Commission pursuant to the provisions described under "The Restated Indenture—Reserve Maintenance Fund."

"Responsible Officer" -- when used with respect to the Trustee, any officer in the corporate trust department (or any successor thereto) of the Trustee, or any other officer or representative of the Trustee customarily performing functions similar to those performed by any of such officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Revenue Fund" -- the fund created by the Restated Indenture and described under "The Restated Indenture—Revenue Fund."

"Revenues" -- (a) all Tolls received by or on behalf of the Commission from the System, (b) any other sources of revenues or funds of the Commission which the Commission chooses to include in the Trust Estate pursuant to a Supplemental Indenture, and (c) the interest and income earned on any fund or account where said interest or income is required to be credited to the Revenue Fund pursuant to the Restated Indenture. As more fully provided by the provisions described below under "The Restated Indenture—Revenue Fund; Agreements with Other Turnpikes," in the event the Commission receives advances or prepayments or otherwise operates or participates in a system in which funds

are collected prior to the actual usage of the System, such funds shall not be deemed to be Revenues until the usage occurs or the funds are earned pursuant to the agreement under which the Commission receives such funds.

"S&P" -- Standard & Poor's, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Commission.

"Secured Owner" -- each Person who is a Bondholder of any Bonds, each Parity Swap Agreement Counterparty providing a Parity Swap Agreement, each Bank providing a Credit Facility and each Bond Insurer providing a bond insurance policy with respect to a Parity Obligation.

"Securities Depository" -- a Person that is registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such Act for the purposes of Section 17A thereof.

"Series" -- one or more Bonds issued at the same time, or sharing some other common term or characteristic, and designated as a separate series of Bonds.

"Short-Term Indebtedness" -- all Indebtedness which matures in less than 365 days and is designated as Short-Term Indebtedness pursuant to the provisions described under "The Restated Indenture—Limitation on Issuance of Additional Bonds and Execution of Swap Agreements." In the event a Bank has extended a line of credit or the Commission has undertaken a commercial paper or similar program, only amounts actually borrowed under such line of credit or program and repayable in less than 365 days shall be considered Short-Term Indebtedness and the full amount of such commitment or program shall not be treated as Short-Term Indebtedness to the extent that such facility remains undrawn.

"Special Record Date" -- the date or dates specified in a Supplemental Indenture with respect to Additional Bonds issued under such Supplemental Indenture.

"Subordinated Indebtedness" -- Indebtedness incurred pursuant to the provisions described under "The Restated Indenture—Limitation on Issuance of Additional Bonds and Execution of Swap Agreements—Subordinated Indebtedness."

"Supplemental Indenture" -- any supplemental indenture to (a) the Restated Indenture, now or hereafter duly authorized and entered into in accordance with the provisions of the Restated Indenture described under "The Restated Indenture—Supplemental Indentures" and (b) the Prior Indenture, including any supplemental indenture pursuant to which (and only for so long as) bonds are outstanding thereunder.

"Swap Agreement" -- shall have the meaning set forth under the heading "The Restated Indenture--Approved and Parity Swap Obligations."

"System" -- what are commonly referred to as the "Main Line" of the Commission and the "Northeast Extension" and any other roads for which the Commission has operational responsibility and is collecting Tolls, unless the Commission identifies such roads in a writing addressed to the Trustee (other than the Main Line and the Northeast Extension) as not being part of the System for the purposes of the Restated Indenture.

"Tender Indebtedness" -- any Indebtedness or portion thereof:

(a) the terms of which include (i) an option or an obligation on the part of the Secured Owner to tender all or a portion of such Indebtedness to the Commission, the Trustee, the Paying Agent or another fiduciary or agent for payment or purchase and (ii) a requirement on the part of the Commission to purchase or cause to be purchased such Indebtedness or portion thereof if properly presented; and

(b) which is rated in either (i) one of the two highest long-term Rating Categories by the Rating Agency or (ii) the highest short-term, note or commercial paper Rating Category by the Rating Agency.

"Tolls" -- all rates, rents, fees, charges, fines or other income derived by the Commission from vehicular usage of the System, and all rights to receive the same.

"Trust Estate" -- (i) all Revenues as defined in the Restated Indenture, (ii) all monies deposited into accounts or funds created by the Restated Indenture and held by or on behalf of the Trustee (other than the Rebate Fund), (iii) any insurance proceeds and other moneys required to be deposited in the Restated Indenture, (iv) all payments received by the Commission pursuant to Parity Swap Agreements, and (v) all investment earnings on all moneys held in accounts and funds established by the Restated Indenture, other than the Rebate Fund.

"Trustee" -- the Trustee at the time in question, whether the initial Trustee or a successor.

"U.S." -- United States of America.

"Variable Rate Indebtedness" -- any Indebtedness the interest rate on which fluctuates from time to time subsequent to the time of incurrence. Variable Rate Indebtedness may include, without limitation, (a) "auction rate" Indebtedness, that is, Variable Rate Indebtedness (i) the interest rate applicable to which (after an initial period following the issuance thereof or the conversion thereof to such an interest rate mode) is reset from time to time through an auction or bidding system and (ii) which the Commission has no obligation to repurchase in connection with the resetting of the interest rate applicable thereto except to the extent proceeds are available for such purpose either from the remarketing of such Variable Rate Indebtedness or from such other sources as identified in the Supplemental Indenture pursuant to which such Variable Rate Indebtedness was issued, (b) Tender Indebtedness, (c) commercial paper Indebtedness which is intended to be reissued and refinanced periodically, or (d) other forms of Indebtedness on which the interest fluctuates or is subject to being set or reset from time to time.

## **THE RESTATED INDENTURE**

### Limited Obligations

The Bonds shall be limited obligations of the Commission, payable solely from the Trust Estate. The Bonds shall constitute a valid claim of the respective owners thereof against the Trust Estate, which is pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds, and which shall be utilized for no other purpose, except as expressly authorized in the Restated Indenture. The Bonds shall not constitute general obligations of the Commission and under no circumstances shall the Bonds be payable from, nor shall the holders thereof have any rightful claim to, any income, revenues, funds or assets of the Commission other than those pledged under the Restated Indenture as security for the payment of the Bonds.

### **Payment on Bonds**

The principal of, premium, if any, and interest on the Bonds shall be payable in any currency of the U.S. which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal of all Bonds shall be payable at the designated trust office of the Trustee, and payment of the interest on each Bond shall be made on each Interest Payment Date to the Person appearing on the registration books of the Bond Registrar as of the Record Date as the registered owner thereof, by check or draft mailed to such registered owner at his address as it appears on such registration books. However, if and to the extent that the Commission defaults on the payment of interest due on an Interest Payment Date, such defaulted interest shall be paid to those Persons who are the registered owners as of the Special Record Date on a payment date established by the Trustee, notice of which shall have been mailed to those Persons who are the registered owners as of the Special Record Date on such date or dates established in the Supplemental Indenture under which such Bonds are issued.

## **Registration of Transfer and Exchange of Bonds; Persons Treated as Bondholders**

The Trustee shall act as initial bond registrar (the "Bond Registrar") and in such capacity shall maintain a bond register (the "Bond Register") for the registration and transfer of Bonds. Upon surrender of any Bonds at the designated office of the Trustee, together with an assignment duly executed by the current Bondholder of such Bonds or such Bondholder's duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, such Bonds may, at the option of the Bondholder, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of Authorized Denominations and bearing interest at the same rate and in the same form as the Bonds surrendered for exchange, registered in the name or names designated on the assignment; provided the Trustee is not required to exchange or register the transfer of Bonds after the giving of notice calling such Bond for redemption, in whole or in part. The Commission shall execute and the Trustee shall authenticate any Bonds whose execution and authentication is necessary to provide for exchange of Bonds pursuant to this Section and the Commission may rely on a representation from the Trustee that such execution is required.

The Trustee may make a charge to any Bondholder requesting such exchange or registration in the amount of any tax or other governmental charge required to be paid with respect thereto and the Commission may charge such amount as it deems appropriate for each new Bond delivered upon such exchange or transfer, which charge or charges shall be paid before any new Bond shall be delivered.

Prior to due presentment for registration of transfer of any Bond, the Trustee shall treat the Person shown on the Bond Register as owning a Bond as the Bondholder and the Person exclusively entitled to payment of principal thereof, redemption premium, if any, and interest thereon and, except as otherwise expressly provided in the Restated Indenture, the exercise of all other rights and powers of the owner thereof, and neither the Commission, the Trustee nor any agent of the Commission or the Trustee shall be affected by notice to the contrary.

## **Securities Depository Provisions**

Unless otherwise provided in a Supplemental Indenture, all Bonds shall be Book Entry Bonds. All Book Entry Bonds shall be registered in the name of Cede & Co., as nominee of DTC or any successor Securities Depository.

## **Additional Bonds**

The Commission agrees in the Restated Indenture that it will not issue or incur any other Indebtedness having a parity lien on the Trust Estate except for Additional Bonds issued pursuant to the provisions described below and other Parity Obligations. Additional Bonds may be issued and the Trustee shall authenticate and deliver such Additional Bonds when there have been filed with the Trustee the following:

- (a) A copy certified by a Commission Official of the resolution or resolutions of the Commission authorizing (1) the execution and delivery of a Supplemental Indenture providing for, among other things, the date, rate or rates of interest on, interest payment dates, maturity dates and redemption provisions of such Additional Bonds, and (2) the issuance, sale, execution and delivery of the Additional Bonds;
- (b) An original executed counterpart of the Supplemental Indenture;
- (c) An opinion or opinions of Bond Counsel, addressed to the Commission and the Trustee, to the effect that (1) issuance of the Additional Bonds is permitted under the Restated Indenture, (2) each of the Supplemental Indenture and the Additional Bonds has been duly authorized, executed and delivered and is a valid, binding and enforceable obligation of the Commission, subject to bankruptcy, equitable principles and other standard legal opinion exceptions and (3) subject to the last paragraph of this Section, interest on the Additional Bonds is not included in gross income for federal income tax purposes under the Code;
- (d) A request and authorization of the Commission, signed by a Commission Official, to the Trustee to authenticate and deliver the Additional Bonds to such Person or persons named therein after confirmation

of payment to the Trustee for the account of the Commission of a specified sum (which may include directions as to the disposition of such of such sum);

(e) A certificate of the Commission, signed by a Commission Official, that the Commission is not in default under the Restated Indenture and evidence satisfactory to the Trustee that, upon issuance of the Additional Bonds, amounts will be deposited in the Funds under the Restated Indenture adequate for the necessary balances therein after issuance of the Additional Bonds (including an amount sufficient to satisfy the Debt Service Reserve Requirement if the Additional Bonds constitute Debt Service Reserve Fund Bonds);

(f) A certificate of the Commission, signed by a Commission Official, identifying the Additional Bonds as Short-Term Indebtedness, Long-Term Indebtedness or Subordinated Indebtedness and demonstrating with reasonable detail that the applicable Indenture provisions described under "Covenants of the Commission -- Limitations on Issuance of Additional Bonds and Execution of Swap Agreements" have been met for the issuance of such Additional Bonds; and

(g) Such further documents, moneys and securities as are required by the provisions of the Supplemental Indenture.

Anything in the Restated Indenture to the contrary notwithstanding, Additional Bonds may bear interest which is included in gross income for federal income tax purposes under the Code, in which event provisions in the Restated Indenture requiring or referencing the exclusion of interest on Bonds of gross income for federal income tax purposes may be ignored or modified, as appropriate, as set forth in an opinion of Bond Counsel.

#### Approved and Parity Swap Obligations

The Commission may enter into one or more contracts having an interest rate, currency, cash-flow, or other basis desired by the Commission (a "Swap Agreement"), including, without limitation, interest rate swap agreements, currency swap agreements, forward payment conversion agreements, futures contracts, contracts providing for payments based on levels of or changes in interest rates, currency exchange rates, stock or other indices, or contracts to exchange cash flows or a series of payments, and contracts including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, currency rate, spread or similar exposure. In the event the Commission wishes the payments to be made and received by the Commission under the Swap Agreement to be taken into account in any calculation of Annual Debt Service under the Restated Indenture, the Commission shall file with the Trustee the following on or before entering into the Swap Agreement (in which event such Swap Agreement shall constitute an "Approved Swap Agreement"):

(a) A copy certified by a Commission Official of the resolution or resolutions of the Commission authorizing the execution and delivery of the Swap Agreement (no Supplemental Indenture being required unless the Commission determines it to be necessary or appropriate);

(b) An original executed counterpart of the Swap Agreement;

(c) An opinion of Bond Counsel addressed to the Commission and to the Trustee, to the effect that execution of the Swap Agreement is permitted under the laws of the Commonwealth and will not adversely affect the exclusion from gross income from interest on any Bonds for federal income tax purposes; provided that if the Swap Agreement relates to Bonds being issued and the Swap Agreement is entered into prior to the issuance of such Bonds, the portion of the opinion of Bond Counsel referring to tax-exempt status of the Bonds need not be delivered until such Bonds are issued;

(d) A certificate of the Commission, signed by a Commission Official, that the Commission is not under default under the Restated Indenture;

(e) Evidence that the execution of the Swap Agreement will not result in a reduction or withdrawal of the rating then assigned to any Bonds by the Rating Agency;

(f) Evidence that the provisions of paragraph (d) under "Limitation on Issuance of Additional Bonds and Execution of Swap Agreements" have been met; and

(g) Such further documents as are required by the Swap Agreement or Bond Counsel.

In the event the Commission wishes to enter into an Approved Swap Agreement and to have its obligations thereunder be on parity with all Bonds and other Parity Obligations, it shall file with the Trustee the items set forth above, together with a supplemental indenture granting such parity position (in which event, such Swap Agreement shall constitute a "Parity Swap Agreement"). Upon entering into a Parity Swap Agreement, unless otherwise provided in the supplemental indenture, the Commission shall pay to the Trustee for deposit into the Interest Account the net amount payable, if any, to the Parity Swap Agreement Counterparty as if such amounts were additional amounts of interest due; and the Trustee shall pay on behalf of the Commission to the Parity Swap Agreement Counterparty, to the extent required under the Parity Swap Agreement, amounts deposited in the Interest Account. Net amounts received by the Commission or the Trustee from the counterparty pursuant to a Parity Swap Agreement shall be deposited to the credit of the Interest Account or to such other account as designated by a Commission Official.

Amounts paid by or to the Commission pursuant to Approved Swap Agreements which do not constitute Parity Swap Agreements shall not be required to be made through the Trustee as described in the preceding paragraph (but shall be taken into account in calculation of Annual Debt Service as provided in the definition of such term).

### **Conversions of Variable Rate Indebtedness to Fixed Rate Indebtedness**

The Restated Indenture provides that the Commission may convert Variable Rate Indebtedness to a fixed rate if permitted pursuant to the terms thereof and if the Commission was in compliance with the Rate Covenant for the most recently completed Fiscal Year. If the Commission did not meet the Rate Covenant for such Fiscal Year, the Commission must treat the proposed conversion as if it constituted the issuance of Additional Bonds by meeting the requirements set forth in paragraph (b) below under "Covenants of the Commission -- Limitation on Issuance of Additional Bonds and Execution of Swap Agreements" (computing the Annual Debt Service with respect to such Variable Rate Indebtedness proposed to be converted as bearing interest at the Bond Buyer Index or such other rate as identified by a Financial Consultant as being more appropriate under the circumstances).

### Redemption of Bonds

The Bonds of any Series issued under the provisions of the Restated Indenture shall be subject to redemption, in whole or in part, and at such times and prices as may be provided in the Supplemental Indenture pursuant to which such Bonds are issued.

If less than all of the Bonds are called for redemption, they shall be redeemed in such order of maturity as provided in the Supplemental Indenture, and by lot within any maturity (provided, however, that if an Event of Default has occurred and is continuing, any Bonds called for redemption shall be redeemed in proportion by maturity and within maturities by lot), subject to selection by the Trustee as provided below. The portion of any Bond to be redeemed shall be an Authorized Denomination or any multiple thereof and in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination. If a portion of a Bond shall be called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof shall be issued to the Bondholder upon the surrender thereof. If for any reason the principal amount of Bonds called for redemption would result in a redemption of Bonds less than the Authorized Denomination, the Trustee, to the extent possible within the principal amount of Bonds to be redeemed, is hereby authorized to adjust the selection of Bonds for such purpose in order to minimize any such redemption. Notwithstanding the foregoing, the Securities Depository for Book Entry Bonds shall select the Bonds for redemption within particular maturities according to its stated procedures.

## Notice of Redemption

(a) When Bonds (or portions thereof) are to be redeemed, the Commission shall give or cause to be given notice of the redemption of the Bonds to the Trustee no later than 15 days prior to the last date on which notice of such redemption can be given or such shorter time as may be acceptable to the Trustee. In the case of an optional redemption, the notice may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (2) that the Commission retains the right to rescind such notice at any time prior to the scheduled redemption date if the Commission delivers a certificate of a Commission Official to the Trustee instructing the Trustee to rescind the redemption notice (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in paragraph (d) below.

The Trustee, at the expense of the Commission, shall send notice of any redemption, identifying the Bonds to be redeemed, the redemption date and the method and place of payment and the information required by paragraph (b) below, by first class mail to each holder of a Bond called for redemption to the holder's address listed on the Bond Register. Such notice shall be sent by the Trustee by first class mail between 30 and 60 days prior to the scheduled redemption date unless a different time period is provided in the Supplemental Indenture for such Bonds. With respect to Book Entry Bonds, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee shall not be required to give the notice set forth in the immediately preceding sentence. If notice is given as stated in this paragraph (a), failure of any Bondholder to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

(b) In addition to the foregoing, the redemption notice shall contain with respect to each Bond being redeemed, (1) the CUSIP number, (2) the date of issue, (3) the interest rate, (4) the maturity date, and (5) any other descriptive information determined by the Trustee to be needed to identify the Bonds. If a redemption is a Conditional Redemption, the notice shall so state. The Trustee also shall send each notice of redemption to (i) any Rating Service then rating the Bonds to be redeemed; (ii) all of the registered clearing agencies known to the Trustee to be in the business of holding substantial amounts of bonds of a type similar to the Bonds; and (iii) one or more national information services that disseminate notices of redemption of bonds such as the Bonds, such services to be identified by the Trustee.

(c) On or before the date fixed for redemption, subject to the provisions of paragraphs (a) and (d), moneys shall be deposited with the Trustee to pay the principal of, redemption premium, if any, and interest accrued to the redemption date on the Bonds called for redemption. Upon the deposit of such moneys, unless the Commission has given notice of rescission as described in paragraph (d), the Bonds shall cease to bear interest on the redemption date and shall no longer be entitled to the benefits of the Restated Indenture (other than for payment and transfer and exchange) and shall no longer be considered Outstanding.

(d) Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the Commission delivers a certificate of a Commission Official to the Trustee instructing the Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the Commission to make funds available in part or in whole on or before the redemption date shall not constitute an Event of Default.

### Construction Fund

The Restated Indenture creates a special fund known as the "Construction Fund", which shall be held in trust by the Trustee. Money shall be deposited to the Construction Fund pursuant to the provisions of the Restated Indenture and from any other sources identified by the Commission. Payment of the costs of the construction portion of any Project shall be made from the Construction Fund. A special account shall be created and identified for each such construction project, although funds, at the written direction of the Commission, may be transferred from one such account in the Construction Fund to another account in such Fund. Moneys in the Construction Fund may be disbursed by the Trustee to the Commission upon the filing by the Commission of a requisition, signed by the Chief Engineer (or his designee) and a Commission Official meeting the requirements of the Restated Indenture.

If at any time a Commission Official shall file with the Trustee a certificate stating that the cost of a Project has been finally determined and that the funds remaining in the account established for such Project exceed the remaining costs of the Project, then an amount equal to such excess shall be transferred to such fund or account as directed in the certificate, provided the same is accompanied by an opinion of Bond Counsel to the effect that such transfer or and/or application will not adversely effect the tax-exempt status of the interest of the applicable Bonds.

### Rate Covenant

The Restated Indenture contains the Rate Covenant pursuant to which the Commission covenants that at all times it will establish and maintain schedules of Tolls for traffic over the System so that the Net Revenues of the System in each Fiscal Year will at all times be at least sufficient to provide funds in an amount not less than (1) the greater of:

(i) one hundred thirty percent (130%) of the Annual Debt Service for such Fiscal Year on account of all Applicable Long-Term Indebtedness then outstanding under the provisions of the Restated Indenture; or

(ii) one hundred percent (100%) of the Maximum Annual Debt Service on all Applicable Long-Term Indebtedness, plus (i) the amount of required transfers from the Revenue Fund to the credit of the Reserve Maintenance Fund pursuant to the Annual Capital Budget, and (ii) an amount sufficient to restore any deficiency in the Debt Service Reserve Fund within an eighteen (18) month period;

plus (2) the amount of any Short-Term Indebtedness outstanding pursuant to Section 703(a) for more than 365 consecutive days.

In addition, the amount of Net Revenues in excess of the sum of the amounts set forth in clauses (1) and (2), together with Other Revenues pledged to the payment of Subordinated Indebtedness, shall be sufficient to pay the Annual Debt Service for any Subordinated Indebtedness.

The foregoing covenant is referred to in the Restated Indenture as the "Rate Covenant".

The Commission's failure to meet the Rate Covenant shall not constitute an Event of Default under the Restated Indenture if (1) no Event of Default described in paragraphs (a) or (b) under "Events of Default" occurred as a result of such failure and (2) the Commission promptly after determining that the Rate Covenant was not met retains a Consultant at the expense of the Commission to make written recommendations as to appropriate revisions to the schedules of Tolls necessary or appropriate to meet the Rate Covenant and advises the Trustee in writing of such retention. Anything in the Restated Indenture to the contrary notwithstanding, if the Commission shall comply with the recommendations of the Consultant in respect of Tolls, it will not constitute an Event of Default under the provisions of the Restated Indenture if the Commission fails to meet the Rate Covenant during the succeeding Fiscal Year as long as no Event of Default described in paragraphs (a) or (b) under "Events of Default" has occurred. If the Commission does not comply with the recommendations of the Consultant in respect of Tolls, the Trustee may, and upon the request of the holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then outstanding and upon being indemnified to its satisfaction shall, institute and prosecute in a court of competent jurisdiction any appropriate



action to compel the Commission to revise the schedules of Tolls. The Commission covenants in the Restated Indenture that it will adopt and charge Tolls in compliance with any final order or decree entered in any such proceeding.

In the event that the Consultant shall fail to file with the Commission such recommendations in writing within sixty (60) days after its retention by the Commission, the Trustee may designate and appoint a different Consultant at the expense of the Commission to make recommendations as to an adjustment of the schedules of Tolls, which recommendations shall be reported in writing to the Commission and to the Trustee within sixty (60) days after such retention. Such written report shall for all purposes be considered to be the equivalent of and substitute for the recommendations of the Consultant retained by the Commission.

In preparing its recommendations, the Consultant may rely upon written estimates of Revenues prepared by the other Consultants of the Commission. Copies of such written estimates signed by such Consultants shall be attached to such recommendations. The Commission covenants in the Restated Indenture that promptly after receipt of such recommendations and the adoption of any revised schedules of Tolls, certified copies thereof will be filed with the Trustee.

#### Covenants as to Tolls

The Commission covenants in the Restated Indenture that Tolls will be classified in a reasonable way to cover all traffic, so that the Tolls may be uniform in application to all traffic falling within any reasonable class regardless of the status or character of any Person participating in the traffic; provided that the foregoing shall not be interpreted to restrict the Commission's right, in its discretion in connection with its management of the System, to establish and maintain flexible Toll schedules including, but not limited to, provisions for, utilizing or otherwise taking into account, peak and nonpeak pricing, introductory pricing, weight, method of payment, frequency, carpooling, electronic and other Toll collection technologies, traffic management systems, and similar classifications.

Any change in classification which results in a reduced Toll or any new classification shall be reviewed by the Commission with a Consultant before implementing the same unless the same is temporary (e.g., having a duration of less than one year). In addition, in the event the Commission did not meet the Rate Covenant for the preceding Fiscal Year, any classification resulting in a reduced Toll or a new classification shall be subject to a Consultant approving the same before it is implemented. In all events, the Commission shall not make a change in classification or any new classification which would cause the Commission to fail to meet the Rate Covenant.

The Commission further covenants in the Restated Indenture that it shall not grant free passage or reduced tolls within a class, except, in its discretion, it may do so:

- (1) Through the use of commutation or other tickets or privileges based upon frequency or volume,
- (2) For operational or safety reasons including, but not limited to, reasons arising out of a work stoppage, work slowdown or work action,
- (3) To members, officers and employees of the Commission in the discharge of their official duties,
- (4) For use by the Army, Air Force, Navy, Coast Guard, Marine Corps or militia or any branch thereof in time of war or other emergency,
- (5) For use by the Pennsylvania State Police or by consultants, contractors or agents of the Commission where the Toll ultimately will be repaid directly or indirectly by the Commission.

Any reduced Toll or grant of free passage shall be reviewed by the Commission with a Consultant before implementing the same unless the same is temporary (e.g., having a duration of less than one year). In addition, in the event the Commission did not meet the Rate Covenant for the preceding Fiscal Year, any reduced Toll or free passage

shall be subject to a Consultant approving the same before it is implemented by the Commission unless the circumstances require immediate implementation, in which event the Commission shall obtain such approval promptly following implementation. In all events, the Commission shall not reduce Tolls or grant free passage if it would cause the Commission to fail to meet the Rate Covenant.

The Commission's covenant as to uniformity of tolls shall not be construed as requiring that Tolls for any given class of traffic shall be identical in amount throughout the entire System for trips of approximately identical lengths. The Commission may fix and place in effect schedules of Tolls for any given class of traffic wherein the Tolls charged for travel on a given section of the System shall be different from the Tolls charged on another section of the System notwithstanding the fact that both of said sections shall be of identical or approximately identical length.

#### Covenants of Commission

In addition to the Rate Covenant and covenants as to tolls described above, in the Restated Indenture the Commission also makes various other covenants, including the following covenants:

*Payment of Principal, Interest and Premium.* The Commission covenants in the Restated Indenture that it will promptly pay the principal of, premium, if any, and the interest on every Bond issued under the provisions of the Restated Indenture at the places, on the dates and in the manner provided in the Restated Indenture and in said Bonds. Except as otherwise provided in the Restated Indenture, the principal, interest and premium are payable solely from Revenues, which Revenues are hereby pledged to the payment thereof in the manner and to the extent provided in the Restated Indenture. Neither the general credit of the Commission nor the general credit nor the taxing power of the Commonwealth or any political subdivision, agency or instrumentality thereof is pledged for the payment of the Bonds.

*Annual Operating Budget; Capital Budget.* The Commission covenants in the Restated Indenture that on or before the 31st day of May (or such other date as is consistent with the Commission's policies then in effect) in each Fiscal Year it will adopt a budget for the ensuing Fiscal Year (the "Annual Operating Budget"). Copies of each Annual Operating Budget shall be provided to the Trustee. Prior to adopting the Operating Budget, the Commission shall provide a draft of such budget to the Consulting Engineer sufficiently in advance of the adoption of such Annual Operating Budget in order for the Consulting Engineer to provide comments before such adoption. The Commission further covenants in the Restated Indenture that it will prepare each such Annual Operating Budget on the basis of monthly requirements, so that it will be possible to determine the Current Expenses for each month during the Fiscal Year.

If for any reason the Commission shall not have adopted the Annual Operating Budget before the first day of any Fiscal Year, the budget for the preceding Fiscal Year, shall, until the adoption of the Annual Operating Budget, be deemed to be in force and shall be treated as the Annual Operating Budget under the provisions of this Article.

The Commission may adopt an amended or supplemental Annual Operating Budget at any time for the remainder of the then current Fiscal Year. Copies of any such amended or supplemental Annual Operating Budget shall be provided to the Trustee.

The Commission further covenants in the Restated Indenture that it will adopt a capital budget (the "Annual Capital Budget") on or before May 31st of each Fiscal Year. The Annual Capital Budget will detail the Commission's planned capital expenditures over a period of up to 10 years and the portion of capital expenditures expected to be funded from the Reserve Maintenance Fund. The Annual Capital Budget shall include the expected beginning balance in the Reserve Maintenance Fund, the amounts to be transferred by the Trustee to the Reserve Maintenance Fund from the General Reserve Fund, the amount of bond proceeds expected to become available during the Fiscal Year, the amounts expected to be transferred monthly by the Trustee from the Revenue Fund, and the desired year-end balance in the Reserve Maintenance Fund. Prior to adopting the Annual Capital Budget, the Commission shall provide a draft of the capital budget to the Consulting Engineer a sufficient time in advance of the Commission's adoption of the Annual Capital Budget in order for the Consulting Engineer to provide comments before the date of such adoption. The Commission may adopt amendments or supplements to the Annual Capital Budget at any time. Copies of the Annual Capital Budget shall be made available to the Trustee.

*Limitations on Issuance of Additional Bonds and Execution of Approved Swaps.* The Commission makes the following covenants in the Restated Indenture with respect to issuance of Additional Bonds and execution of Approved Swap Agreements:

Short-Term Indebtedness: The Commission agrees that it will not issue any Additional Bonds constituting Short-Term Indebtedness unless (1) immediately after the incurrence of such Short-Term Indebtedness, the outstanding principal amount of all Short-Term Indebtedness issued pursuant to this subsection does not exceed 30% of the Revenues for the most recent Fiscal Year for which audited financial statements are available; and (2) for a period of not fewer than seven consecutive days within each Fiscal Year, commencing with the Fiscal Year following the issuance of such Short-Term Indebtedness, the aggregate principal amount of all outstanding Short-Term Indebtedness described in this subsection is reduced to less than 5% of the Revenues for the immediately preceding Fiscal Year for which audited financial statements are available. Short-Term Indebtedness issued pursuant to this subsection will be on a parity with other Additional Bonds.

Long-Term Indebtedness: The Commission agrees that it will not issue any Additional Bonds constituting Long-Term Indebtedness unless prior to or contemporaneously with the incurrence thereof, the provisions of the Restated Indenture described above under "Additional Bonds" are met and there is delivered to the Trustee:

(1) a certificate of a Commission Official certifying that the Historical Pro Forma Debt Service Coverage Ratio for the most recent Fiscal Year preceding the delivery of such certificate for which audited financial statements are available was not less than 1.75; or

(2) a report of a Consultant to the effect that (i) the Net Revenues of the Commission during the preceding Fiscal Year were at least 130% of the Maximum Annual Debt Service on all Applicable Long-Term Indebtedness then Outstanding and on any Applicable Long-Term Indebtedness proposed to be issued (which report may assume any revisions of the Tolls which have been approved by the Commission subsequent to the beginning of such Fiscal Year were in effect for the entire Fiscal Year), and (ii) the Projected Debt Service Coverage Ratio is not less than 1.30; or

(3) If the Long-Term Indebtedness is being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Indebtedness, a certificate of a Commission Official certifying the Maximum Annual Debt Service on all Applicable Long-Term Indebtedness prior to the issuance of the proposed Long-Term Indebtedness is greater than the Maximum Annual Debt Service on all Applicable Long-Term Indebtedness after the issuance of such proposed Long-Term Indebtedness.

Subordinated Indebtedness: The Commission may incur Indebtedness (hereinafter referred to as "Subordinated Indebtedness") without limit which is subordinated and junior in all respects to payment of all Bonds and other Parity Obligations incurred under the Restated Indenture so that the same is payable as to principal and interest once all other payments have been made under the Restated Indenture from the amounts on deposit to the credit of the General Reserve Fund as long as prior to or contemporaneously with the incurrence thereof, there is delivered to the Trustee:

(1) a certificate of a Commission Official certifying that the Rate Covenant would have been met during the preceding Fiscal Year taking into account the Maximum Annual Debt Service on such Subordinated Indebtedness, and

(2) the other items listed in Section 210 (as the same may be modified to reflect the fact that such Indebtedness is Subordinated Indebtedness).

Such Subordinated Indebtedness and the payment thereof may be secured by a lien and pledge (a) subordinate to that of the Bonds on the Revenues or (b) prior to, on a parity with or subordinate to, the Bonds on Other Revenues, in which

event the Commission and the Trustee may establish such other accounts under the Restated Indenture as they deem necessary or appropriate.

Approved Swap Agreements: The Commission agrees that it will not enter into any Approved Swap Agreement unless prior to or contemporaneously with the incurrence thereof, the provisions described above under "Approved and Parity Swap Obligations" are met and there is delivered to the Trustee one of the certificates or reports required in subsection (b) above, which takes into account the expected payments by and to the Commission pursuant to such Approved Swap Agreement in calculating Annual Debt Service.

*Use and Operation of System.* The Commission covenants in the Restated Indenture that

- (a) it will maintain and operate the System in an efficient and economical manner,
- (b) it will maintain the System in good repair and will make all necessary repairs, renewals and replacements, to the extent funds are available therefor under the Restated Indenture, and
- (c) it will comply with laws and all rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to such System, subject to the right of the Commission to contest the same in good faith and by appropriate legal proceedings.

*Inspection of the System.* The Commission shall make arrangements for the System to be inspected at least once every three years by engaging one or more Consultants to conduct the actual inspections and to prepare a report. Such report shall state (a) whether the System has been maintained in good repair, working order and condition since the last inspection report pursuant to this Section and (b) any recommendations which such Consultants may have as to revisions or additions to the Commission's Annual Capital Budget. Copies of such reports shall be filed with the Trustee.

*Construction of Projects.* The Commission covenants in the Restated Indenture that:

- (a) it will proceed with diligence to construct any Projects in conformity with law and all requirements of all governmental authorities having jurisdiction thereover.
- (b) before entering into any construction contract it will secure the approval of the plans and specifications for such contract by a certified engineer or architect, who may be an employee of the Commission, and that it will require each Person, firm or corporation with whom it may contract in connection with the construction of any Project to furnish (1) a performance bond for 100% of the contract amount, and (2) a payment bond for 100% of the contract amount. Each of such bonds shall be executed by one or more responsible surety companies authorized to do business in the Commonwealth. Any proceeds received from such bonds first shall be applied toward the completion of the applicable Project and second shall be deposited in the General Reserve Fund.
- (c) construction contracts for labor and/or materials also shall provide that payments thereunder shall not be made by the Commission in excess of 95% of current estimates except that once the work is at least 50% complete, such retainage may be reduced by the Chief Engineer or another Commission Official to the extent such officer deems such reduction to be necessary or appropriate.
- (d) the Commission shall involve the Consulting Engineer or another Consultant to assist in quality assurance matters in connection with design and/or construction of any Project or portion thereof to the extent the Commission determines necessary or appropriate. For purposes of this subsection, "quality assurance" shall be defined to mean those activities, from inception to completion of a Project, which are necessary to ensure that the processes are in place to produce a quality product.

*Employment of Consulting Engineers.* The Commission covenants in the Restated Indenture to employ an independent engineer or engineering firm or corporation having a national reputation for skill and experience in such work to perform any functions of the Consulting Engineer under the Restated Indenture.

*Insurance.* The Commission covenants in the Restated Indenture that it will keep the System and its use and operation thereof insured (including through self-insurance) at all times in such amounts, subject to such exceptions and deductibles and against such risks, as are customary for similar organizations. All insurance policies shall be carried with a responsible insurance company or companies authorized to do business in the Commonwealth or shall be provided under a self-insurance program; any self-insurance program shall be actuarially sound in the written opinion of an accredited actuary, which opinion shall be filed with the Trustee at least annually. At any time and from time to time, the Commission may elect to terminate self-insurance of a given type. Upon making such election, the Commission shall, to the extent then deemed necessary by a Consultant, obtain and maintain comparable commercial insurance.

On July 1, 2002 and every three years thereafter (except with respect to self-insurance, which shall be annually), the Commission shall cause a Consultant to certify to the Trustee that (a) it has reviewed the adequacy of the Commission's insurance, listing the types and amounts of insurance, and (b) it finds such coverage to be reasonable and customary for similar organizations. If the Consultant concludes that coverage other than that which is currently carried by the Commission should be carried, the Commission shall obtain such insurance coverage unless it determines in good faith that it is unreasonable or uneconomical to obtain such coverage and certifies the same in writing to the Trustee.

All insurance policies maintained by the Commission shall be available at reasonable times for inspection by the Trustee, its agents and representatives.

The Commission covenants that it will take actions as it deems necessary to demand, collect and sue for any proceeds that may become due and payable to it under any policy

*Damage or Destruction.* Immediately after any damage to or destruction of any part of the System which materially adversely affects the Revenues of the Commission, the Commission will promptly take action to repair, reconstruct or replace the damaged or destroyed property or to otherwise ameliorate the adverse impact on Revenues.

*Annual Audit.* The Commission covenants in the Restated Indenture that it will cause an annual audit to be made of its books and accounts of each Fiscal Year by an independent certified public accountant. A copy of such audit shall be filed with the Trustee promptly after the receipt by the Commission for such purpose.

*Encumbrance of Revenues: Sale, Lease or Other Disposition of Property.* The Commission covenants in the Restated Indenture that so long as any Bonds are Outstanding under the Restated Indenture,

(a) (1) it will not create or suffer to be created any lien or charge upon any Revenues, except the lien and charge of the Bonds secured hereby and any Subordinated Indebtedness permitted pursuant to the provisions of the Restated Indenture; and (2) from such Revenues or other funds available under the Restated Indenture, it will pay or cause to be discharged, or will make adequate provision to pay or discharge, within ninety (90) days after the same shall accrue, all lawful claims and demands for labor, materials or supplies which, if unpaid, might by law become a lien upon any Revenues; provided, however, that the Commission shall not be required to pay or discharge, or make provision for such payment or discharge of, any such lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

(b) the Commission will not sell or otherwise dispose of any real estate or personal property comprising a portion of the System unless the Commission determines

(1) such property (i) has become obsolete or worn out or is reasonably expected to become so within one year after the date of such disposition, (ii) is no longer used or useful in the operation of the System or in the generation of Revenues or (iii) is to be or has been replaced by other property; or

(2) by resolution that such action will not materially adversely affect the Net Revenues of the Commission.

The Commission shall have the discretion to deposit the proceeds of such sale or disposition in a fund or account held under the Restated Indenture or a Commission account held outside the Restated Indenture, as it deems appropriate. In the event the Commission did not meet the Rate Covenant during the preceding Fiscal Year, however, then the Commission shall notify the Trustee of the sale or disposition of any property which generated Net Revenues in excess of one percent of the Commission's Net Revenues during the prior Fiscal Year and all proceeds from such sale or disposition shall be deposited in the Revenue Fund.

(c) the Commission will not lease any real estate or personal property comprising a portion of the System unless the Commission determines by resolution that such action will not materially adversely affect the Net Revenues of the Commission. The rental and other proceeds from any lease shall not be required to be deposited in the Revenue Fund unless the effect of such lease is to reduce Tolls.

Without intending to limit the foregoing, the Commission also may enter into contracts or other forms of agreement for the use of any real estate comprising a portion of the System including, but not limited to, rights of way for telephone, telegraph, optic fiber and other forms of communication, electric, gas transmission and other lines or facilities for utilities, and other uses which do not materially adversely affect the operation of the System and the payments received in connection with the same shall be deposited in such accounts (which may be outside the Restated Indenture) as the Commission shall determine.

#### Creation of Funds

In addition to the Construction Fund and any other funds created by Supplemental Indentures, the Restated Indenture creates the following funds: Revenue Fund; Debt Service Fund; Debt Service Reserve Fund; Reserve Maintenance Fund; General Reserve Fund; and Rebate Fund. Amounts deposited therein shall be held in trust by the Trustee until applied as directed in the Restated Indenture.

#### Revenue Fund: Agreements With Other Turnpikes

The Commission covenants in the Restated Indenture that all Revenues will be deposited daily, as far as practicable, with the Trustee or in the name of the Trustee with a Depository or Depositories, to the credit of the Revenue Fund.

The Restated Indenture provides that, to the extent now or hereafter authorized by law, the Commission may enter into agreements with any commission, authority or other similar legal body operating a turnpike, whether or not connected to the System, (1) with respect to the establishment of combined schedules of Tolls and/or (2) for the collection and application of Tolls charged for trips over all or a portion of both turnpikes combined, which on the basis of the Revenues to be received by any such agreement will result in the receipt by the Commission of its allocable portion of such Tolls (less fees and expenses associated with such arrangement). To the extent now or hereafter authorized by law, the Commission also may enter into agreements with other Persons with respect to the collection of Tolls or advances or prepayment of Tolls charged for trips over all or a portion of the System, which on the basis of the Revenues to be received by any such agreement will result in the receipt by the Commission of the appropriate Tolls for such trips. Unless approved by a Consultant, no agreement establishing a combined schedule of Tolls shall restrict the ability of the Commission to implement an increase in its Tolls at least annually.

Amounts received by the Commission from such other commission, authority or other similar legal body or Person, in accordance with such agreements, shall be deposited in the Revenue Fund when they constitute Revenues. Such amounts may be held with one of the depositories noted in Subsection 504(a) until they constitute Revenues. Amounts received by the Commission and deposited in the Revenue Fund which are payable by the Commission to such other commission, authority or other similar legal body or Person, in accordance with any such agreements, shall be withdrawn by the Trustee from the Revenue Fund upon delivery to the Trustee of a certificate of a Commission Official that such withdrawal is required pursuant to the terms of an agreement entered into pursuant to this Section and shall be paid by the Trustee in accordance with directions contained in such certificate. Any agreement entered into pursuant to this Section shall be made available to the Trustee upon its request.

Except as otherwise provided in the provisions described under this heading, transfers from the Revenue Fund shall be made to the following funds and in the following order of priority:

- (1) Rebate Fund;
- (2) Operating Account;
- (3) Debt Service Fund;
- (4) Reserve Maintenance Fund;
- (5) Debt Service Reserve Fund; and
- (6) General Reserve Fund (after retaining such funds in the Revenue Fund as are identified in the certificate described below under "General Reserve Fund").

#### Operating Account

The Restated Indenture provides that the Commission shall establish an account known as the "Operating Account" which shall be held by the Commission in the name of the Commission outside of the Restated Indenture until applied as directed in the Restated Indenture. The Trustee shall transfer from the Revenue Fund on or before the last Business Day of each month to the credit of the Operating Account an amount equal to (a) the amount shown by the Annual Operating Budget to be necessary to pay Current Expenses for the ensuing month and (b) an amount certified by a Commission Official as being reasonably necessary to pay Current Expenses which are expected for such month, after taking into account the amount on deposit in the Operating Account (including the amount described in clause (a)).

In making payments from the Operating Account, the Commission shall be deemed to be certifying that obligations in the stated amounts have been incurred by the Commission and that each item thereof was properly incurred in maintaining, repairing and operating the System, and has not been paid previously.

#### Debt Service Fund

The Restated Indenture creates two separate accounts in the Debt Service Fund to be known as the "Interest Account" and the "Principal Account."

The Trustee and the Commission may create such additional accounts in the Debt Service Fund pursuant to a Supplemental Indenture as they deem necessary or appropriate, including, but not limited to, (a) an account into which drawings on a Credit Facility are to be deposited and from which principal (including redemption price) and Purchase Price of and interest on the Series of Bonds secured by such Credit Facility are to be paid (and upon such payment, amounts on deposit in the Principal and Interest Accounts for such Bonds shall be used to repay the provider of the Credit Facility for such payments), and (b) an account into which payments to the Commission to any Parity Swap Counterparty are to be deposited and from which payments to such Parity Swap Counterparty are to be paid.

On or before the last Business Day preceding each Interest Payment Date or principal (or sinking fund redemption) date of each month or such other day as set forth in a Supplemental Indenture, after making the deposits to the Operating Account described above, the Trustee shall withdraw from the Revenue Fund and deposit to the applicable Account in the Debt Service Fund (or to a Series Credit Facility Fund in lieu of either of the foregoing) the amounts due on any Parity Obligation.

The moneys in the Interest and Principal Accounts shall be held by the Trustee in trust for the benefit of the Bonds, to the extent the foregoing are payable from such accounts, and, to said extent and pending application, shall

be subject to a lien and charge in favor of the Owners of the Bonds until paid out or transferred as provided in the Restated Indenture. There shall be withdrawn from the Interest Account (and any available capitalized interest) and the Principal Account from time to time and set aside or deposited with the Trustee sufficient money for paying the interest on and the principal of and premium on the Bonds as the same shall become due, except to the extent such interest, principal or other amounts are payable from a fund or account other than the Debt Service Fund as provided in any Supplemental Indenture.

If at the time the Trustee is required to make a withdrawal from the Debt Service Fund the moneys therein shall not be sufficient for such purpose, the Trustee shall withdraw the amount of such deficiency from the moneys on deposit in the following funds or accounts and transfer the same to the Debt Service Fund in the following order: the Debt Service Reserve Fund, the General Reserve Fund, and the Reserve Maintenance Fund.

#### Reserve Maintenance Fund

In each Fiscal Year, after first having made the deposits to the Revenue Fund, Operating Account and Debt Service Fund provided by the provisions described above, the Trustee shall transfer from the Revenue Fund on or before the last Business Day of each month to the credit of the Reserve Maintenance Fund the amount shown in the Annual Capital Budget for the ensuing month.

Except as provided above with respect to the Debt Service Fund, or except in case of an emergency, as characterized in a certificate signed by a Commission Official stating that the moneys to the credit of the Operating Account are insufficient to meet such emergency, moneys in the Reserve Maintenance Fund shall be disbursed to pay current capital expenditures shown in the Annual Capital Budget for the System, plus the cost of unusual or extraordinary maintenance (as determined solely by the Commission) and shall be disbursed only for such purposes, except to the extent provided in the Restated Indenture. Such purposes shall include, but not be limited to, paying the cost of constructing, improving and reconstructing improvements and betterments to all parts of the System now or hereafter open to vehicular traffic, including, without limitation, additional lanes, tunnels, interchanges, toll plazas, bridges and connecting roads, transit interface facilities and any other improvements deemed necessary or desirable by the Commission.

Payments from the Reserve Maintenance Fund, except the transfers which the Trustee is authorized to make in this Section, shall be made pursuant to a requisition process which follows the process set forth in the Restated Indenture applicable to payments from the Construction Fund.

The Trustee shall transfer any moneys from the Reserve Maintenance Fund to the credit of the General Reserve Fund from time to time upon the receipt of a certificate of a Commission Official certifying that the amount so to be transferred is not required for the purposes for which the Reserve Maintenance Fund has been created.

#### Debt Service Reserve Fund

The Restated Indenture establishes a Debt Service Reserve Fund and provides that a special account within the Debt Service Reserve Fund may be created with respect to each series of Debt Service Reserve Fund Bonds issued under the Restated Indenture and any Supplemental Indenture.

In each Fiscal Year, after first having made the deposits to the Operating Account, Debt Service Fund and Reserve Maintenance Fund described above, the Trustee shall transfer from the Revenue Fund on or before the last day of each month to the credit of the Debt Service Reserve Fund (a) the amount, if any, required to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Requirement which restoration, as implied by the Rate Covenant, is intended to occur within eighteen (18) months; and (b) the amount set forth in a Supplemental Indenture if an amount different from the Debt Service Reserve Requirement is required.

To the extent accounts are created in the Debt Service Reserve Fund for Debt Service Reserve Fund Bonds, the funds and DSRF Security, as hereinafter defined, held therein shall be available to make payments required under the Restated Indenture for the benefit of all Debt Service Reserve Fund Bonds.



Moneys held in the Debt Service Reserve Fund shall be used for the purpose of paying interest on, maturing principal and mandatory sinking fund redemption price of Debt Service Reserve Fund Bonds whenever and to the extent that the moneys held for the credit of the Debt Service Fund shall be insufficient for such purpose. If at any time the moneys and the principal amount of any DSRF Security held in the Debt Service Reserve Fund shall exceed the Debt Service Reserve Requirement, the Commission shall direct whether such excess moneys shall be transferred by the Trustee to the credit of the General Reserve Fund or used to reduce the principal amount of any DSRF Security.

In the event the Trustee shall be required to withdraw funds from the Debt Service Reserve Fund to restore a deficiency in the Debt Service Fund arising with respect to Debt Service Reserve Fund Bonds, the amount of such deficiency shall be allocated pro rata among such Bonds.

In lieu of the deposit of moneys into the Debt Service Reserve Fund, the Commission may cause to be provided a surety bond, an insurance policy, a letter of credit or similar financial instrument satisfactory to the Rating Agency (as evidenced by a letter from the Rating Agency confirming that the DSRF Security will not result in the rating on any outstanding Bonds being downgraded) (each, a "DSRF Security") payable to the Trustee for the benefit of the Bondholders in an amount equal to the difference between the Debt Service Reserve Requirement and the amounts then on deposit in the Debt Service Reserve Fund. The DSRF Security shall be payable (upon the giving of notice as required thereunder) on any Interest Payment Date on which moneys will be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of the principal of or interest on any Bonds to the extent that such withdrawals cannot be made by amounts on deposit in the Debt Service Reserve Fund.

If a disbursement is made pursuant to a DSRF Security, the Commission shall be obligated either (a) to reinstate the maximum limits of such DSRF Security or (b) to deposit into the Debt Service Reserve Fund, funds in the amount of the disbursement made under such DSRF Security, or a combination of such alternatives, as shall provide that the amount credited to the Debt Service Reserve Fund equals the Debt Service Reserve Requirement within a time period of eighteen (18) months.

If the DSRF Security shall cease to have a rating described in the second preceding paragraph, the Commission shall use reasonable efforts to replace such DSRF Security with one having the required rating, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Revenues in the Debt Service Reserve Fund in lieu of replacing such DSRF Security with another.

#### General Reserve Fund

After first having made the deposits to the Operating Account, Debt Service Fund, Reserve Maintenance Fund and Debt Service Reserve Fund described above, the Trustee shall transfer from the Revenue Fund on or before the last Business Day of each year (or more frequently if the Commission determines that excess funds are on deposit in the Revenue Fund) to the credit of the General Reserve Fund the balance, if any, remaining after making such deposits and after reserving such amounts, if any, identified in a certificate of a Commission Official as being reserved for future transfers to the Debt Service Fund.

Moneys in the General Reserve Fund may be expended by the Commission to restore deficiencies in any funds or accounts created under the Restated Indenture and, absent any such deficiency, for any of the following purposes, with no one item having priority over any of the others:

- (a) To purchase or redeem Bonds;
- (b) To secure and pay the principal or redemption price of and interest on any Subordinated Indebtedness;
- (c) To make payments into the Construction Fund;
- (d) To fund improvements, extensions and replacements of the System; or

- (e) To further any corporate purpose.

The Trustee is authorized to apply monies on deposit in the General Reserve Fund for any of such purposes upon receipt of a requisition signed by a Commission Official, stating in respect of each payment to be made:

- (a) the name of the Person, firm or corporation, to whom payment is to be made or, if the payment is to be made to a fund or account held by the Trustee under the Restated Indenture or to a fund or account held by the Commission and not subject to the Restated Indenture, the name of such fund or account,
- (b) the amount to be paid, and
- (c) the purpose for which the payment is to be made.

#### Rebate Fund

The Restated Indenture authorizes the creation of a Rebate Fund. The Commission covenants in the Restated Indenture to calculate and to pay directly to the government of the United States of America all amounts due for payment of "arbitrage rebate" under Section 148(f) of the Code with respect to any Bonds. Nevertheless, the Commission in the future may deposit with the Trustee or direct the Trustee to deposit in the Rebate Fund amounts held in any Fund under the Restated Indenture for any or all Series of Bonds (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate) if (a) required under any amendments to Section 148(f) of the Code or (b) the Commission otherwise determines that the funding of the Rebate Fund is necessary or appropriate. The Rebate Fund is a trust fund but the amounts therein do not constitute part of the Trust Estate. Amounts on deposit in the Rebate Fund may be used solely to make payments to the United States of America under Section 148 of the Code and to pay costs related to the calculation of the amounts due. Upon satisfaction of the Commission's covenants described above, any amounts remaining in the Rebate Fund shall be deposited in the General Reserve Fund.

#### Additional Security: Parity with Other Parity Obligations

Except as otherwise provided or permitted in the Restated Indenture, the Trust Estate securing all Bonds issued under the terms of the Restated Indenture shall be shared on a parity with other Parity Obligations on an equal and ratable basis. The Commission may, however, in its discretion, provide additional security or credit enhancement for specified Parity Obligations with no obligation to provide such additional security or credit enhancement to other Parity Obligations, except that no additional security or credit enhancement shall be provided unless there shall have been first delivered to the Trustee an opinion of Bond Counsel that the exclusion from gross income of interest on any Bonds for federal income tax purposes will not be adversely affected thereby. Moreover, the Commission may provide in a Supplemental Indenture that Bonds issued thereunder are not secured, or are secured only in part or only under certain circumstances, by the Trust Estate.

#### Depositaries: Investment of Moneys

Except as otherwise provided in the Restated Indenture, all moneys received by the Commission under the provisions of the Restated Indenture shall be deposited with the Trustee or with one or more Depositaries. All moneys deposited under the provisions of the Restated Indenture with the Trustee or any other Depositary shall be held in trust, credited to the particular fund or account to which such moneys belong and applied only in accordance with the provisions of the Restated Indenture. No moneys shall be deposited with any Depositary, other than the Trustee, in an amount exceeding fifty per centum (50%) of the amount which an officer of such Depositary shall certify to the Commission as the combined capital and surplus of such Depositary. All moneys deposited with the Trustee or any other Depositary under the Restated Indenture shall, to the extent not insured, be secured in the manner required or permitted by applicable law.

Moneys held in any of the funds or accounts under the Restated Indenture may be retained uninvested, if deemed necessary by the Commission, as trust funds and secured as provided above or may be invested in Permitted Investments. All investments shall be made by the Trustee upon the oral request of the Commission, which is confirmed in writing by a Commission Official specifying the account or fund from which moneys are to be invested and designating the specific Permitted Investments to be acquired.

All investments made pursuant to this Section shall be subject to withdrawal or shall mature or be subject to repurchase or redemption by the holder, not later than the earlier of (a) the date or dates set forth for similar investments in the applicable Supplemental Indenture or (b) the date on which the moneys may reasonably be expected to be needed for the purpose of the Restated Indenture.

Investments acquired with the moneys in any fund or account shall be a part of such fund or account and, for the purposes of determining the amount in such fund or account, shall be valued at their then fair market value. The interest or income received on an investment shall remain in the fund or account to which the investment is credited except to the extent otherwise provided in the applicable Supplemental Indenture.

The Trustee shall withdraw, redeem or sell all or a portion of any investment upon receipt of the written direction from the Commission or upon a determination by the Trustee that moneys in such fund or account are to be applied or paid by the Trustee pursuant to the provisions of the Restated Indenture, and the proceeds thereof shall be deposited by the Trustee in the appropriate fund or account. Neither the Trustee nor the Commission shall be liable or responsible for any depreciation in the value of the Permitted Investments or for any losses incurred upon any unauthorized disposition thereof.

Each fund held under the Restated Indenture shall be valued by the Trustee at least once annually within thirty days after the end of each Fiscal Year.

#### Events of Default

Each of the following is an "Event of Default" under the Restated Indenture:

- (a) Default in the payment of any installment of principal, redemption premium, if any, interest or other amount due on any Bond when the same becomes due and payable;
- (b) Default in the payment by the Commission of any other Parity Obligation;
- (c) Subject to the provisions of Section 807, default in the performance or breach of any covenant, warranty or representation of the Commission contained in the Restated Indenture (other than a default under subsections (a) and (b) of this Section);
- (d) The occurrence of any Event of Default under any Supplemental Indenture; or
- (e) (1) The occurrence of an Event of Bankruptcy of the Commission; (2) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Commission or of any substantial portion of its property, which appointment shall not have been rescinded or stayed within ninety (90) days after taking effect; or (3) the ordering of the winding up or liquidation of the affairs of the Commission.

No default under paragraph (c) above under "Events of Default" shall constitute an Event of Default until written notice of such default shall have been given to the Commission by the Trustee or by the holders of at least 25% in aggregate principal amount of the Bonds Outstanding, and the Commission shall have had thirty (30) days after receipt of such notice to correct such default or cause such default to be corrected, and shall have failed to do so. In the event, however, that the default is such that it cannot be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the Commission within such period and diligently pursued (as determined by the Trustee) until the default is corrected.

### Remedies Upon Default

If an Event of Default occurs and is continuing, the Trustee may, and upon the written request to the Trustee by the holder or holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall, subject to the requirement that the Trustee be provided with indemnity satisfactory to it, by written notice to the Commission, declare the principal and interest on of the Bonds to the date of acceleration to be immediately due and payable.

At any time after such a declaration of acceleration has been made and before the entry of a judgment or decree for payment of the money due, the Trustee may, or the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, may by written notice to the Commission and the Trustee, and subject to the provision to the Trustee of satisfactory indemnity, direct the Trustee to rescind and annul such declaration and its consequences if:

- (1) there has been paid to or deposited with the Trustee by or for the account of the Commission, or provision satisfactory to the Trustee has been made for the payment of a sum sufficient to pay: (i) all overdue installments of interest on the Bonds; (ii) the principal of and redemption premium, if any, on any Bonds which have become due other than by such declaration of acceleration and interest thereon; (iii) all amounts due on other Parity Obligations; (iv) to the extent lawful, interest upon overdue installments of interest and redemption premium, if any; and (v) all sums paid or advanced by the Trustee under the Restated Indenture, together with the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel prior to the date of notice of rescission; and
- (2) all Events of Default, other than those described in paragraphs (a) and (b) above under "Events of Default", if any, which have occasioned such acceleration, have been cured or waived.
- (c) No such rescission and annulment shall affect any subsequent default or impair any consequent right.

### Additional Remedies

The Trustee, upon the occurrence of an Event of Default may, and upon the written request of the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding and subject to the requirement that the Trustee be provided with satisfactory indemnity, shall proceed to protect and enforce its rights and the rights of the holders of the Bonds under the Restated Indenture by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in the Restated Indenture or in aid of the execution of any power in the Restated Indenture granted, or for the enforcement of any other appropriate legal or equitable remedy, and the Trustee in reliance upon the advice of Counsel may deem most effective to protect and enforce any of the rights or interests of the Bondholders under the Bonds or the Restated Indenture.

### Trustee May File Proofs of Claim

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding under the Bankruptcy Law relating to the Commission, any other obligor upon the Bonds or any property of the Commission, the Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the Commission for the payment of overdue principal, redemption premium, if any, and interest) shall be entitled and empowered, by intervention in such proceeding or other means:

- (1) to file and prove a claim for the whole amount of the principal, redemption premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding or for breach of the Restated Indenture and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable

compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel) and of the holders allowed in such proceeding; and

- (2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel, and any other amounts due the Trustee under the Restated Indenture. However, no provision of the Restated Indenture empowers the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholders any plan of reorganization, arrangement, adjustment or composition affecting any of the Bonds or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any holder in any proceeding described in the preceding paragraph.

#### Priority of Payment Following Event of Default

Any portion of the Trust Estate held or received by the Trustee, by any receiver or by any Bond Owner pursuant to any right given or action taken under the provisions of this Article, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and liabilities incurred by the Trustee and the transfer to Secured Owners (other than Owners of the Bonds) of amounts to which they are entitled by virtue of their parity position, shall be deposited and applied as follows:

(a) If the principal of all the Bonds then Outstanding and the interest accrued thereon has been declared to be due and payable immediately pursuant to the acceleration provisions described above (or, but for any legal prohibition on such declaration of acceleration, such principal and interest would have been declared to be due and payable immediately pursuant to such Section or the provisions of any applicable Reimbursement Agreement) and such declaration has not been rescinded and annulled, there shall be deposited into the Debt Service Fund moneys sufficient to pay the amounts described in clauses (i), (ii) and (iii) below, and all such moneys shall be applied, as promptly as practicable (but subject to the provisions of the last paragraph of this Section), proportionately to

(i) the payment to the persons entitled thereto of all payments of interest then due on the Bonds with interest on overdue installments, if lawful, at their respective rates from the respective dates upon which they became due, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment;

(ii) the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (or which but for any legal prohibition on such declaration of acceleration would have become due) with interest on such Bonds at their respective rates from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full the Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege;

(iii) the payment of any other amounts then owing under the Restated Indenture; and, after said deposit into the Debt Service Fund, there shall be paid the Subordinated Indebtedness issued or incurred by the Commission pursuant to the Restated Indenture.

(b) If the principal of and interest on all Bonds then Outstanding and has not been declared to be due and payable immediately pursuant to the acceleration provisions described above (or deemed to be due and payable as contemplated in paragraph (a) above) or if such a declaration has been rescinded and annulled, then there shall be deposited into the Debt Service Fund moneys sufficient to pay the amounts described in clauses (i), (ii) and (iii) below, and all such moneys shall be applied, as promptly as practicable (but subject to the provisions of the last paragraph of this Section),

(i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at their respective rates from the respective dates upon which they became due, in the order of maturity and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment;

(ii) second, to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due with interest on such Bonds at their respective rates from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full the Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege; and

(iii) third, to the payment of any other amounts then owing under the Restated Indenture, and, after said deposit into the Debt Service Fund, there shall be paid the Subordinated Indebtedness issued or incurred by the Commission pursuant to the Restated Indenture.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give notice of the deposit with it of any such moneys and of the fixing of any such date by mail to all Owners of Bonds with respect to which the Event of Default occurred and shall not be required to make payment to any Bond Owner until such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

#### Bondholders May Direct Proceedings

The owners of a majority in aggregate principal amount of the Bonds Outstanding shall, subject to the requirement that the Trustee be provided with satisfactory indemnity, have the right, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee under the Restated Indenture, provided that such direction shall not be in conflict with any rule of law or the Restated Indenture and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unduly prejudicial to the rights of Bondholders not parties to such direction or would subject the Trustee to personal liability or expense. Notwithstanding the foregoing, the Trustee shall have the right to select and retain Counsel of its choosing to represent it in any such proceedings. The Trustee may take any other action which is not inconsistent with any direction under this provision.

#### Limitations on Rights of Bondholders

No Bondholder shall have any right to pursue any other remedy under the Restated Indenture or the Bonds unless: (1) an Event of Default shall have occurred and is continuing; (2) the owners of not less than a majority in aggregate principal amount of all Bonds then Outstanding have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names; (3) the Trustee has been offered indemnity satisfactory to it against costs, expenses and liabilities reasonably anticipated to be incurred; (4) the Trustee has declined to comply with such request, or has failed to do so, within sixty (60) days after its receipt of such written request and offer of indemnity; and (5) no direction inconsistent with such request has been given to the Trustee during such 60 day period by the holders of a majority in aggregate principal amount of the Bonds Outstanding.

The provisions of the preceding paragraph are conditions precedent to the exercise by any Bondholder of any remedy under the Restated Indenture. The exercise of such rights is further subject to the provisions described under "Limitations on Rights of Bondholders" above and "Unconditional Right of Bondholder to Receive Payment" and "Delay or Omission Not Waiver" below. No one or more Bondholders shall have any right in any manner whatever to enforce any right under the Restated Indenture, except in the manner provided in the Restated Indenture. All

proceedings at law or in equity with respect to an Event of Default shall be instituted and maintained in the manner provided in the Restated Indenture for the equal and ratable benefit of the Bondholders of all Bonds Outstanding.

#### Rights and Remedies Cumulative

No right or remedy in the Restated Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other right or remedy, but each such right or remedy shall, to the extent permitted by law, be cumulative of and in addition to every other right or remedy given under the Restated Indenture or now or hereafter existing at law, in equity or otherwise. The assertion or employment of any right or remedy under the Restated Indenture shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

#### Delay or Omission Not Waiver

No delay or omission by the Trustee or any Bondholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of such Event of Default. Every right and remedy given by this Article or by law to the Trustee or the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or the Bondholders, as the case may be.

#### Waiver of Defaults

The holders of a majority in aggregate principal amount of the Outstanding Bonds may, by written notice to the Trustee and subject to the requirement that the Trustee be provided with satisfactory indemnity, waive any existing default or Event of Default and its consequences, except an Event of Default under paragraph (a) or (b) under "Events of Default." Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes. No waiver of any default or Event of Default shall extend to or effect any subsequent default or Event of Default or shall impair any right or remedy consequent thereto.

Notwithstanding any provision of the Restated Indenture, in no event shall any Person, other than all of the affected Bondholders, have the ability to waive any Event of Default under the Restated Indenture if such event results or may result, in the opinion of Bond Counsel, in interest on any of the Bonds becoming includable in gross income for federal income tax purposes if the interest on such Bonds was not includable in gross income for federal income tax purposes prior to such event.

#### Notice of Events of Default

If an Event of Default occurs of which the Trustee has or is deemed to have notice under the Restated Indenture, the Trustee shall give Immediate Notice thereof to the Commission. Within 90 days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to each Bondholder then Outstanding, provided, however, that except in the instance of an Event of Default described in paragraph (a) or (b) above under "Events of Default," the Trustee may withhold such notice if and so long as the Trustee in good faith determines that the withholding of such notice does not materially adversely affect the interests of Bondholders, and provided, further, that notice to Bondholders of any Event of Default under paragraph (c) under "Events of Default" shall be subject to the provisions described above relating to cure of such defaults and shall not be given until the grace period has expired.

#### The Trustee; Qualifications of Trustee

The Restated Indenture contains provisions relating to the appointment and duties of the Trustee. The trustee under the Restated Indenture shall be a corporation or banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, which has a combined capital and surplus of at least \$50,000,000, or is an affiliate of, or has a contractual relationship with, a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed trustee, and which is subject to supervision or examination by federal or state banking authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law

or the requirements of such banking authority, then for purposes of this Section, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provision described above, it shall resign promptly in the manner and with the effect specified in the Restated Indenture.

#### Resignation or Removal of Trustee; Appointment of Successor Trustee

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to the Restated Indenture shall become effective until the acceptance of appointment by the successor Trustee under the Restated Indenture.

The Trustee may resign at any time by giving written notice to the Commission. Upon receiving such notice of resignation, the Commission shall promptly appoint a successor Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any Bondholder may petition a court of competent jurisdiction for the appointment of a successor Trustee.

Prior to the occurrence and continuance of an Event of Default under the Restated Indenture, or after the curing or waiver of any such Event of Default, the Commission or the holders of a majority in aggregate principal amount of the Outstanding Bonds, may remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default under the Restated Indenture, the holders of a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In each instance, such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the Commission or such holders, as the case may be, and delivered to the Trustee, the Commission, the holders of the Outstanding Bonds and the Successor Trustee.

If at any time: (1) the Trustee shall cease to be eligible and qualified under the Restated Indenture and shall fail or refuse to resign after written request to do so by the Commission or the holder of any Bond, or (2) the Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take charge or control of the Trustee, its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in either such case (i) the Commission may remove the Trustee and appoint a successor Trustee in accordance with the provisions of subsection (c) above; or (ii) any holder of a Bond then Outstanding may, on behalf of the holders of all Outstanding Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

The Commission shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to each holder of Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

#### Supplemental Indentures Without Bondholders' Consent

The Restated Indenture provides that the Commission and the Trustee may from time to time and at any time enter into Supplemental Indentures, without the consent of or notice to any Bondholder, to effect any one or more of the following:

- (a) cure any ambiguity, defect or omission or correct or supplement any provision in the Restated Indenture or in any Supplemental Indenture;
- (b) grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee which are not contrary to or inconsistent with the Restated Indenture as then in effect or to subject to the pledge and lien of the Restated Indenture additional revenues, properties or collateral including Defeasance Obligations;
- (c) add to the covenants and agreements of the Commission in the Restated Indenture other covenants



and agreements thereafter to be observed by the Commission or to surrender any right or power in the Restated Indenture reserved to or conferred upon the Commission which are not contrary to or inconsistent with the Restated Indenture as then in effect;

(d) permit the appointment of a co-trustee under the Restated Indenture;

(e) modify, alter, supplement or amend the Restated Indenture in such manner as shall permit the qualification of the Restated Indenture, if required, under the Trust Indenture Act of 1939, the Securities Act of 1933 or any similar federal statute hereafter in effect;

(f) make any other change in the Restated Indenture that is determined by the Trustee not to be materially adverse to the interests of the Bondholders;

(g) implement the issuance of Additional Bonds permitted under the Restated Indenture; or

(h) if all Bonds in a Series are Book Entry Bonds, amend, modify, alter or replace any Letter of Representations as provided in Section 209 or other provisions relating to Book Entry Bonds.

The Trustee shall not be obligated to enter into any such Supplemental Indenture which adversely affects the Trustee's own rights, duties or immunities under the Restated Indenture.

#### Supplemental Indentures Requiring Bondholders' Consent

The Commission and the Trustee, at any time and from time to time, may execute and deliver a Supplemental Indenture for the purpose of making any modification or amendment to the Restated Indenture, but only with the written consent, given as provided in the Restated Indenture, of the holders of at least a majority in aggregate principal amount of the Bonds Outstanding at the time such consent is given, and in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the holders of at least a majority in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds so affected remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. Notwithstanding the foregoing, no modification or amendment contained in any such Supplemental Indenture shall permit any of the following, without the consent of each Bondholder whose rights are affected thereby:

(a) a change in the terms of stated maturity or redemption of any Bond or of any installment of interest thereon;

(b) a reduction in the principal amount of or redemption premium on any Bond or in the rate of interest thereon or a change in the coin or currency in which such Bond is payable;

(c) the creation of a lien on or a pledge of any part of the Trust Estate which has priority over or parity with (to the extent not permitted under the Restated Indenture) the lien or pledge granted to the Bondholders under the Restated Indenture (but this provision shall not apply to the release of any part of the Trust Estate as opposed to the creation of a prior or parity lien or pledge);

(d) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds, except to the extent permitted in the Restated Indenture;

(e) a reduction in the aggregate principal amount of Bonds of which the consent of the Bondholders is required to effect any such modification or amendment; or

(f) a change in the provisions of this Section.

Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available under the Restated Indenture for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full. Notice of any Supplemental Indenture executed pursuant to the provisions described above shall be given to the Bondholders promptly following the execution thereof.

#### Consents of Bondholders and Opinions

Each Supplemental Indenture executed and delivered pursuant to the provisions described under "Supplemental Indentures Requiring Bondholders' Consent" shall take effect only when and as provided below. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be sent by the Trustee to Bondholders, at the expense of the Commission, by first class mail, postage prepaid, provided that a failure to mail such request shall not affect the validity of the Supplemental Indenture when consented to as provided in the Restated Indenture. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Bondholders of the percentage of Bonds specified above under "Supplemental Indentures Requiring Bondholders' Consent" given as provided in the Restated Indenture, and (b) an opinion of Counsel acceptable to the Trustee stating that (1) the execution of such Supplemental Indenture is authorized or permitted by the Restated Indenture and (2) all conditions precedent to the execution and delivery of such Supplemental Indenture have been complied with, and an opinion of Bond Counsel that the execution and performance of such Supplemental Indenture shall not, in and of itself, adversely affect the federal income tax status of any Bonds, the interest on which is not included in gross income for federal income tax purposes. Any such consent shall be binding upon the Bondholder giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Bondholder has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent holder of such Bonds by filing such revocation with the Trustee prior to the date the Trustee receives the material required in subsections (a) and (b) of this Section.

Notwithstanding anything else in the Restated Indenture, if a Supplemental Indenture is to become on the same date as the date of issuance of Additional Bonds, the consents of the underwriters or purchasers of such Additional Bonds shall be counted for purposes of the Restated Indenture.

The Restated Indenture provides that Bonds which are to be disregarded under the last sentence of the definition of "Outstanding" shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article. At the time of any consent or other action taken under this Article or elsewhere in the Restated Indenture, the Commission shall furnish the Trustee a certificate of a Commission Official, upon which the Trustee may rely, describing all Bonds so to be excluded.

## Discharge of Bonds

If (a) the principal of any Bonds and the interest due or to become due thereon, together with any redemption premium required by redemption of any of the Bonds prior to maturity, shall be paid, or is caused to be paid, or is provided for as described below under "Defeasance," at the times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the outstanding Bonds shall have been paid and discharged in accordance with this Article, and (b) all of the covenants, agreements, obligations, terms and conditions of the Commission under the Restated Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Bond Registrar and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions of the Restated Indenture, then the right, title and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on request of the Commission and at the expense of the Commission, shall release the Restated Indenture and the Trust Estate and shall execute such documents to evidence such release as may be reasonably required by the Commission and shall turn over to the Commission, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds under the Restated Indenture except for amounts required to pay such Bonds or held unclaimed in respect of Bonds which have matured or been redeemed pursuant to the Restated Indenture.

## Defeasance

If the Commission deposits with the Trustee moneys or Defeasance Obligations which, together with the earnings thereon, are sufficient to pay the principal amount of and redemption premium on any particular Bond or Bonds becoming due, either at maturity, by means of mandatory sinking fund redemption or by call for optional redemption or otherwise, together with all interest accruing thereon to the due date or Redemption Date, and pays or makes provision for payment of all fees, costs and expenses of the Commission and the Trustee due or to become due with respect to such Bonds, all liability of the Commission with respect to such Bond or Bonds shall cease, such Bond or Bonds shall be deemed not to be Outstanding under the Restated Indenture and the holder or holders of such Bond or Bonds shall be restricted exclusively to the moneys or Defeasance Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to such Bond or Bonds, and the Trustee shall hold such moneys, Defeasance Obligations and earnings in trust for such holder or holders. In determining the sufficiency of the moneys and Defeasance Obligations deposited pursuant to this Section, the Trustee shall receive, at the expense of the Commission, and may rely upon: (a) a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to the Commission and the Trustee; provided, however, that the Trustee may waive the requirement for the provision of such verification report if the Bonds which are being defeased will be paid and cancelled within 90 days and the Trustee can calculate the interest to be paid on such Bonds to and including such payment or redemption date; and (b) an opinion of Bond Counsel to the effect that (1) all conditions set forth in this Article have been satisfied and (2) that defeasance of any Bonds will not cause interest on the Bonds to be includable in gross income for federal income tax purposes. Upon such defeasance, all rights of the Commission, including its right to provide for optional redemption or prepayment of any Bonds on dates other than planned pursuant to such defeasance shall cease unless specifically retained by filing a written notification thereof with the Trustee at the time the Defeasance Obligations are deposited with the Trustee.

At such times as a Bonds shall be deemed to be paid under the Restated Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Restated Indenture, except for the purposes of any such payment from such money or Defeasance Obligations.

## Notice of Defeasance

(a) In case any of the Bonds, for the payment of which moneys or Defeasance Obligations have been deposited with the Trustee pursuant to the provisions described above under "Defeasance," are to be redeemed on any date prior to their maturity, the Commission shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on the redemption date for such Bonds.

(b) In addition to the foregoing notice, in the event such Bonds to be redeemed are not by their terms subject to redemption within the next succeeding 60 days, the Trustee shall give further notice to the Bondholders that

the deposit required by the provisions described above under "Defeasance" has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date or dates upon which moneys are to be available for the payment of the principal of and redemption premium, if any, on said Bonds; such further notice shall be given promptly following the making of the deposit required by said provisions; and such further notice also shall be given in the manner set forth in the Restated Indenture; but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of the deposit.

(c) If the Commission has retained any rights pursuant to the provisions described above under "Defeasance," notice thereof shall be sent to Bondholders of such Bonds as soon as practicable and not later than any notice required by paragraphs (a) or (b) above.

**APPENDIX D**

**FORM OF OPINION OF BOND COUNSEL**

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[FORM OF OPINION OF COHEN & GRIGSBY, P.C., BOND COUNSEL]

September \_\_, 2001

TO THE PURCHASERS OF THE BONDS DESCRIBED BELOW

RE: \$86,660,000 Pennsylvania Turnpike Commission  
Turnpike Revenue Refunding Bonds, Series T of 2001

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the Pennsylvania Turnpike Commission (the "Commission") of \$86,660,000 principal amount of its Turnpike Revenue Refunding Bonds, Series T of 2001 (the "Bonds") pursuant to the Trust Indenture dated as of July 1, 1986, as supplemented from time to time (the "Indenture"), between the Commission and First Union National Bank (successor trustee to Fidelity Bank, National Association) as Trustee (the "Trustee").

We have examined (i) an executed copy of the Indenture and each supplement thereto, including the Fourteenth Supplemental Trust Indenture dated as of September 1, 2001 between the Authority and the Trustee (the "Fourteenth Supplemental Indenture"), (ii) the form of Bond and (iii) such constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to matters set forth herein.

In rendering this opinion we have assumed the genuineness of all signatures on all documents and certificates that we examined, the legal capacity and authority of all persons executing such documents, the authenticity of all documents submitted to us as originals and the conformity to originals of all documents submitted to us as copies and the authenticity of the originals of said copies.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion herein relating thereto.

Based upon the foregoing, it is our opinion, under existing law and as of the date hereof, subject to the qualifications and limitations set forth herein, that:

1. The Commission is a validly existing instrumentality of the Commonwealth of Pennsylvania and has the power to enter into the transactions contemplated by the Indenture and to carry out its obligations thereunder.
2. The Fourteenth Supplemental Indenture has been duly authorized, executed and delivered by the Commission and constitutes the valid and binding obligation of the Commission enforceable against it in accordance with its terms.
3. The Bonds have been duly and validly authorized, executed, issued and delivered by the Commission and constitute the valid and binding limited obligations of the Commission enforceable against it in accordance with their terms, payable from the sources provided therefor in the Indenture.

4. The Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

5. The interest on the Bonds (including any original issue discount properly allocable to a holder thereof) is excluded from the gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. For the purpose of rendering the opinion set forth in this paragraph, we have assumed compliance by the Commission with the requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Commission has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Fourteenth Supplemental Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws heretofore or hereafter enacted affecting creditors' rights generally to the extent constitutionally applicable and by the application of general equitable principles and the exercise of judicial discretion in appropriate cases (whether such enforcement is sought in proceedings in equity or at law).

Very truly yours,

COHEN & GRIGSBY, P.C.



**APPENDIX E**

**AMORTIZATION SCHEDULE FOR THE SERIES T BONDS**

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>DEBT SERVICE</u>	<u>FISCAL TOTAL</u>
06 01 2002		\$3,500,864.06	\$3,500,864.06	
12 01 2002		2,333,909.38	2,333,909.38	\$5,834,773.44
06 01 2003		2,333,909.38	2,333,909.38	
12 01 2003	\$2,050,000	2,333,909.38	4,383,909.38	6,717,818.76
06 01 2004		2,282,659.38	2,282,659.38	
12 01 2004	2,150,000	2,282,659.38	4,432,659.38	6,715,318.76
06 01 2005		2,228,909.38	2,228,909.38	
12 01 2005	2,260,000	2,228,909.38	4,488,909.38	6,717,818.76
06 01 2006		2,172,409.38	2,172,409.38	
12 01 2006	2,375,000	2,172,409.38	4,547,409.38	6,719,818.76
06 01 2007		2,123,425.00	2,123,425.00	
12 01 2007	2,470,000	2,123,425.00	4,593,425.00	6,716,850.00
06 01 2008		2,058,587.50	2,058,587.50	
12 01 2008	2,600,000	2,058,587.50	4,658,587.50	6,717,175.00
06 01 2009		1,990,337.50	1,990,337.50	
12 01 2009	8,340,000	1,990,337.50	10,330,337.50	12,320,675.00
06 01 2010		1,771,412.50	1,771,412.50	
12 01 2010	11,645,000	1,771,412.50	13,416,412.50	15,187,825.00
06 01 2011		1,451,175.00	1,451,175.00	
12 01 2011	12,510,000	1,451,175.00	13,961,175.00	15,412,350.00
06 01 2012		1,107,150.00	1,107,150.00	
12 01 2012	13,255,000	1,107,150.00	14,362,150.00	15,469,300.00
06 01 2013		742,637.50	742,637.50	
12 01 2013	<u>27,005,000</u>	<u>742,637.50</u>	<u>27,747,637.50</u>	<u>28,490,275.00</u>
TOTAL	\$86,660,000	\$46,359,998.48	\$133,019,998.48	\$133,019,998.48

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**APPENDIX F**  
**FORM OF BOND INSURANCE POLICY**

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Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

## Municipal Bond New Issue Insurance Policy

<b>Issuer:</b>	<b>Policy Number:</b>
	<b>Control Number:</b> 0010001
<b>Bonds:</b>	<b>Premium:</b>

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

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## Municipal Bond New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its Secretary or other Designated Officer.

*Deborah M. Reif*

**President**

**Effective Date:**

**Secretary/Designated Officer**

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

*[Signature]*

**Authorized Officer  
State Street Bank and Trust Company, N.A.**

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

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## Endorsement To Financial Guaranty Insurance Company Insurance Policy

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**Policy Number:**

**Control Number:** 0010001

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It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its Secretary or other Designated Officer.

*Edward M. Reif*

President

**Effective Date:**

**Secretary/Designated Officer**

**Acknowledged as of the Effective Date written above:**

*[Signature]*

**Authorized Officer**

**State Street Bank and Trust Company, N.A., as Fiscal Agent**

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