

In the opinion of Co-Bond Counsel, assuming continuing compliance by the Commission with certain covenants to comply with provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and all regulations applicable thereunder, and subject to the conditions described in “TAX MATTERS” herein, interest on the 2015A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined in the Code). Other provisions of the Code may affect the purchasers and holders of the 2015A Bonds. Under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the 2015A Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2015A Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.



PENNSYLVANIA TURNPIKE COMMISSION
\$259,010,000
Turnpike Subordinate Revenue Bonds, Series A of 2015
Consisting of:

**\$209,010,000 Turnpike Subordinate Revenue Bonds,
 Sub-Series A-1 of 2015 (Fixed Rate)**

**\$50,000,000 Turnpike Subordinate Revenue Bonds,
 Sub-Series A-2 of 2015 (SIFMA Floating Rate Tender Notes)**

Dated: Date of Delivery

Due: December 1, as shown on inside front cover

The \$259,010,000 aggregate principal amount of the Pennsylvania Turnpike Commission Turnpike Subordinate Revenue Bonds, Series A of 2015, dated the date of delivery, consisting of \$209,010,000 Turnpike Subordinate Revenue Bonds, Sub-Series A-1 of 2015 (Fixed Rate) (the “2015A-1 Bonds”) and \$50,000,000 Turnpike Subordinate Revenue Bonds, Sub-Series A-2 of 2015 (SIFMA Floating Rate Tender Notes) (the “2015A-2 Bonds”) and together with the 2015A-1 Bonds, the “2015A Bonds”). The 2015A Bonds are being issued pursuant to that certain Subordinate Trust Indenture dated as of April 1, 2008 (the “Original Subordinate Indenture”) between the Pennsylvania Turnpike Commission (the “Commission”) and Wells Fargo Bank, N.A., as trustee (the “Trustee”) as heretofore amended and supplemented (collectively, the “Original Indenture”), and as further amended by that certain Supplemental Trust Indenture No. 18 dated as of April 1, 2015 (“Supplemental Subordinate Indenture No. 18”) and, collectively with the Original Indenture, the “Subordinate Indenture”), all pursuant to, among other things, an Act of the General Assembly of Pennsylvania approved July 18, 2007, PL. 169, No. 44 (“Act 44”), the Act of November 25, 2013, P.L. 974, No. 89 (“Act 89”), and various other acts of the General Assembly of Pennsylvania.

The 2015A-1 Bonds will be dated the date of initial issuance and delivery thereof. The 2015A-1 Bonds will mature on December 1 of the years and bear interest from their delivery date at the rates shown on the inside cover page hereof, calculated on the basis of a year of 360 days consisting of twelve 30-day months. Interest on the 2015A-1 Bonds will be payable on each June 1 and December 1, commencing on December 1, 2015. So long as Cede & Co. is the registered owner of the 2015A-1 Bonds, payments of principal of and interest, if applicable, on the 2015A-1 Bonds will be made directly by the Trustee, as paying agent (in such capacity, the “Paying Agent”) under the Subordinate Indenture, as described herein. See “DESCRIPTION OF THE 2015A BONDS.”

The 2015A-2 Bonds will be dated the date of initial issuance and delivery thereof. The 2015A-2 Bonds will bear interest from their delivery date at a variable rate equal to the Adjusted SIFMA Rate, as further described herein. See “DESCRIPTION OF THE 2015A BONDS – Determination of Interest Rate for 2015A-2 Bonds” herein for a description of the SIFMA Rate, the Adjusted SIFMA Rate and the determination thereof. The Adjusted SIFMA Rate for the 2015A-2 Bonds shall equal the SIFMA Rate, as further described herein, plus the per annum spread set forth on the inside front cover page hereof. The Adjusted SIFMA Rate will be adjusted Wednesday of each week, or if such day is not a U.S. Government Securities Business Day (as defined herein), the next succeeding U.S. Government Securities Business Day, and shall be effective each Thursday. Interest on the 2015A-2 Bonds will be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be. See “DESCRIPTION OF THE 2015A BONDS – Determination of Interest Rate for 2015A-2 Bonds” herein. Interest on the 2015A-2 Bonds will be payable monthly on the first Business Day of each calendar month commencing on December 1, 2015.

The Commission reserves the right to convert the 2015A-2 Bonds to a Commercial Paper Mode, Daily Mode, Fixed Rate Mode or other Term Rate Mode. **This Official Statement is intended to provide disclosure relating to the 2015A-2 Bonds only to the extent the 2015A-2 Bonds remain in the Term Rate Mode bearing interest at the Adjusted SIFMA Rate.**

The 2015A Bonds will be subject to optional and mandatory sinking fund redemption prior to maturity as described herein.

THE 2015A BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION, PAYABLE FROM THE REVENUES AND SOURCES SET FORTH IN THE SUBORDINATE INDENTURE, 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. THE COMMONWEALTH IS NOT OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER FOR PAYMENT OF THE 2015A BONDS OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT OF THE 2015A BONDS. THE COMMISSION HAS NO TAXING POWER.

The 2015A Bonds will be equally and ratably secured, along with other outstanding and additional Subordinate Revenue Bonds (herein defined) and certain other parity obligations, pursuant to the pledge by the Commission of the Trust Estate under the Subordinate Indenture. The Subordinate Indenture pledges to the Trustee for the benefit of the 2015A Bonds, together with all outstanding and all additional Subordinate Indenture Bonds (herein defined) and parity obligations, Commission Payments (herein defined). Commission Payments are paid from amounts paid from the General Reserve Fund (herein defined) after the payment of all outstanding Senior Indenture Parity Obligations (herein defined) issued under the Senior Indenture (herein defined), and thus the 2015A Bonds are subordinate to the payment of such Senior Indenture Parity Obligations.

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.

The 2015A 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 Clark Hill PLC, Pittsburgh, Pennsylvania and Obermayer Rebmann Maxwell & Hippel LLP, Philadelphia, Pennsylvania, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Stradley Ronon Stevens & Young, LLP, Philadelphia, Pennsylvania, Counsel for the Underwriters. Certain legal matters will be passed upon for the Commission by its Chief Counsel, Doreen A. McCall, Esquire, and by Duane Morris LLP, Philadelphia, Pennsylvania, Disclosure Counsel to the Commission. It is anticipated that the 2015A Bonds will be available for delivery in New York, New York on or about April 28, 2015.

The Commission acknowledges that the financing structure of the 2015A Bonds is derived from the Commission’s sale of the 2015A Bonds pursuant to a Bond Purchase Agreement dated as of April 22, 2015 by and among the Commission and Piper Jaffray & Co., as Representative of the Underwriters.

Piper Jaffray & Co.

**BofA Merrill Lynch
 Baird**

Boenning & Scattergood, Inc.

**Janney Montgomery Scott
 Ramirez & Co., Inc.**

**\$209,010,000 Turnpike Subordinate Revenue Bonds
Sub-Series A-1 of 2015 (Fixed Rate)**

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP** (709224)</u>
2021	\$1,900,000	5.000%	2.090%	117.830	FU8
2022	1,725,000	5.000	2.300	118.707	FV6
2023	1,900,000	5.000	2.500	119.219	FW4
2024	1,550,000	5.000	2.670	119.599	FX2
2025	1,140,000	5.000	2.820	119.838	FY0
2026	735,000	5.000	2.980	118.229*	FZ7
2027	4,800,000	5.000	3.100	117.039*	GB9
2028	7,880,000	5.000	3.230	115.767*	GC7
2029	5,410,000	5.000	3.280	115.282*	GD5
2030	5,000,000	5.000	3.350	114.607*	GF0
2031	3,215,000	5.000	3.410	114.032*	GG8
2032	3,000,000	5.250	3.420	116.142*	GH6
2033	4,160,000	5.250	3.460	115.757*	GJ2
2034	4,685,000	5.250	3.500	115.373*	GK9
2035	5,250,000	5.250	3.530	115.086*	GM5

\$1,075,000 – 3.000% Term Bonds due December 1, 2027; Yield 3.120%; Price:98.756; CUSIP**: 709224 GA1

\$1,745,000 – 3.375% Term Bonds due December 1, 2030; Yield 3.550%; Price: 97.916; CUSIP**: 709224 GE3

\$3,355,000 – 3.875% Term Bonds due December 1, 2035; Yield 4.000%; Price: 98.254; CUSIP**: 709224 GL7

\$17,395,000 – 5.000% Term Bonds due December 1, 2038; Yield 3.660%; Price: 111.674*; CUSIP**: 709224 GN3

\$15,000,000 – 4.000% Term Bonds due December 1, 2041; Yield 4.100%; Price: 98.386; CUSIP**: 709224 GS2

\$53,045,000 – 4.000% Term Bonds due December 1, 2041; Yield 4.100%; Price: 98.386; CUSIP**: 709224 GP8

\$65,045,000 – 5.250% Term Bonds due December 1, 2045; Yield 3.640%; Price: 114.042*; CUSIP**: 709224 GQ6

**\$50,000,000 Turnpike Subordinate Revenue Bonds
Sub-Series A-2 of 2015 (SIFMA Floating Rate Tender Notes)
Maturing December 1, 2045**

<u>Initial Purchase Date</u>	<u>Principal</u>	<u>Interest Rate (Variable)</u>	<u>Price</u>	<u>CUSIP** (709224)</u>
December 1, 2018	\$50,000,000	SIFMA Rate plus 0.80%	100.000	GR4

* Priced to December 1, 2025 first optional call date.

** The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Commission or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. None of the Commission or the Underwriters has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

PENNSYLVANIA TURNPIKE COMMISSION

COMMISSIONERS

SEAN LOGAN
Chairman

WILLIAM K. LIEBERMAN
Vice Chairman

PASQUALE T. DEON, SR.
Secretary/Treasurer

A. MICHAEL PRATT
Commissioner

LESLIE S. RICHARDS
Acting Secretary of Transportation

MARK COMPTON
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CRAIG R. SHUEY
Chief Operating Officer

NIKOLAUS H. GRIESHABER
Chief Financial Officer

BRADLEY J. HEIGEL
Chief Engineer

DOREEN A. MCCALL
Chief Counsel

RAY A. MORROW
Chief Compliance Officer

WELLS FARGO BANK, N.A.
Trustee, Escrow, Calculation, Tender and Paying Agent

PUBLIC FINANCIAL MANAGEMENT, INC.
Financial Advisor

G-ENTRY PRINCIPLE, P.C.
Co-Financial Advisor

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 2015A 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.

The 2015A Bonds are not and will not be registered under the Securities Act of 1933, or under any state securities laws, and the Subordinate Indenture has not been and will not be qualified under the Trust Indenture Act of 1939, as amended, because of available exemptions therefrom. Neither the United States Securities and Exchange Commission (the “SEC”) nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

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

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

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of tolls and other revenue collected by the Commission include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the Commission. Such forward-looking statements speak only as of the date of this Official Statement. The Commission disclaims any obligation or undertaking to release publicly any updates or revision to any forward-looking statement contained herein to reflect any changes in the Commission’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2015A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE. THE COMMISSION RESERVES THE RIGHT TO INCREASE THE SIZE OF THIS OFFERING SUBJECT TO PREVAILING MARKET CONDITIONS.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2015A BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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OFFICIAL STATEMENT

\$259,010,000

**PENNSYLVANIA TURNPIKE COMMISSION
Turnpike Subordinate Revenue Bonds, Series A of 2015**

Consisting of:

**\$209,010,000 Turnpike Subordinate Revenue Bonds,
Sub-Series A-1 of 2015 (Fixed Rate)**

**\$50,000,000 Turnpike Subordinate Revenue Bonds,
Sub-Series A-2 of 2015 (SIFMA Floating Rate
Tender Notes)**

INTRODUCTION

This Official Statement, which includes the cover page and the Appendices hereto, is furnished by the Pennsylvania Turnpike Commission (the “*Commission*”) in connection with the issuance of its \$259,010,000 aggregate principal amount of the Pennsylvania Turnpike Commission Turnpike Subordinate Revenue Bonds, Series A of 2015, dated the date of delivery, consisting of \$209,010,000 Turnpike Subordinate Revenue Bonds, Sub-Series A-1 of 2015 (Fixed Rate) (the “*2015A-1 Bonds*”) and \$50,000,000 Turnpike Subordinate Revenue Bonds, Sub-Series A-2 of 2015 (SIFMA Floating Rate Tender Notes) (the “*2015A-2 Bonds*” and together with the 2015A-1 Bonds, the “*2015A Bonds*”).

All capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the definitions set forth in either APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE” or APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF AND DEFINED TERMS IN THE SENIOR INDENTURE.” All references herein to the Enabling Acts (as defined below), the 2015A Bonds, the Subordinate Indenture (as defined below) and the Disclosure Undertaking (as defined below) are qualified in their entirety by reference to the complete texts thereof. Copies of drafts of such documents, except for the Enabling Acts, may be obtained during the initial offering period from the principal offices of the Underwriters and thereafter, executed copies may be obtained from Wells Fargo Bank, N.A., successor to TD Bank, National Association, as Trustee (the “*Trustee*”). All statements in this Official Statement involving matters of opinion, estimates, forecasts, projections or the like, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized.

THIS OFFICIAL STATEMENT PROVIDES CERTAIN INFORMATION CONCERNING THE 2015A BONDS AS OF THE DATE OF THIS OFFICIAL STATEMENT. OWNERS AND PROSPECTIVE PURCHASERS OF THE 2015A BONDS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT FOR INFORMATION CONCERNING THE 2015A BONDS ON AND AFTER ANY SUCH DATE, BUT SHOULD LOOK TO ANY REVISIONS, AMENDMENTS, SUPPLEMENTS OR SUBSTITUTIONS HEREOF FOR INFORMATION CONCERNING THE 2015A BONDS ON OR AFTER ANY SUCH DATE.

Pennsylvania Turnpike Commission

The Commission is an instrumentality of the Commonwealth of Pennsylvania (the “*Commonwealth*”) created by the Enabling Acts, with the power to construct, operate and maintain the System (as defined below) and to perform other functions authorized by Act 44 (as defined below). Its composition, powers, duties, functions, duration and all other attributes are derived from the Enabling Acts as amended and supplemented from time to time. See APPENDIX A, “THE PENNSYLVANIA TURNPIKE COMMISSION” herein. Except as provided therein, the Enabling Acts may be modified, extended, suspended or terminated at any time by further legislation.

Subordinate Indenture and Enabling Acts

The 2015A Bonds are being issued pursuant to that certain Subordinate Trust Indenture dated as of April 1, 2008 (the “*Original Subordinate Indenture*”) between the Commission and the Trustee, as heretofore amended and supplemented (collectively, the “*Original Indenture*”), and as further supplemented by that certain Supplemental

Trust Indenture No. 18 dated as of April 1, 2015 (“**Supplemental Subordinate Indenture No. 18**” and, collectively with the Original Indenture, the “**Subordinate Indenture**”), all pursuant to, and as authorized by, an Act of the General Assembly of Pennsylvania approved on July 18, 2007, P.L. 169, No. 44 (“**Act 44**”), and various Acts of the General Assembly approved on several dates, including the Act of May 21, 1937, P.L. 774, Act 211; the Act of May 24, 1945, P.L. 972; the Act of February 26, 1947, P.L. 17; the Act of May 23, 1951, P.L. 335; the Act of August 14, 1951, P.L. 1232; and the Act of September 30, 1985, P.L. 240, No. 61 (“**Act 61**”) to the extent not repealed by Act 44, and the Act of November 25, 2013, P.L. 974, No. 89 (“**Act 89**”) (all such Acts are referred to hereinafter collectively as the “**Enabling Acts**”) and a Resolution adopted by the Commission on March 17, 2015.

Plan of Financing

2015A-1 Bonds

The 2015A-1 Bonds are being issued to provide funds, together with an equity contribution by the Commission, to finance a portion of the costs of (i) making payments to the Pennsylvania Department of Transportation (“**PennDOT**”) in accordance with Act 44 and Act 89 to fund (a) certain grants (“**Grants**”) to mass transit agencies and (b) various multi-modal capital projects; (ii) the advance refunding of a portion of the Commission’s outstanding Turnpike Subordinate Revenue Bonds, Series A of 2011, being those bonds maturing on December 1, 2041 (the “**Refunded Bonds**”); (iii) funding any necessary deposit to the Debt Service Reserve Fund under the Subordinate Indenture in respect to the Series 2015A-1 Bonds; (iv) capitalized interest on the 2015A-1 Bonds; and (v) paying the costs of issuing the 2015A-1 Bonds (collectively, the “**2015A-1 Project**”).

The Refunded Bonds, in the principal amount of \$50,030,000, will be refunded on December 1, 2016, the first optional redemption date (the “**Redemption Date**”), at the redemption price of 100% of the principal amount of bonds to be redeemed, plus accrued interest to the Redemption Date.

A portion of the proceeds of the 2015A-1 Bonds will be deposited with the Trustee together with other available funds, in one or more escrow accounts to be held by the Trustee, acting as escrow trust agent for the Refunded Bonds (“**Escrow Agent**”), and will be invested in certain permitted investment securities (“**Open Market Securities**”), which Open Market Securities, together with uninvested cash, will bear interest at such rates and will mature at such times and in such amounts so that, sufficient moneys will be available to pay the principal of, plus interest accrued and to accrue on the Refunded Bonds, to and including the Redemption Date.

The Escrow Agent and the Commission will enter into an Escrow Deposit Agreement, dated as of April 1, 2015 (the “**Escrow Deposit Agreement**”), pursuant to which there will be created a special and irrevocable escrow trust fund to be held by the Escrow Agent in trust for the payment of the principal of, and redemption premium, if any, and interest on the Refunded Bonds.

The mathematical calculation of the adequacy of the deposit to provide for the payment of the Refunded Bonds on the date of issuance of the 2015A-1 Bonds will be verified by PFM Asset Management LLC at the time of delivery of the 2015A-1 Bonds. See “**VERIFICATION OF MATHEMATICAL COMPUTATIONS**” herein.

2015A-2 Bonds

The 2015A-2 Bonds are being issued to provide funds, together with a portion of the proceeds of the 2015A-1 Bonds and the equity contribution by the Commission referred to above, to finance a portion of the costs of (i) making payments to PennDOT in accordance with Act 44 and Act 89 to fund (a) certain Grants to mass transit agencies and (b) various multi-modal capital projects; and (ii) issuing the 2015A-2 Bonds (collectively, the “**2015A-2 Project**” and together with the 2015A-1 Project, the “**2015A Projects**”).

Security

THE 2015A BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION PAYABLE FROM THE REVENUES AND SOURCES SET FORTH IN THE SUBORDINATE INDENTURE AND SHALL NOT BE DEEMED TO BE A DEBT OF THE COMMONWEALTH OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE COMMONWEALTH. THE COMMONWEALTH IS NOT OBLIGATED TO

LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER FOR THE 2015A BONDS OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT OF ANY OF THE 2015A BONDS. THE COMMISSION HAS NO TAXING POWER.

THE 2015A BONDS AND ALL OTHER SUBORDINATE INDENTURE BONDS ARE SUBORDINATED IN RIGHT OF PAYMENT TO THE PRIOR RIGHT OF PAYMENT OF ALL SENIOR INDENTURE PARITY OBLIGATIONS. THE PAYMENT OF THE 2015A BONDS AND ALL OTHER SUBORDINATE INDENTURE BONDS IS DEPENDENT UPON THE SUFFICIENCY OF FUNDS AVAILABLE TO BE RELEASED FROM THE SENIOR INDENTURE AFTER THE PAYMENT OF ALL AMOUNTS DUE IN RESPECT OF THE SENIOR INDENTURE PARITY OBLIGATIONS AS PROVIDED IN THE SENIOR INDENTURE, ALL AS FURTHER DESCRIBED HEREIN.

Security for the 2015A Bonds.

The 2015A Bonds are being issued under the Subordinate Indenture as “Revenue Bonds” (referred to for purposes of this Official Statement as “*Subordinate Revenue Bonds*”) and will be equally and ratably secured, along with each other series of Subordinate Revenue Bonds issued pursuant to the Subordinate Indenture and certain other obligations incurred as “Revenue Bonds Parity Obligations” under the Subordinate Indenture (referred to for purposes of this Official Statement as “*Subordinate Revenue Bonds Parity Obligations*”), by a pledge by the Commission of the Trust Estate consisting primarily of Commission Payments from amounts released from the General Reserve Fund after the payment of all Senior Indenture Parity Obligations (as defined in APPENDIX E) issued under the Amended and Restated Trust Indenture, originally dated as of July 1, 1986 and amended and restated as of March 1, 2001 (as it may be further amended, supplemented or replaced, the “*Senior Indenture*”), between the Commission and U.S. Bank National Association, as successor trustee (the “*Senior Trustee*”), relating to the Commission’s mainline toll revenue bonds. All Commission Payments released from the General Reserve Fund under the Senior Indenture are deposited into the Commission Payments Fund under the Subordinate Indenture and are available for the payment of all Subordinate Revenue Bonds Parity Obligations in accordance with the Subordinate Indenture.

The 2015A-1 Bonds are Debt Service Reserve Fund Bonds for the purpose of the Subordinate Indenture and, accordingly, are secured by moneys on deposit in the Debt Service Reserve Fund as more fully described in “SECURITY FOR THE 2015A BONDS - Debt Service Reserve Fund.” The 2015A-2 Bonds are not Debt Service Reserve Fund Bonds, and, accordingly, are not secured by moneys in the Debt Service Reserve Fund.

Upon the issuance of the 2015A Bonds, the Commission will have \$4,202,128,297.05 of Subordinate Revenue Bonds currently outstanding (including compounded amounts as of December 1, 2014 for outstanding capital appreciation bonds) under the Subordinate Indenture.

DESCRIPTION OF THE 2015A BONDS

General

The 2015A Bonds are being issued by the Commission pursuant to the Enabling Acts and the Subordinate Indenture and will be dated the date of their issuance and delivery.

THE 2015A BONDS ARE NOT SUBJECT TO ACCELERATION UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.

2015A-1 Bonds

The 2015A-1 Bonds will bear interest at fixed rates and will mature, subject to prior redemption, on the dates and in the amounts set forth on the inside front cover page of this Official Statement.

Interest on the 2015A-1 Bonds will accrue from their date of delivery and will be payable semiannually to maturity (or earlier redemption) on June 1 and December 1, commencing on December 1, 2015 (each an “**Interest Payment Date**” with respect to the 2015A-1 Bonds).

The 2015A-1 Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. As provided in the Subordinate Indenture, the principal or redemption price of the 2015A-1 Bonds is payable at the designated trust office of the Trustee located in Philadelphia, Pennsylvania. Interest on the 2015A-1 Bonds shall be paid to the person whose name appears on the bond registration books of the Trustee as the holder thereof as of the close of business on the Record Date for each Interest Payment Date. Payment of the interest on the 2015A-1 Bonds shall be made by check mailed by first class mail to such holder at its address as it appears on such registration books or, upon the written request of any holder of at least \$1,000,000 in aggregate principal amount of 2015A-1 Bonds, submitted to the Trustee no later than ten Business Days prior to the Record Date, by wire transfer in immediately available funds to an account within the United States designated by such holder.

Defaulted Interest with respect to any 2015A-1 Bond shall cease to be payable to the Owner of such 2015A-1 Bond on the relevant Record Date and shall be payable to the Owner in whose name such 2015A-1 Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest. The Commission shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each 2015A-1 Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and shall deposit with the Trustee at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment; money deposited with the Trustee shall be held in trust for the benefit of the Owners of the 2015A-1 Bond entitled to such Defaulted Interest. Following receipt of such funds the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Commission of such Special Record Date and, in the name and at the expense of the Commission, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Owner of a 2015A-1 Bond entitled to such notice at the address of such owner as it appears on the Bond Register not less than 10 days prior to such Special Record Date.

Upon original issuance, the 2015A-1 Bonds will be registered in the name of and held by Cede & Co., as registered holder and nominee for DTC. The 2015A-1 Bonds initially will be issued as one fully registered certificate for each maturity and interest rate. Purchases of the 2015A-1 Bonds will initially be made in book-entry form. See “Book-Entry Only System” herein. As long as the 2015A-1 Bonds are registered in the name of DTC or its nominee, Cede & Co., payments of the principal of, redemption premium, if any, and interest on the 2015A-1 Bonds, if any, will be paid directly to Cede & Co. by wire transfer by Wells Fargo Bank, N.A., Philadelphia, Pennsylvania, as Paying Agent (the “**Paying Agent**”), on each Interest Payment Date. While the book-entry only system is in effect, transfers and exchanges of the 2015A-1 Bonds will be effected through DTC’s book-entry system.

DTC may determine to discontinue providing its service with respect to the 2015A-1 Bonds at any time by giving notice to the Commission and discharging its responsibilities with respect thereto under applicable law, or the Commission may determine to discontinue the system of book-entry-only transfers through DTC (or a successor securities depository). Under such circumstances, 2015A-1 Bonds will be authenticated and delivered as provided in the Subordinate Indenture to the Beneficial Owners of the 2015A-1 Bonds, who shall then become the registered owners thereof.

Redemption of 2015A-1 Bonds

The 2015A-1 Bonds are subject to optional redemption and mandatory sinking fund redemption as set forth below.

Optional Redemption of 2015A-1 Bonds.

The 2015A-1 Bonds maturing on or after December 1, 2026, are subject to redemption prior to maturity at the option of the Commission at any time on or after December 1, 2025, as a whole or in part at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption of 2015A-1 Bonds.

The 2015A-1 Term Bonds maturing on December 1, 2027, December 1, 2030, December 1, 2035, December 1, 2038, December 1, 2041 and December 1, 2045 shall be subject to mandatory sinking fund redemption prior to maturity by the Commission in part on December 1 of the respective years and in the principal amounts each year set forth in the tables below, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date:

2015A-1 Term Bonds maturing December 1, 2027

<u>Year</u>	<u>Amount</u>
2026	\$530,000
2027*	545,000

* Final Maturity

2015A-1 Term Bonds maturing December 1, 2030

<u>Year</u>	<u>Amount</u>
2028	\$565,000
2029	580,000
2030*	600,000

* Final Maturity

2015A-1 Term Bonds maturing December 1, 2035

<u>Year</u>	<u>Amount</u>
2031	\$620,000
2032	645,000
2033	670,000
2034	695,000
2035*	725,000

* Final Maturity

2015A-1 Term Bonds maturing December 1, 2038

<u>Year</u>	<u>Amount</u>
2036	\$5,000,000
2037	5,750,000
2038*	6,645,000

* Final Maturity

2015A-1 Term Bonds maturing December 1, 2041

<u>Year</u>	<u>Amount</u>
2039	\$5,000,000
2040	5,000,000
2041*	5,000,000

* Final Maturity

2015A-1 Term Bonds maturing December 1, 2041

<u>Year</u>	<u>Amount</u>
2036	\$750,000
2037	9,655,000
2038	10,045,000
2039	10,440,000
2040	10,860,000
2041*	11,295,000

* Final Maturity

2015A-1 Term Bonds maturing December 1, 2045

<u>Year</u>	<u>Amount</u>
2039	\$7,310,000
2040	8,230,000
2041	10,245,000
2042	10,370,000
2043	11,355,000
2044	12,535,000
2045*	5,000,000

* Final Maturity

Selection of 2015A-1 Bonds to be Redeemed

Except as to any mandatory sinking fund redemption of 2015A-1 Bonds as described above, any partial redemption of the 2015A-1 Bonds may be in any order of maturity and in any principal amount within a Series, maturity and interest rate as designated by the Commission and, in the case of any 2015A-1 Bonds subject to mandatory redemption, the Commission shall be entitled to designate whether such payments shall be credited against principal amounts due at maturity or against particular scheduled mandatory redemption obligations with respect to such 2015A-1 Bonds.

The portion of any 2015A-1 Bond to be redeemed shall be an Authorized Denomination (as defined in the Subordinate Indenture) or any multiple thereof and in selecting 2015A-1 Bonds for redemption, each 2015A-1 Bond shall be considered as representing that number of 2015A-1 Bonds which is obtained by dividing the principal amount of such 2015A-1 Bond by the minimum Authorized Denomination (as defined in the Subordinate Indenture). If a portion of a 2015A-1 Bond shall be called for redemption, a new 2015A-1 Bond of the same maturity in principal amount equal to the unredeemed portion thereof shall be issued to the bondholder thereof upon the surrender of such 2015A-1 Bond. If for any reason the principal amount of 2015A-1 Bonds called for redemption would result in a redemption of 2015A-1 Bonds less than the Authorized Denomination (as defined in the Subordinate Indenture), the Trustee, to the extent possible within the principal amount of such bonds to be

redeemed, is authorized to adjust the selection of 2015A-1 Bonds for such purpose in order to minimize any such redemption.

So long as the 2015A-1 Bonds are issued as book-entry bonds through the Securities Depository, the particular bonds of any maturity and interest rate to be redeemed shall be selected by the Securities Depository in accordance with its stated procedures, or, otherwise, as determined by the Trustee by lot.

Notice of Redemption. The Trustee, at the expense of the Commission, shall send notice of any redemption, identifying the 2015A-1 Bonds to be redeemed, the redemption date and the method and place of payment and the information set forth in the following paragraph, by first class mail to each holder of a 2015A-1 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. While the 2015A-1 Bonds are in the book-entry-only system, the Trustee is only required to provide notice to the Securities Depository pursuant to its stated procedures.

In addition to the foregoing, the redemption notice shall contain with respect to each 2015A-1 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 2015A-1 Bonds. If a redemption is a Conditional Redemption (as defined hereinafter), the notice shall so state. The Trustee also shall send each notice of redemption to (i) any Rating Agency then rating the 2015A-1 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 2015A-1 Bonds, (iii) the Municipal Securities Rulemaking Board Electronic Municipal Market Access website and any similar entities which are required recipients by reason of continuing disclosure undertakings or regulatory requirements, such services to be identified by the Trustee and (iv) one or more other national information services that disseminate notices of redemption of bonds such as the 2015A-1 Bonds, such services to be identified by the Trustee.

In the case of an optional redemption of 2015A-1 Bonds, 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.

Purchase of 2015A-1 Bonds at Any Time. The Trustee, upon the written request of the Commission, shall purchase 2015A-1 Bonds as specified by the Commission in the open market at a price not exceeding the price specified by the Commission. Such purchase of 2015A-1 Bonds shall be made with funds available under the Subordinate Indenture or provided by the Commission in such written request. Upon purchase by the Trustee, such 2015A-1 Bonds shall be treated as delivered for cancellation under the terms of the Subordinate Indenture. Nothing in the Subordinate Indenture shall prevent the Commission from purchasing 2015A-1 Bonds in the open market without the involvement of the Trustee and delivering such 2015A-1 Bonds to the Trustee for cancellation under the Subordinate Indenture. The 2015A-1 Bonds purchased by the Commission and delivered to the Trustee under the terms of the Subordinate Indenture which are subject to a mandatory sinking fund redemption schedule may be credited against future mandatory sinking fund redemption payments. The principal amounts of 2015A-1 Bonds to be redeemed by optional redemption may be reduced by the principal amount of 2015A-1 Bonds purchased by the Commission and delivered to the Trustee for cancellation at least 15 days prior to the last date on which notice of redemption can be mailed.

2015A-2 Bonds

The 2015A-2 Bonds are being issued in the Term Rate Mode for an Interest Rate Period extending to December 1, 2018. The 2015A-2 Bonds shall bear interest at the Adjusted SIFMA Rate. The Adjusted SIFMA Rate shall equal the sum of the SIFMA Rate plus 0.80%. Notwithstanding the foregoing, (A) the Adjusted SIFMA Rate to be applicable to the 2015A-2 Bonds from the initial date of issuance of the 2015A-2 Bonds to and including the first Adjustment Date shall be as set forth in a certificate executed by the Representative and the Commission and delivered to the Trustee, and (B) the Adjusted SIFMA Rate shall in no event exceed an interest rate per annum equal

to the lesser of the maximum rate permitted by law and ten percent (10.0%) (the “*Maximum Rate*”) or be less than the minimum rate of 0.00%. The Adjusted SIFMA Rate shall be determined Wednesday of each week, or if such day is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day (each an “*Adjustment Date*”), based upon changes in the SIFMA Rate, as further described below. Such Adjusted SIFMA Rate shall be effective the immediately succeeding Thursday (the Rate Adjustment Date). Interest will be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be. The Adjusted SIFMA Rate shall never exceed the Maximum Rate and shall never be less than the minimum rate of 0.00%.

As provided in the Subordinate Indenture, the 2015A-2 Bonds are issuable in the form of registered bonds in the following Authorized Denominations (as defined in the Subordinate Indenture): (i) in a Commercial Paper Mode, Daily Mode or Weekly Mode (as each is defined in the Subordinate Indenture), \$100,000 and any integral multiple of \$5,000 in excess thereof and (ii) in a Term Rate Mode or Fixed Rate Mode, \$5,000 and any integral multiple thereof, provided, however, that if as a result of the change in the Mode from a Term Rate Mode to a Commercial Paper Mode, Daily Mode or Weekly Mode, it is not possible to deliver all the bonds required or permitted to be outstanding in a denomination permitted above, 2015A-2 Bonds may be delivered, to the extent necessary, in different denominations.

The “SIFMA Rate” means for any day the level of the most recently effective index rate which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association (SIFMA) and is issued on Wednesday of each week, or if any Wednesday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day. If such index is no longer published or otherwise not available, the SIFMA Rate for any day will mean the level of the “S&P Weekly High Grade Index” (formerly the J.J. Kenny Index) maintained by Standard & Poor’s Securities Evaluations Inc. for a 7-day maturity as published on the applicable Adjustment Date or most recently published prior to such Adjustment Date. If at any time, either index is not available, the Calculation Agent shall use instead an index that the Commission determines most closely approximates the SIFMA index described above.

“U.S. Government Securities Business Day” is defined as any day other than (a) a Saturday, a Sunday, or (b) a day on which the Securities Industry and Financial Markets Association (SIFMA) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities, or (c) a day on which the Calculation Agent (as defined below) is required or permitted by law to close.

Wells Fargo Bank, N.A. is acting as the initial Calculation Agent (the “*Calculation Agent*”) and the Tender Agent (the “*Tender Agent*”) with respect to the 2015A-2 Bonds. The initial Adjusted SIFMA Rate shall be set forth in a certificate executed by the Representative and the Commission and delivered to the Trustee based on the SIFMA Rate published on Wednesday, April 29, 2015, with the effective date being Thursday, April 30, 2015. Subsequently, the Adjusted SIFMA Rate shall adjust weekly on each Rate Adjustment Date, based upon the SIFMA Rate published on the Adjustment Date for such week, with the effective date for each adjustment of the Adjusted SIFMA Rate to be effective each Thursday. Upon determining the Adjusted SIFMA Rate for a given week, the Calculation Agent shall notify the Commission of such rate by electronic mail (e-mail) or by telephone or in such other manner as may be appropriate on the date of such determination, which notice, if provided by telephone, shall be promptly confirmed in writing. Such notice shall be provided by not later than 6:00 P.M. New York City time on the Adjustment Date.

The determination of the Adjusted SIFMA Rate (absent manifest error) shall be conclusive and binding upon the Commission, the Owners of the 2015A-2 Bonds, the Trustee and the Tender Agent. If for any reason the Adjusted SIFMA Rate shall not be established, the 2015A-2 Bonds shall bear interest at the Adjusted SIFMA Rate last in effect until such time as a new Adjusted SIFMA Rate shall be established.

Tender and Redemption Provisions for the 2015A-2 Bonds.

The 2015A-2 Bonds are subject to tender and redemption prior to maturity on such dates and at such prices as are set forth below.

Mandatory Tender for Purchase at End of each Term Rate Mode Interest Rate Period. The 2015A-2 Bonds are subject to mandatory tender for purchase on the Business Day after the last day of each Interest Rate Period (a “**Purchase Date**” (as defined in the Subordinate Indenture)) at the Purchase Price. The Initial Purchase Date (as defined in the Subordinate Indenture) for the 2015A-2 Bonds is December 1, 2018.

Mandatory Tender for Purchase at the Option of the Issuer. The 2015A-2 Bonds are subject to a mandatory tender for purchase at the option of the Commission (an “**Optional Purchase**”) at the Purchase Price on any Business Day which Business Day is no earlier than June 1, 2018 (the “**Optional Purchase Date**”).

Mandatory Tender for Purchase on any Mode Change Date. The 2015A-2 Bonds are subject to a mandatory tender for purchase on the Mode Change Date (as defined in the Subordinate Indenture) (which Mode Change Date shall not be prior to the earliest possible Optional Purchase Date) at the Purchase Price.

Mandatory Purchase Date and Purchase Price. The Purchase Date, the Optional Purchase Date and the Mode Change Date are each referred to herein as a “**Mandatory Purchase Date**.” The Purchase Price to be paid for the 2015A-2 Bonds on any Mandatory Purchase Date shall be the principal amount of such 2015A-2 Bonds. Each Mandatory Purchase Date is also an Interest Payment Date for the 2015A-2 Bonds and interest shall be paid in accordance with customary procedures.

No Owner's Right to Tender. The 2015A-2 Bonds are not subject to optional tender by the Owner.

Optional Redemption. The 2015A-2 Bonds are subject to redemption prior to maturity at the option of the Commission at any time on or after June 1, 2018, as a whole or in part at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The 2015A-2 Bonds are subject to mandatory sinking fund redemption, in part (in accordance with procedures of DTC, as long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper), on any December 1 on and after the first sinking fund installment date shown below at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof, from mandatory sinking fund installments that are required to be made in amounts sufficient to redeem on December 1 of each year the principal amount of such 2015A-2 Bonds shown below:

	2015A-2 Bonds	
	<u>2045 Term Bond</u>	
	Redemption Date	<u>Sinking Fund Installment</u>
	<u>December 1</u>	
First Payment	2031	\$3,330,000
	2032	3,330,000
	2033	3,330,000
	2034	3,330,000
	2035	3,330,000
	2036	3,330,000
	2037	3,330,000
	2038	3,330,000
	2039	3,330,000
	2040	3,330,000
	2041	3,330,000
	2042	3,330,000
	2043	3,330,000
	2044	3,330,000
* Final Maturity	2045*	3,380,000

Except as to any mandatory sinking fund redemption of 2015A-2 Bonds as described above, any partial redemption of the 2015A-2 Bonds may be in any order of maturity and interest rate and in any principal amount within a maturity and interest rate as designated in writing by the Commission, and in the case of any 2015A-2 Bonds subject to mandatory redemption, the Commission shall be entitled to designate whether such payments shall be credited against principal amounts due at maturity or against particular scheduled mandatory redemption obligations with respect to such 2015A-2 Bonds. The particular 2015A-2 Bonds within a maturity and interest rate to be redeemed shall be determined by the Trustee by lot.

Purchase of 2015A-2 Bonds at Any Time. The Trustee, upon the written request of the Commission, shall purchase 2015A-2 Bonds as specified by the Commission in the open market at a price not exceeding the price specified by the Commission. Such purchase of 2015A-2 Bonds shall be made with funds available under the Subordinate Indenture or provided by the Commission in such written request. Upon purchase by the Trustee, such 2015A-2 Bonds shall be treated as delivered for cancellation under the terms of the Subordinate Indenture. Nothing in the Subordinate Indenture shall prevent the Commission from purchasing 2015A-2 Bonds in the open market without the involvement of the Trustee and delivering such 2015A-2 Bonds to the Trustee for cancellation under the Subordinate Indenture. The 2015A-2 Bonds purchased by the Commission and delivered to the Trustee under the terms of the Subordinate Indenture which are subject to a mandatory sinking fund redemption schedule may be credited against future mandatory sinking fund redemption payments. The principal amounts of 2015A-2 Bonds to be redeemed by optional redemption may be reduced by the principal amount of 2015A-2 Bonds purchased by the Commission and delivered to the Trustee for cancellation at least 15 days prior to the last date on which notice of redemption can be mailed.

Notice of Mandatory Tender for Purchase. The Trustee shall, at least fifteen (15) days prior to any Mandatory Purchase Date, give notice to the Notice Parties of the mandatory tender for purchase of the 2015A-2 Bonds that is to occur on that date.

Notice of any mandatory tender of 2015A-2 Bonds shall be provided by the Trustee or caused to be provided by the Trustee by mailing a copy of the notice of mandatory tender by first-class mail to each Owner of 2015A-2 Bonds at the respective addresses shown on the registry books. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase and specify:

- the Mandatory Purchase Date,
- the Purchase Price,
- the place and manner of payment,
- that the Owner has no right to retain such 2015A-2 Bonds, and
- that no further interest will accrue from and after the Mandatory Purchase Date to such Owner.

Each notice of mandatory tender for purchase caused by a change in the Mode applicable to the 2015A-2 Bonds shall in addition specify the conditions that have to be satisfied pursuant to the Subordinate Indenture in order for the New Mode, as hereinafter defined, to become effective and the consequences that the failure to satisfy any of such conditions would have.

Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the Owner of any 2015A-2 Bonds receives the notice, and the failure of that Owner to receive any such notice shall not affect the validity of the action described in that notice. Failure by the Trustee to give a notice as provided under this caption would not affect the obligation of the Tender Agent to purchase the 2015A-2 Bonds subject to mandatory tender for purchase on the Mandatory Purchase Date.

Notice of Redemption. The Trustee, at the expense of the Commission, shall send notice of any redemption, identifying the 2015A-2 Bonds to be redeemed, the redemption date and the method and place of payment and the information set forth in the following paragraph, by first class mail to each holder of a 2015A-2 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. While the 2015A-2 Bonds are in the book-entry-only system, the Trustee is only required to provide notice to the Securities Depository pursuant to its stated procedures.

In addition to the foregoing, the redemption notice shall contain with respect to each 2015A-2 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 2015A-2 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 Agency then rating the 2015A-2 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 2015A-2 Bonds, (iii) the Municipal Securities Rulemaking Board Electronic Municipal Market Access website and any similar entities which are required recipients by reason of continuing disclosure undertakings or regulatory requirements, such services to be identified by the Trustee and (iv) one or more other national information services that disseminate notices of redemption of bonds such as the 2015A-2 Bonds, such services to be identified by the Trustee.

In the case of an optional redemption of 2015A-2 Bonds, the notice may state that such redemption is 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.

Redemption Process. If the Trustee gives an unconditional notice of redemption, then on the redemption date the 2015A-2 Bonds called for redemption will become due and payable. If the Trustee gives a conditional notice of redemption and holds money to pay the redemption price of the affected 2015A-2 Bonds, then on the redemption date the 2015A-2 Bonds called for redemption will become due and payable. In either case, if on the redemption date the Trustee holds money to pay the 2015A-2 Bonds called for redemption, thereafter, no interest will accrue on those 2015A-2 Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those 2015A-2 Bonds.

Changes in Mode

General. Subject to the terms of the Subordinate Indenture, any 2015A-2 Bonds may be changed to any other Mode at the times and in the manner as summarized below.

Notice of Intention to Change Mode. The Commission shall give written notice to the Notice Parties of its intention to effect a change in the Mode from the Term Rate Mode to another Mode (the "**New Mode**") specified in such written notice, together with the proposed effective date of that change in the Mode (the "**Mode Change Date**"). The notice shall be given at least 20 days prior to the Mode Change Date.

General Provisions Applying to Changes from Term Rate Mode to Another.

1. The Mode Change Date must be a Business Day, which is no earlier than the earliest date on which the 2015A-2 Bonds are subject to an Optional Purchase, as described above under "-Tender and Redemption Provisions for the 2015A-2 Bonds -Mandatory Tender for Purchase at the Option of the Issuer." All 2015A-2 Bonds must be in the same Mode. 2015A-2 Bonds converted to a Fixed Mode shall not be changed to any other Mode.
2. On or prior to the date the Commission provides the notice to the Notice Parties, the Commission shall deliver to the Trustee (with a copy to all other Notice Parties) a letter from Bond Counsel addressed to the Trustee to the effect that it expects to be able to deliver a Favorable Opinion of Bond Counsel on the Mode Change Date.
3. No change in Mode will become effective unless all conditions precedent thereto have been met and the following items shall have been delivered to the Trustee and the remarketing agent by 10:00 A.M., or such later time as is acceptable to the Commission, the Trustee and the remarketing agent, on the Mode Change Date:
 - except in certain cases of a change in Mode, a Favorable Opinion of Bond Counsel dated the Mode Change Date,

- unless the existing Tender Agency Agreement and remarketing agreements are effective on the Mode Change Date, a Tender Agency Agreement and a remarketing agreement if required for the New Mode,
 - a certificate of an authorized officer of the Tender Agent to the effect that all of the 2015A-2 Bonds tendered or deemed tendered, unless otherwise redeemed, have been purchased at a price at least equal to the principal amount thereof; and
 - in the case of a conversion to a Commercial Paper Mode, certain additional conditions are met as set forth in the Subordinate Indenture.
4. If all conditions to the Mode change are met, the Interest Rate Period for the New Mode shall commence on the Mode Change Date and the interest rate shall be determined by the remarketing agent.
 5. In the event the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and the 2015A-2 Bonds that are the subject of the Mode Change:
 - will be subject to mandatory tender for purchase;
 - will continue to be in the Term Rate Mode; and
 - will bear interest at a rate per annum equal to the Maximum Rate.

Rescission of Election to Change from One Mode to Another. The Commission may rescind any election by it to change Mode as described above prior to the Mode Change Date by giving written notice thereof to the Notice Parties prior to 10:00 A.M. on the Business Day preceding such Mode Change Date. If the Tender Agent receives notice of such rescission prior to the time the Tender Agent has given notice to the holders of the 2015A-2 Bonds, then such notice of change in Mode shall be of no force and effect. If the Tender Agent receives notice from the Commission of rescission of a Mode Change Date after the Tender Agent has given notice thereof to the holders of the 2015A-2 Bonds, then if the proposed Mode Change Date would have been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date.

Future Remarketing or Refunding of 2015A-2 Bonds

The Commission currently plans to remarket or refund the 2015A-2 Bonds on or before the Purchase Date, and apply the proceeds of such remarketing or refunding to pay the Purchase Price of such 2015A-2 Bonds.

Source of Funds for Purchase of 2015A-2 Bonds

On or before 2:30 p.m. on each Mandatory Purchase Date, the Tender Agent shall purchase the 2015A-2 Bonds from the Owners at the Purchase Price. Funds for the payment of such Purchase Price shall be derived solely from immediately available funds transferred by the remarketing agent to the Tender Agent derived from the remarketing of 2015A-2 Bonds.

Notwithstanding the foregoing, the Commission shall have the option, but shall not be obligated, to transfer immediately available funds to the Tender Agent for the payment of the Purchase Price of any 2015A-2 Bonds tendered or deemed tendered as described in this Official Statement and the Purchase Price of which is not paid on the Mandatory Purchase Date. None of the Commission, the Trustee, the Tender Agent nor the remarketing agent shall have any liability or obligation to pay or, except from the sources identified above, make available such Purchase Price. The failure to pay any such Purchase Price for 2015A-2 Bonds that have been tendered or deemed tendered for purchase from any of the sources identified above shall not constitute an Event of Default under the Subordinate Indenture and in the case of such failure, none of such 2015A-2 Bonds shall be purchased and such 2015A-2 Bonds shall remain in the Term Rate Mode and bear interest at the Maximum Rate. See “-Consequences of a Failed Remarketing.”

Delivery of Remarketed 2015A-2 Bonds

Except as otherwise required or permitted by DTC's book-entry-only system of the Securities Depository, remarketed 2015A-2 Bonds sold by a remarketing agent shall be delivered by the remarketing agent to the purchasers of those Remarketed Bonds by 3:00 p.m. on the Mandatory Purchase Date.

Delivery and Payment for Purchased 2015A-2 Bonds; Undelivered 2015A-2 Bonds

Except as otherwise required or permitted by the book-entry-only system of the Securities Depository, remarketed 2015A-2 Bonds purchased as set forth above shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Mandatory Purchase Date at the office of the Tender Agent in New York, New York; provided, however, that payment of the Purchase Price of any remarketed 2015A-2 Bonds in the Daily Mode or Weekly Mode (as such terms are defined in the Subordinate Indenture) purchased shall be made only if such 2015A-2 Bonds so delivered to the Tender Agent conform in all respects to the description thereof in the notice of tender. Payment of the Purchase Price shall be made by wire transfer in immediately available funds by the Tender Agent by the close of business on the Mandatory Purchase Date or, if the bondholder has not provided or caused to be provided wire transfer instructions, by check mailed to the bondholder at the address appearing in the books required to be kept by the Trustee pursuant to the Subordinate Indenture. If 2015A-2 Bonds to be purchased are not delivered by the bondholders to the Tender Agent by 12:00 noon on the Mandatory Purchase Date, the Tender Agent shall hold any funds received for the purchase of those 2015A-2 Bonds in trust in a separate account uninvested, and shall pay such funds to the former bondholders upon presentation of the 2015A-2 Bonds subject to tender. Undelivered 2015A-2 Bonds are deemed tendered and cease to accrue interest as to the former bondholders on the Mandatory Purchase Date if moneys representing the Purchase Price shall be available against delivery of those 2015A-2 Bonds at the Principal Office of the Tender Agent; provided, however, that any funds so held by the Tender Agent that remain unclaimed by the former holder of any such 2015A-2 Bonds not presented for purchase for a period of two years after delivery of such funds to the Tender Agent shall, to the extent permitted by law, upon request in writing by the Commission and the furnishing of security or indemnity to the Tender Agent's satisfaction, be paid to the Commission free of any trust or lien and thereafter the former holder of such 2015A-2 Bonds shall look only to the Commission and then only to the extent of the amounts so received by the Commission without any interest thereon and the Tender Agent shall have no further responsibility with respect to such moneys or payment of the Purchase Price of such 2015A-2 Bonds. The Tender Agent shall authenticate a replacement 2015A-2 Bonds for any undelivered 2015A-2 Bonds which may then be remarketed by the remarketing agent.

Consequences of a Failed Remarketing

In the event that remarketing proceeds are insufficient to pay the purchase price of all Outstanding 2015A-2 Bonds on the applicable Mandatory Purchase Date, (1) no purchase shall be consummated on such Mandatory Purchase Date and the Tender Agent shall, after any applicable grace period, (a) return all tendered 2015A-2 Bonds to the registered owners thereof and (b) return all remarketing proceeds to the remarketing agent for return to the persons providing such moneys; and (2) the 2015A-2 Bonds will bear interest at the rate equal to the Maximum Rate during the period of time from and including the applicable Mandatory Purchase Date to (but not including) the date that all such 2015A-2 Bonds are successfully remarketed (the "*Delayed Remarketing Period*").

On each Business Day following the failed remarketing on the applicable Mandatory Purchase Date, the remarketing agent shall continue to use its best efforts to remarket the 2015A-2 Bonds into a Mode and at a rate determined by the Commission, which rate may or may not exceed the Maximum Rate (or such other Mode as the Trustee, at the direction of the Commission, shall thereafter designate to the remarketing agent and the prospective owners thereof). Once the remarketing agent has advised the Trustee that it has a good faith belief that it is able to remarket all of the 2015A-2 Bonds, the Trustee, at the direction of the Commission, will give notice by mail to the registered owners of such 2015A-2 Bonds not later than five Business Days prior to the purchase date, which notice will state (1) that the interest rate on such 2015A-2 Bonds will continue to be a Term Rate or will be adjusted to a Daily Rate, Weekly Rate or Fixed Rate or to the interest rates and Interest Rate Periods applicable in the Commercial Paper Mode on and after the purchase date; (2) that such 2015A-2 Bonds will be subject to mandatory tender for purchase on the purchase date; (3) the procedures for such mandatory tender; (4) the purchase price of such 2015A-2 Bonds on the purchase date (expressed as a percentage of the principal amount thereof); and (5) the consequences of a failed remarketing.

During the Delayed Remarketing Period, the Trustee may, upon written direction of the Commission, apply available amounts to the redemption of the 2015A-2 Bonds as a whole or in part on any Business Day during the Delayed Remarketing Period, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium. Notice of redemption shall be provided at least five Business Days prior to the date fixed for redemption.

During the Delayed Remarketing Period, interest on such 2015A-2 Bonds shall be paid to the registered owners thereof (i) on the first Business Day of each month occurring during the Delayed Remarketing Period and (ii) on the last day of the Delayed Remarketing Period. Payment of such interest shall be made by the Trustee from the Debt Service Fund pursuant to the Subordinate Indenture.

During any Delayed Remarketing Period, pursuant to its plan of financing, the Commission currently expects to use its best efforts to cause the remarketing agent to remarket such 2015A-2 Bonds, to convert such 2015A-2 Bonds to another Mode or another Interest Rate Period or to refund such 2015A-2 Bonds, subject to market conditions and the determination of a rate and structure acceptable to the Commission at that time.

Registration, Transfer and Exchange

The Trustee shall act as initial registrar for the 2015A Bonds (the “**Bond Registrar**”) and in such capacity shall maintain a register (the “**Bond Register**”) for the registration and transfer of 2015A Bonds. Upon surrender of any 2015A Bonds at the designated office of the Trustee, as the Bond Registrar, together with an assignment duly executed by the current holder of such 2015A Bonds or such holder’s duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, such 2015A Bonds may, at the option of the holder, be exchanged for an equal aggregate principal amount of 2015A Bonds of the same Series, of the same maturity, of Authorized Denominations (as defined in the Subordinate Indenture) and bearing interest at the same rate and in the same form as the 2015A Bonds surrendered for exchange, registered in the name or names designated on the assignment. The Commission shall execute and the Trustee shall authenticate any 2015A Bonds whose execution and authentication is necessary to provide for exchange of 2015A Bonds and the Commission may rely on a representation from the Trustee that such execution is required.

As long as the 2015A Bonds are “Book Entry Bonds” (as described in Article IV of the Supplemental Subordinate Indenture No. 18), the Trustee shall follow the procedures of the Securities Depository with respect to the transfer or exchange of the 2015A Bonds. At such time as the 2015A Bonds are no longer Book Entry Bonds, the Trustee shall not be required to exchange or register the transfer of Bonds after giving notice calling such Bond for redemption, in whole or in part.

The Trustee may make a charge to any 2015A Bondholder requesting any 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 2015A Bond delivered upon such exchange or transfer, which charge or charges shall be paid before any new 2015A Bond shall be delivered.

Prior to due presentment for registration of transfer of any of the Bond, the Trustee shall treat the Person shown on the Bond Register as owning a 2015A Bond as the 2015A Bondholder and the Person exclusively entitled to payment of principal thereof, redemption premium, if any, and interest thereon, if any, and, except as otherwise expressly provided herein, 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.

The Subordinate Indenture, and all provisions thereof, are incorporated by reference in the text of the 2015A Bonds, and the 2015A Bonds provide that each registered owner, Beneficial Owner, Participant or Indirect Participant (as each is defined below) by acceptance of a 2015A 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 2015A Bond.

Book-Entry Only System

The Depository Trust Company (“**DTC**”), New York, New York, will act as securities depository for the 2015A Bonds. The 2015A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2015 Bond certificate will be issued in the aggregate principal amount of each maturity of each Series and Sub-Series of the 2015A Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 120 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of 2015A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2015A Bonds, except in the event that use of the book-entry system for the 2015A Bonds is discontinued.

To facilitate subsequent transfers, all 2015A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2015A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2015A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2015A Bonds, such as redemptions, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2015A Bonds may wish to ascertain that the nominee holding the 2015A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2015A Bonds within a Series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2015A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. 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 2015A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the 2015A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Commission or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. 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 (nor its nominee), the Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2015A Bonds at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2015A Bond certificates are required to be printed and delivered.

The Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2015A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters, the Trustee or the Commission.

NEITHER THE COMMISSION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DIRECT PARTICIPANT, OR BY ANY DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BOOK-ENTRY 2015A BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DIRECT PARTICIPANT, OR BY ANY DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE SUBORDINATE INDENTURE TO BE GIVEN TO HOLDERS OR OWNERS OF BOOK-ENTRY 2015A BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BOOK-ENTRY 2015A BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BOOK-ENTRY 2015A BONDS.

In the event that the Book-Entry Only System is discontinued and the Beneficial Owners become Registered Owners of the 2015A Bonds, the 2015A Bonds will be transferable in accordance with the provisions of the Subordinate Indenture.

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PENNSYLVANIA TURNPIKE SYSTEM

The following provides a general description of the Pennsylvania Turnpike System and certain other information relating to operations of the Commission. Such information is not complete and is qualified by reference to the more complete information set forth in APPENDIX A hereto.

The present Pennsylvania Turnpike System is composed of the following: (i) the 359 mile Turnpike Mainline traversing the southern portion of Pennsylvania from east to west; (ii) the 110 mile north-south section identified as the Northeast Extension; (iii) the approximately 16 mile north-south connection, known as the Beaver Valley Expressway which intersects the Turnpike Mainline in the southwestern portion of the Commonwealth; (iv) the approximately 13 mile Amos K. Hutchinson Bypass, which adjoins the Turnpike Mainline near the New Stanton Interchange; (v) completed segments of the Mon/Fayette Expressway project totaling approximately 48 miles; and (vi) a six mile Southern Beltway project from PA 60 to US 22, near the Greater Pittsburgh International Airport. Such roads, together with any other roads for which the Commission has operational responsibility and is collecting Tolls (as defined below), presently constitute the “**System**.”

The Turnpike Mainline connects with the Ohio Turnpike at its western terminus and with the New Jersey Turnpike at its eastern terminus. The Turnpike Mainline commences on the eastern boundary of Pennsylvania at the Delaware River Bridge which connects the System to the New Jersey Turnpike. The Turnpike Mainline 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 System has a total of 67 interchanges which connect it with major arteries and population centers in its 552 mile traffic corridor. Thirty-two of the interchanges are located on the Turnpike Mainline, including barriers at the New Jersey and Ohio state lines, and 10 interchanges are situated on the Northeast Extension. The additional 25 interchanges are located on the three extensions previously noted. There are 17 service plazas along the System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. Compressed natural gas refueling and electric recharging services are now available at select locations along the System.

Revenue Sources of the Commission

The Commission’s revenues are principally derived from three separate sources: toll revenues from the operation of the System, revenue derived from a portion of the Commonwealth’s Oil Franchise Tax and revenue derived from a portion of the Commonwealth’s vehicle registration fee revenues.

Tolls. The largest part of the Commission’s revenues is derived from the collection of all rates, rents, fees, charges, fines or other income derived by the Commission from the vehicular usage of the System and all rights to receive the same (as defined in the Senior Indenture, collectively the “**Tolls**”). The Tolls are pledged to secure the Commission’s outstanding turnpike revenue bonds issued under the Senior Indenture (collectively, the “**Turnpike Revenue Bonds**”) and other parity obligations under the Senior Indenture (including certain interest rate swap agreements), which are subject to or may be issued under the terms of the Senior Indenture. Currently \$3,773,275,000 in aggregate principal amount of fixed and variable rate Turnpike Revenue Bonds are Outstanding under the Senior Indenture. Other obligations issued and Outstanding under the Senior Indenture include the Commission’s obligations under various interest rate swap agreements having a total current notional amount of \$1,129,129,000, as well as obligations under various letter of credit reimbursement agreements and standby bond purchase agreements relating to outstanding variable rate Turnpike Revenue Bonds. See APPENDIX A — “THE PENNSYLVANIA TURNPIKE COMMISSION — CERTAIN FINANCIAL INFORMATION.” The Tolls are not pledged to secure the Subordinate Revenue Bonds, the Special Revenue Bonds, the Oil Franchise Tax Revenue Bonds (as defined below) and the Registration Fee Revenue Bonds (as defined below). Certain payments made from moneys in the General Reserve Fund which are derived from Tolls are, however, pledged on a wholly subordinate basis to secure payments due on Subordinate Revenue Bonds and Special Revenue Bonds, including the 2015A Bonds.

Since 2009, the Commission has implemented annual increases in toll rates and other charges, as well as modifications to its commercial discounts, and expects to continue to implement future toll increases as determined

by the Commission to be necessary to meet the then existing debt, capital and operational obligations of the Commission, including its payment obligations under Act 44 and Act 89. For a discussion of the Commission's revenue sources, including current rates, tolls and toll increases, see APPENDIX A — "THE PENNSYLVANIA TURNPIKE COMMISSION — CERTAIN FINANCIAL INFORMATION — Revenue Sources of the Commission," and "— Toll Schedule and Rates."

The Commission is permitted under the terms of the Senior Indenture to exclude certain roads, other than the Turnpike Mainline and the Northeast Extension, from the System for the purposes of the Senior Indenture which would eliminate toll revenues from such roads from the definition of Tolls under the Senior Indenture. However, the Commission currently has no plans to remove any roads from the System. In addition, under the Senior Indenture, the Commission has covenanted that it will not sell, lease or otherwise dispose of real estate or personal property comprising a portion of the System except upon compliance with the provisions of the Senior Indenture, including a determination by resolution that the Net Revenues of the Commission will not be materially adversely affected. The Commission from time to time may consider various proposals that could involve the transfer or other disposition of Commission property. Any such transfer or disposition would be required to comply with the provisions of the Senior Indenture.

Oil Franchise Tax Revenues. 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***") allocated by statute to the Commission or the holders of the Commission's Oil Franchise Tax Revenue Bonds (the "***Oil Franchise Tax Revenue Bonds***"), \$734,605,016.20 of which are currently issued and outstanding (including compounded amounts as of December 1, 2014 for capital appreciation bonds). The Oil Franchise Tax Revenue Bonds, the proceeds of which were spent on portions of the Mon/Fayette Expressway and the Southern Beltway, are secured solely by Oil Franchise Tax Revenues. **The Oil Franchise Tax Revenues are not pledged to secure the 2015A Bonds, other Subordinate Revenue Bonds or Special Revenue Bonds, the Turnpike Revenue Bonds or the Registration Fee Revenue Bonds.**

Registration Fee Revenues. The Commission's third principal stream of revenues consists of that portion of the Commonwealth's vehicle registration fee revenues (the "***Registration Fee Revenues***") allocated by statute to the Commission or the holders of any of the Commission's Registration Fee Revenue Bonds (the "***Registration Fee Revenue Bonds***"), \$409,880,000 of which are currently issued and outstanding. The Registration Fee Revenue Bonds, the proceeds of which were spent on portions of the Mon/Fayette Expressway and the Southern Beltway, are secured by Registration Fee Revenues. Registration Fee Revenue Bonds are to be paid solely from the Registration Fee Revenues. **The Registration Fee Revenues are not pledged to secure the 2015A Bonds, other Subordinate Revenue Bonds or Special Revenue Bonds, the Turnpike Revenue Bonds or the Oil Franchise Tax Revenue Bonds.**

Neither the Turnpike Revenue Bonds, the Oil Franchise Tax Revenue Bonds nor the Registration Fee Revenue Bonds are secured by or have any interest in the Trust Estate.

Recent Pennsylvania Legislation Affecting Transportation Funding

The Pennsylvania legislature enacted comprehensive transportation legislation in 2013 Act 89, which, among other things, made significant changes to the Commission's funding obligations under Act 44. For a discussion of such legislative changes under Act 89 and their impact on Act 44 and the Commission generally, see APPENDIX A — "THE PENNSYLVANIA TURNPIKE COMMISSION — THE COMMISSION."

Traffic and Revenue Study

Attached hereto as APPENDIX G is the Pennsylvania Turnpike 2015 Traffic and Revenue Forecast Study (the "***2015 Traffic Study***") prepared by CDM Smith. The 2015 Traffic Study, which should be reviewed in its entirety, updates the study conducted by CDM Smith (formerly Wilbur Smith Associates) in March 2012 (the "***2012 Traffic Study***"), together with "bring down" letters developed by CDM Smith in March 2013 and February 2014, updating forecasts developed in the 2012 Traffic Study.

Total adjusted gross toll revenue is estimated to increase from \$860.4 million in Fiscal Year 2013-14 to \$4.1 billion by Fiscal Year 2043-44, representing 5.4% annualized growth. Traffic data for the Fiscal Year ended May 31, 2014 indicates a 6.2% increase in adjusted gross toll revenue, with an increase in traffic volume of 0.4%, as compared to the same period in Fiscal Year 2012-13. Improving economic conditions and gasoline price declines have positively impacted traffic volumes and revenue for the first 8 months of Fiscal Year 2014-2015 compared to the same period in Fiscal Year 2013-2014. Preliminary unaudited traffic data for the nine months of Fiscal Year 2015, ended February 28, indicates a 8.3% increase in adjusted gross toll revenue, with an increase in traffic volume of 2.1%, as compared to the same period in Fiscal Year 2014. See APPENDIX A, “THE PENNSYLVANIA TURNPIKE COMMISSION—CERTAIN FINANCIAL INFORMATION – Five-Year Financial History.” The Traffic Study should be read in its entirety for a full description of the assumptions and methodologies used to develop such forecasts. The Commission believes that it will have sufficient revenue to meet the debt, capital and operational obligations of the Commission in future years. See “CERTAIN RISK FACTORS” and APPENDIX F – “TRAFFIC AND REVENUE STUDY.”

PLAN OF FINANCING

The 2015A Bonds are being issued to provide funds, together with an equity contribution of \$15,000,000 by the Commission, to finance the costs of the 2015A Projects.

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**ESTIMATED SOURCES AND USES OF FUNDS
FOR 2015A BONDS**

	<u>2015A Bonds</u>
Sources:	
Par Amount of Bonds	\$259,010,000.00
Net Original Issue Premium	18,368,833.25
Equity Contribution of Commission	<u>15,000,000.00</u>
Total Sources	<u>\$292,378,833.25</u>
Uses:	
Act 44 and Act 89 Payments ¹	\$225,000,000.00
Escrow Deposit Agreement Deposit	55,659,713.27
Deposit to Debt Service Reserve Fund Related to 2015A-1 Bonds	7,766,169.00
Deposit to Debt Service Fund on account of Capitalized Interest on the 2015A-1 Bonds	2,401,777.25
Costs of Issuance ²	<u>1,551,173.73</u>
Total Uses	<u>\$292,378,833.25</u>

¹ Includes the \$15,000,000 Commission equity contribution being provided to make that portion of the Act 44/Act 89 payments not being financed with proceeds of the 2015A Bonds.

² Includes underwriters' discount, fees and expenses of co-bond counsel, disclosure counsel and counsel to the underwriters, rating agency fees, printing expenses, verification agent, fees and expenses of the financial advisor, trustee fees, and other miscellaneous costs and expenses.

SECURITY FOR THE 2015A BONDS

2015A Bonds — General

The 2015A Bonds are limited obligations of the Commission. The 2015A Bonds will be secured, along with the Commission's Outstanding Subordinate Revenue Bonds Parity Obligations under the Subordinate Indenture, except as otherwise noted below, by the pledge by the Commission to the Trustee of (1) the Commission Payments (as described below), (2) all monies deposited into accounts or funds (other than the Rebate Fund), created by the Subordinate Indenture and held by or on behalf of the Trustee, (3) any insurance proceeds and other moneys required to be deposited therein, (4) all payments received by the Commission pursuant to Parity Swap Agreements and (5) all investment earnings on all moneys held in accounts and funds established by the Subordinate Indenture (collectively, the "*Trust Estate*"). "*Commission Payments*" consist of certain payments made by the Commission from funds on deposit in the General Reserve Fund established under the Senior Indenture to the extent such funds may be released from the General Reserve Fund in accordance with the terms of the Senior Indenture. The Subordinate Indenture does not create a lien on the General Reserve Fund. Under the Senior Indenture, holders of the Senior Indenture Parity Obligations are granted a lien on the Tolls, certain other revenues and funds established under the Senior Indenture, including the General Reserve Fund, and pledged by the Commission as part of the Senior Trust Estate (as defined in APPENDIX E). The Subordinate Indenture does not create any lien on Tolls, other revenues and funds established under the Senior Indenture. See "SECURITY FOR THE 2015A BONDS — Commission Payments" below.

The Subordinate Indenture further provides that the Commission may not issue Additional Subordinate Indenture Bonds nor incur other Parity Obligations except upon satisfaction of various requirements as expressly provided in the Subordinate Indenture. See "SUBORDINATE INDENTURE — ADDITIONAL SUBORDINATE INDENTURE BONDS" and "—APPROVED AND PARITY SWAP OBLIGATIONS" in APPENDIX C.

The 2015A-1 Bonds are Debt Service Reserve Fund Bonds for the purpose of the Subordinate Indenture and, accordingly, are secured by money on deposit in the Debt Service Reserve Fund. Upon the issuance of the 2015A-1 Bonds and the deposit of a portion of the proceeds thereof to the Debt Service Reserve Fund, the money on deposit in such Fund will equal the Debt Service Reserve Fund Requirement with respect to all outstanding Debt Service Reserve Fund Bonds, including the 2015A-1 Bonds. The 2015A-2 Bonds are not Debt Service Reserve Fund Bonds and, accordingly, are not secured by moneys in the Debt Service Reserve Fund.

Limitation

TOLL REVENUES, OIL FRANCHISE TAX REVENUES AND REGISTRATION FEE REVENUES AS WELL AS OTHER SOURCES OF THE COMMISSION'S REVENUES ARE NOT PLEDGED UNDER THE SUBORDINATE INDENTURE AS PART OF THE TRUST ESTATE. THE TRUST ESTATE IS LIMITED TO FUNDS AVAILABLE AND TRANSFERRED TO THE TRUSTEE FROM THE GENERAL RESERVE FUND UNDER THE SENIOR INDENTURE AND CERTAIN OTHER AMOUNTS ON DEPOSIT WITH THE TRUSTEE. THE TRUST ESTATE AS DEFINED IN THE SUBORDINATE INDENTURE ALSO EXCLUDES ALL MONIES HELD IN THE REBATE FUND ESTABLISHED UNDER THE SUBORDINATE INDENTURE.

THE 2015A BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION AND SHALL NOT BE DEEMED TO BE A DEBT OF THE COMMONWEALTH OR A PLEDGE OF THE FULL 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 2015A BONDS. THE COMMISSION HAS NO TAXING POWER.

Senior Revenue Bonds and Other Senior Parity Obligations

The Commission has previously issued Senior Revenue Bonds under the Senior Indenture, \$3,773,275,000 of which are currently outstanding. Under the terms of the Senior Indenture the Commission may issue additional Senior Revenue Bonds. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST DUE AND PAYABLE ON ALL SUCH SENIOR REVENUE BONDS WILL BE PAID PRIOR TO THE PAYMENT OF COMMISSION PAYMENTS WITH RESPECT TO THE SUBORDINATE INDENTURE BONDS, INCLUDING THE 2015A Bonds. See "Commission Payments" below.

In addition to the Outstanding Senior Revenue Bonds, the Commission has entered into various interest rate exchange agreements with an outstanding notional amount of \$1,129,129,000, that constitute Senior Indenture Parity Swap Agreements (as defined in APPENDIX E) under the Senior Indenture. Under the terms of the Senior Indenture, amounts payable under Senior Indenture Parity Swap Agreements, including certain termination payments, are secured on a parity with the Senior Revenue Bonds by the Senior Trust Estate. Under the terms of the Senior Indenture, the Commission may enter into additional Senior Indenture Parity Swap Agreements. ALL AMOUNTS PAYABLE UNDER ALL SUCH SENIOR PARITY SWAP AGREEMENTS, INCLUDING CERTAIN TERMINATION PAYMENTS, WILL BE PAID PRIOR TO THE PAYMENT OF COMMISSION PAYMENTS WITH RESPECT TO THE SUBORDINATE INDENTURE BONDS, INCLUDING THE 2015A Bonds. See "Commission Payments" below, and "THE PENNSYLVANIA TURNPIKE – CERTAIN FINANCIAL INFORMATION - Financial Policies and Guidelines" in APPENDIX A.

Subordinate Revenue Bonds

Act 44 authorizes the Commission to issue bonds for the purpose of paying costs of PennDOT and bond-related expenses. Proceeds of such bonds may be applied toward the satisfaction of the Commission's annual payment obligations to PennDOT under the Amended Funding Agreement (as such term is defined in the Subordinate Indenture). Upon the issuance of the 2015A Bonds, the Commission will have \$4,202,128,297.05 of Subordinate Revenue Bonds outstanding under the Subordinate Indenture (including compounded amounts as of December 1, 2014 for capital appreciation bonds). Upon the fulfillment of conditions set forth in the Subordinate Indenture, the Commission may issue additional Subordinate Revenue Bonds under the terms of the Subordinate Indenture which will have an equal claim to the Trust Estate with the 2015A Bonds. However, all such additional Subordinate Revenue Bonds issued under the terms of the Subordinate Indenture shall be subordinate to the payment

of all Senior Indenture Parity Obligations issued pursuant to the Senior Indenture. See APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE."

Special Revenue Bonds

Under Act 44, the Commission is authorized to issue Special Revenue Bonds (as defined in §9511.2 of Act 44) up to an aggregate principal amount of \$5 billion (not to exceed \$600 million per year), exclusive of original issue discount, for the purpose of paying bond-related expenses and costs of PennDOT (specifically, highway, bridge and other capital projects). As of December 1, 2014, the Commission had \$976,555,620.20 of Special Revenue Bonds outstanding under the Subordinate Indenture (including compounded amounts as of December 1, 2014 for outstanding capital appreciation bonds). Special Revenue Bonds are subordinate to Subordinate Revenue Bonds (including the 2015A Bonds) with respect to the Trust Estate, including Commission Payments, except with respect to the Special Revenue Bonds Receipts Account and the Special Revenue Bonds Funded Debt Service Sub-Account, all as further provided in the Subordinate Indenture. The Commission may issue additional Special Revenue Bonds under the Subordinate Indenture, which additional Special Revenue Bonds would be subordinate to the Subordinate Revenue Bonds but on parity with other Special Revenue Bonds Parity Obligations. In the event the Commission does not make a required deposit for payments of debt service on Special Revenue Bonds with the Trustee, such deposit is to be made from funds available for such purpose on deposit in the Commonwealth's Motor License Fund. The Commonwealth has no obligation to provide any funds, other than available funds on deposit in the Motor License Fund, for the payment of any Special Revenue Bonds. Pursuant to Act 89, Special Revenue Bonds may not be issued by the Commission to fund any portion of its annual payment obligation to PennDOT that commenced on or after July 1, 2014, although Special Revenue Bonds may be issued for refunding purposes. The Commission may issue additional Special Revenue Bonds to fund any portion of its annual payment obligations that became due prior to July 1, 2014. See "THE PENNSYLVANIA TURNPIKE COMMISSION – THE COMMISSION - Act 44 – Statutory Limitations on the Incurrence of Special Revenue Bonds" in APPENDIX A for a more detailed discussion of Special Revenue Bonds and the Commission's reimbursement obligations related to withdrawals from the Motor License Fund.

Parity Swap Agreements

In addition to additional Subordinate Revenue Bonds and Special Revenue Bonds, the Commission is authorized under the terms of the Subordinate Indenture to enter into various interest rate exchange agreements that will constitute Parity Swap Agreements under the Subordinate Indenture. The Commission has not entered into any such Parity Swap Agreements under the Subordinate Indenture. Under the terms of the Subordinate Indenture, amounts payable under Parity Swap Agreements entered into by the Commission, including certain termination payments, may be secured on a parity with Subordinate Revenue Bonds, including the 2015A Bonds. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE."

Obligations Secured by Other Revenue Sources

The Commission has previously issued Oil Franchise Tax Revenue Bonds, \$734,605,016.20 of which are currently issued and outstanding (including compounded amounts as of December 1, 2014 for capital appreciation bonds), and Registration Fee Revenue Bonds, \$409,880,000 in aggregate principal amount of which are currently outstanding. The Commission has entered into various interest rate exchange agreements with respect to certain Oil Franchise Tax Revenue Bonds and Registration Fee Revenue Bonds with an aggregate outstanding notional amount of \$631,425,000. See APPENDIX A — "THE PENNSYLVANIA TURNPIKE COMMISSION — CERTAIN FINANCIAL INFORMATION - Financial Policies and Guidelines - Disclosure and Financial Reporting." Neither the Oil Franchise Tax Revenue Bonds nor the Registration Fee Revenue Bonds are secured by or have any interest in the Trust Estate under the Subordinate Indenture. Furthermore, neither the Oil Franchise Tax Revenues nor the Registration Fee Revenues are pledged to secure the 2015A Bonds, other Subordinate Revenue Bonds or Special Revenue Bonds or the Senior Indenture Parity Obligations.

Rate Covenant

The Commission has agreed in the Subordinate 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 the sum required by the Senior Indenture and, in addition, so that the amount paid into the General Reserve Fund of the Senior Indenture in each Fiscal Year and for each Commission Payment, will at all times (after deducting any liquidity reserve or other required holdback or deposit then in effect, whether by contract or other management policy or procedure) be at least sufficient to provide funds in an amount not less than (i) 115% of the Annual Debt Service for such Fiscal Year on account of all Outstanding Subordinate Revenue Bonds and Subordinate Revenue Bonds Parity Obligations, plus (ii) 100% of the Annual Debt Service for such Fiscal Year on account of all Outstanding Special Revenue Bonds, Special Revenue Bonds Parity Obligations and Subordinated Indebtedness, plus (iii) any payment by the Commission required by the Subordinate Indenture for restoring any deficiency in the Debt Service Reserve Fund within an eighteen (18) month period (the “*Rate Covenant*”).

The Commission Payments made from the Senior Trustee to the Trustee are based on the coverage levels established by the Rate Covenant described above; therefore, in each Fiscal Year the Commission has covenanted to transfer Commission Payments in amounts sufficient to meet its Rate Covenant as described above. Notwithstanding the provisions of the Rate Covenant, however, any balance in the General Reserve Fund which a Commission Official determines to be in excess of the amount required to be reserved therein for future transfers to the Senior Indenture Debt Service Fund (as herein defined) is available to make Commission Payments to the Trustee for the payment of Debt Service on Outstanding Subordinate Revenue Bonds and Subordinate Revenue Bonds Parity Obligations as well as Outstanding Special Revenue Bonds, Special Revenue Bonds Parity Obligations and other Subordinated Indebtedness. See “SECURITY FOR THE 2015A BONDS — Certain Provisions of the Senior Indenture,” “SECURITY FOR THE 2015A BONDS — Commission Payments” and APPENDIX A — “THE PENNSYLVANIA TURNPIKE COMMISSION — THE COMMISSION — Enabling Acts - Act 44 and the Act 44 Funding Agreement, Act 89 and Payments to PennDOT for Roads, Bridges and Transit.”

The Commission’s failure to meet the Rate Covenant shall not constitute an Event of Default under the Subordinate Indenture if (i) no Event of Default under the Subordinate Indenture 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 (as defined therein) 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 Subordinate Indenture to the contrary notwithstanding, if the Commission shall comply with the recommendations of the Consultant in respect of Tolls to the extent permitted by law, it will not constitute an Event of Default under the provisions of the Subordinate Indenture if the Commission fails to meet the Rate Covenant during the succeeding Fiscal Year as long as no Event of Default under the Subordinate Indenture has occurred in debt service payments. If the Commission does not comply with the recommendations of the Consultant (as defined in APPENDIX E) in respect of Tolls, the Trustee may, and upon the request of the holders of not less than 25% in principal amount of the Subordinate Indenture Bonds of any Class 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 sixty (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 has covenanted 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 ability of the Commission to collect Tolls in an amount sufficient to comply with the Rate Covenant could be adversely affected by many factors, some of which are beyond the Commission’s control. See “CERTAIN

RISK FACTORS” and APPENDIX A — “THE PENNSYLVANIA TURNPIKE COMMISSION — CERTAIN FINANCIAL INFORMATION — Toll Schedule and Rates.”

The Commission has agreed in the Senior 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, 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 Senior Indenture, which includes, among others, for operational or safety reasons including, but not limited to, reasons arising out of a work stoppage, work slowdown or work action, and for use by the Army, Air Force, Navy, Coast Guard, Marine Corps or National Guard or any branch thereof in time of war or other emergency.

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 (pursuant to the Senior Indenture) shall not be construed as requiring that Tolls for any given class of traffic 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 may be of identical or approximately identical length.

Certain Provisions of the Senior Indenture

THIS DISCUSSION DESCRIBES CERTAIN PROVISIONS OF THE SENIOR INDENTURE:

In addition to any other funds created by an indenture supplemental to the Senior Indenture, the following funds and accounts exist under the Senior Indenture: (a) a Construction Fund; (b) a Revenue Fund (herein, the “*Senior Indenture Revenue Fund*”); (c) a Debt Service Fund (herein, the “*Senior Indenture Debt Service Fund*”); (d) a Debt Service Reserve Fund (herein, the “*Senior Indenture Debt Service Reserve Fund*”); (e) a Reserve Maintenance Fund (herein, the “*Senior Indenture Reserve Maintenance Fund*”); (f) a General Reserve Fund; (g) a Rebate Fund (herein, the “*Senior Indenture Rebate Fund*”); and (h) an Operating Account to be held by the Commission in the name of the Commission outside of the Senior Indenture (herein, the “*Senior Indenture Operating Account*”).

The Commission covenants that all Revenues (as defined in APPENDIX E hereto) will be deposited daily, as far as practicable, with the Senior Trustee or in the name of the Senior Trustee with a depository or depositories of the Senior Trustee, to the credit of the Senior Indenture Revenue Fund.

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

- (i) Senior Indenture Rebate Fund;
- (ii) Senior Indenture Operating Account;
- (iii) Senior Indenture Debt Service Fund;
- (iv) Senior Indenture Reserve Maintenance Fund;
- (v) Senior Indenture Debt Service Reserve Fund; and

(vi) General Reserve Fund (after retaining in the Senior Indenture Revenue Fund such funds identified by the Commission for future transfers to the Senior Indenture Debt Service Fund established under the Senior Indenture).

The Senior Trustee shall transfer from the Senior Indenture Revenue Fund on or before the last Business Day of each 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 Senior Indenture 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 Senior 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 Senior Revenue Bonds;
- (b) To secure and pay the principal or redemption price of and interest on any Senior Indenture Subordinated Indebtedness (as defined in APPENDIX E);
- (c) To make payments into the Construction Fund established under the Senior Indenture;
- (d) To fund improvements, extensions and replacements of the System; or
- (e) To further any corporate purpose.

The Senior Trustee is authorized under the Senior Indenture 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.

Under the terms of the Subordinate Indenture, the Commission covenants to instruct the Senior Trustee to pay to the Trustee out of the General Reserve Fund established under the Senior Indenture such amounts as are required by the Subordinate Indenture or by a indenture supplemental to the Subordinate Indenture to pay, at the times specified, debt service on all outstanding Subordinate Indenture Bonds (including the 2015A Bonds) and all Parity Obligations issued under the Subordinate Indenture. See “SECURITY FOR THE 2015A BONDS – Commission Payments.”

The following chart sets forth the balances held in the General Reserve Fund as of the fiscal year end dates set forth on the following page.

**General Reserve Fund Balances
as of May 31¹**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$200,745,775	\$255,204,660	\$278,371,535	\$151,065,585	\$105,381,591

Balances in the General Reserve Fund may be applied in the future for capital expenditures of the Commission and for other general corporate purposes, including making Commission Payments as described below.

The Senior Indenture contains a rate covenant, as described in APPENDIX E.

¹ Balances in the General Reserve Fund can vary substantially, both month to month and year to year, due not only to variations in revenues, but also to the timing of expenditures, particularly capital expenditures, the Commission’s equity contribution towards its Act 44 payments and the Commission’s deposit to the Pennsylvania Turnpike Commission Retiree Medical Trust. (See “PLAN OF FINANCING” and APPENDIX A-”CERTAIN OTHER INFORMATION – Other Post-Employment Benefit Liabilities”). Further, based on actual expenditures in Fiscal Year 2013 and Fiscal Year 2014, the Commission has utilized \$100 million in General Reserve Fund balances to augment its Act 44 payments, and to make contributions to the Retiree Medical Trust of \$57.2 million in excess of its annual required contribution. The Commission expects its contribution to the Retiree Medical Trust to be lower in future fiscal years. The Commission intends to continue to utilize \$30 million annually in General Reserve Fund balances to support its Act 44 payments, consistent with assumptions made in its Amended Act 44 Financial Plan and as required by Act 89.

Commission Payments

Pursuant to the terms of the Subordinate Indenture, the Commission covenants, after payment of all required debt service on all Senior Indenture Parity Obligations issued under the Senior Indenture and subject to the provisions of the Senior Indenture, to pay to the Trustee, and to instruct the Senior Indenture Trustee to pay to the Trustee, out of the General Reserve Fund established under the Senior Indenture such amounts as are required by the Subordinate Indenture or by a supplemental indenture to the Subordinate Indenture to pay, at the times specified, required payments with respect to all bonds and other obligations issued under the Subordinate Indenture, a supplemental indenture to the Subordinate Indenture, and all Parity Obligations thereunder. Such payments out of the General Reserve Fund shall only take on the character of being “Commission Payments,” as described below, upon their transmittal to the Trustee, and nothing in the Subordinate Indenture shall be construed to create any lien on any amount while held in the General Reserve Fund.

Accordingly, the Commission shall instruct, or furnish a debt service schedule to, the Senior Trustee providing for the payment to the Trustee out of funds held in the General Reserve Fund of monies to pay such amounts as are required by the Subordinate Indenture with respect to the outstanding bonds and other obligations issued under the Subordinate Indenture, Parity Obligations thereunder and all other payments required thereunder at such times on such terms as are set forth in the Subordinate Indenture (collectively, the “*Commission Payments*”).

In addition to other payments and General Reserve Fund withdrawals required under the Subordinate Indenture, the Commission shall withdraw, or arrange for the withdrawal, from the General Reserve Fund and deposit to the Commission Payments Fund, created under the Subordinate Indenture and as defined and more particularly described below, the amounts hereinafter specified which shall be applied by the Trustee for the purposes for which the same shall be deposited:

(a) On or before the first Business Day of each calendar month commencing on the first Business Day of the sixth month prior to the next succeeding Interest Payment Date, an amount which equals the amount necessary to pay, and for the purpose of paying, one-sixth (1/6) of 115% of the interest due on any Fixed Rate Bonds (or the monthly interest due on any Variable Rate Bonds) issued as Subordinate Revenue Bonds (including the 2015A Bonds), on the next succeeding Interest Payment Date, such amount to be calculated based on the applicable Assumed Variable Rate for such Variable Rate Bonds, including any amount due to the Bond Insurer in respect thereto (or, in the case of the period from the date of issuance of such Fixed Rate Bonds or Variable Rate Bonds to the first Interest Payment Date for the applicable Fixed Rate Bonds or Variable Rate Bonds, a monthly amount equal to 115% of the interest amount owed on such first Interest Payment Date (to be calculated based on the applicable Assumed Variable Rate for such Variable Rate Bonds) divided by the number of months from the date of issuance of such Fixed Rate Bond or Variable Rate Bond to such first Interest Payment Date), which amount shall be deposited promptly in the Commission Payments Fund;

(b) On or before the first Business Day of each calendar month commencing on the first Business Day of the twelfth month prior to the next succeeding principal payment date, an amount which equals one-twelfth (1/12) of the amount necessary to pay and for the purpose of paying, 115% of the principal amount (or Compounded Amount, if applicable) of any Fixed Rate Bonds or Variable Rate Bonds issued as Subordinate Revenue Bonds (including the 2015A Bonds) maturing on the next succeeding maturity date (or, in the case of the period from the date of issuance of such Fixed Rate Bonds or Variable Rate Bonds to the first date on which principal (or Compounded Amount, if applicable) is due on such Fixed Rate Bonds or Variable Rate Bonds, a monthly amount equal to 115% of the principal amount (or Compounded Amount, if applicable) owed on such first principal maturity date divided by the number of months from the date of issuance of such Fixed Rate Bond or Variable Rate Bond to such first principal maturity date), which amount shall be deposited promptly in the Commission Payments Fund;

(c) On or before the first Business Day of each calendar month commencing on the first Business Day of the twelfth month prior to the next succeeding mandatory sinking fund installment date, an amount which equals one-twelfth (1/12) of the amount necessary to pay, and for the purpose of paying, 115% of the principal amount of any mandatory sinking fund installment of Fixed Rate Bonds or Variable Rate Bonds issued as Subordinate Revenue Bonds (including the 2015A Bonds) payable on the next

succeeding mandatory sinking fund installment date, which amount shall be deposited promptly in the Commission Payments Fund;

(d) On or before the 10th calendar day of each calendar month commencing on the 10th calendar day of the sixth month prior to the next succeeding Interest Payment Date, but not before the payments required by clauses (a) through (c) above, an amount which equals the amount necessary to pay, and for the purpose of paying, one-sixth (1/6) of 100% of the interest due on any Fixed Rate Bonds (or the monthly interest due on any Variable Rate Bonds) issued as Special Revenue Bonds, on the next succeeding Interest Payment Date, such amount to be calculated based on the applicable Assumed Variable Rate for any Variable Rate Bonds, including any amount due to any Bond Insurer in respect thereto (or, in the case of the period from the date of issuance of such Fixed Rate Bonds or Variable Rate Bonds to the first Interest Payment Date for the applicable Fixed Rate Bonds or Variable Rate Bonds, a monthly amount equal to 100% of the interest amount owed on such first Interest Payment Date (to be calculated at the applicable Assumed Variable Rate for such Variable Rate Bonds) divided by the number of months from the date of issuance of such Fixed Rate Bond or Variable Rate Bond to such first Interest Payment Date), which amount shall be deposited promptly in the Commission Payments Fund;

(e) On or before the 10th calendar day of each calendar month commencing on the 10th calendar day of the twelfth month prior to the next succeeding principal payment date, but not before the payments required by clauses (a) through (d) above, an amount which equals one-twelfth (1/12) of the amount necessary to pay, and for the purpose of paying, 100% of the principal amount (or Compounded Amount, if applicable) of any Fixed Rate Bonds or Variable Rate Bonds issued as Special Revenue Bonds maturing on the next succeeding maturity date (or, in the case of the period from the date of issuance of such Fixed Rate Bonds or Variable Rate Bonds to the first date on which principal (or Compounded Amount, if applicable) is due on such Fixed Rate Bonds or Variable Rate Bonds, a monthly amount equal to 100% of the principal amount (or Compounded Amount, if applicable) owed on such first principal maturity date divided by the number of months from the date of issuance of such Fixed Rate Bond or Variable Rate Bond to such first principal maturity date), which amount shall be deposited promptly in the Commission Payments Fund; and

(f) On or before the 10th calendar day of each calendar month commencing on the 10th calendar day of the twelfth month prior to the next succeeding mandatory sinking fund installment date, but not before the payments required by clauses (a) through (e) above, an amount which equals one-twelfth (1/12) of the amount necessary to pay, and for the purpose of paying, 100% of the principal amount of any mandatory sinking fund installment of Fixed Rate Bonds or Variable Rate Bonds issued as Special Revenue Bonds payable on the next succeeding mandatory sinking fund installment date, which amount shall be deposited promptly in the Commission Payments Fund.

Commission Payments Fund

All Commission Payments will be deposited 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 Commission Payments Fund created under the Subordinate Indenture (the "**Commission Payments Fund**"). The monies in the Commission Payments Fund are to be held by the Trustee in trust and applied in accordance with the Subordinate Indenture.

Except as otherwise provided in the Subordinate Indenture, transfers from the Commission Payments Fund shall be made to the following funds and in the following order of priority:

- (a) Rebate Fund;
- (b) Administrative Expenses Fund;
- (c) Revenue Bonds Account of the Debt Service Fund;

- (d) Special Revenue Bonds Account of the Debt Service Fund;
- (e) Debt Service Reserve Fund, if applicable;
- (f) Motor License Fund Repayment Fund; and
- (g) Residual Fund.

Administrative Expenses Fund

An Administrative Expenses Fund is created pursuant to the Subordinate Indenture. The Trustee shall deposit into the Administrative Expenses Fund from the Commission Payments Fund such amounts as are needed for the payment of Administrative Expenses. In the event of a deficiency in the Rebate Fund, arbitrage rebate, yield reduction or similar payments may be made from amounts in the Administrative Expenses Fund with respect to Subordinate Indenture Bonds. Funds on deposit in the Administrative Expenses Fund may also be used for the payment of annual trustee fees, facility fees, remarketing fees and initial swap payments incurred in connection with the issuance, and performance, of Subordinate Indenture Bonds from time to time.

Debt Service Fund

A Debt Service Fund is created pursuant to the Subordinate Indenture, and within the Debt Service Fund there are established two separate accounts known as the “*Revenue Bonds Account*” and the “*Special Revenue Bonds Account*”. Each such Account shall have an “*Interest Sub Account*” and a “*Principal Sub Account*” for each series or sub-series of tax-exempt and taxable Subordinate Indenture Bonds of such class issued pursuant to the Subordinate Indenture. The Trustee shall make deposits, on the dates required for such deposits, from the Commission Payments Fund into the Revenue Bonds Account and the Special Revenue Bonds Account of the Debt Service Fund of such required amounts to the appropriate sub-accounts.

Under and pursuant to Supplemental Subordinate Indenture No. 18, a 2015A-1 Subordinate Bonds Interest Sub-Account, a 2015A-1 Subordinate Bonds Principal Sub-Account, a 2015A-2 Subordinate Bonds Interest Sub-Account and a 2015A-2 Subordinate Bonds Principal Sub-Account of the Revenue Bonds Account of the Debt Service Fund have been created for deposit and disbursement of funds for interest and principal payments on the Subordinate Revenue Bonds pursuant to the provisions of the Subordinate Indenture. No sub-accounts of the Special Revenue Bonds Account have been created under Supplemental Subordinate Indenture No. 18, as the 2015A Bonds do not constitute Special Revenue Bonds.

The Trustee and the Commission may create such additional accounts and sub-accounts in the Debt Service Fund 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 Subordinate Indenture 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 Subordinate Indenture Bonds shall be used to repay the provider of the Credit Facility for such payments), and (b) an account into which payments by the Commission to any Parity Swap Counterparty are to be deposited and from which payments to such Parity Swap Counterparty are to be paid.

The moneys in the Interest and Principal Sub-Accounts shall be held by the Trustee in trust for the benefit of the applicable series of Subordinate Indenture 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 applicable series of Subordinate Indenture Bonds until paid out or transferred as hereinafter provided. There shall be withdrawn from the Interest Account 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 Subordinate Indenture 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 applicable supplemental indenture.

For any Debt Service Reserve Fund Bonds, 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 Debt Service Reserve Fund and transfer the same to the appropriate account of the Debt Service Fund.

Debt Service Reserve Fund

A Debt Service Reserve Fund has been established under the Subordinate Indenture to provide additional security for Debt Service Reserve Fund Bonds. The Debt Service Reserve Fund secures Debt Service Reserve Fund Bonds on a parity basis. The 2015A-1 Bonds are Debt Service Reserve Fund Bonds for the purpose of the Subordinate Indenture and, accordingly, are secured by moneys on deposit in the Debt Service Reserve Fund. On the date of the issuance of the 2015A-1 Bonds an amount from the proceeds of the 2015A-1 Bonds will be deposited to the Debt Service Reserve Fund. Such amount, together with the existing balance in the Debt Service Reserve Fund, will be sufficient to fulfill the Debt Service Reserve Fund Requirement of the Subordinate Indenture with respect to the 2015A-1 Bonds and all other outstanding Debt Service Reserve Fund Bonds. Prior to issuance of the 2015A-1 Bonds, there will be \$4,152,128,297.05 of outstanding Debt Service Reserve Fund Bonds under the Subordinate Indenture (including compounded amounts as of December 1, 2014 for capital appreciation bonds). The 2015A-2 Bonds are not Debt Service Reserve Fund Bonds and, accordingly, are not secured by moneys in the Debt Service Reserve Fund.

The Subordinate Indenture requires that the balance in the Debt Service Reserve Fund be maintained at the “**Debt Service Reserve Requirement**,” which is an amount equal to the lesser of (i) Maximum Annual Debt Service on account of all Debt Service Reserve Fund Bonds, (ii) ten percent (10%) of the aggregate Outstanding principal amount of all Debt Service Reserve Fund Bonds, or (iii) 125% of average Annual Debt Service for all Debt Service Reserve Fund Bonds for each Fiscal Year for the remaining life of such Bonds, provided in any case that such amount does not exceed what is permitted by the Code. Debt Service Reserve Fund Bonds include Long-Term Indebtedness specified by the Commission in the Subordinate Indenture or applicable supplemental indenture as being secured by the Debt Service Reserve Fund.

In each Fiscal Year, after first having made the deposits required to the Debt Service Fund, the Commission shall pay out of the General Reserve Fund into the Commission Payments Fund and the Trustee shall transfer from the Commission Payments 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 required by the Rate Covenant, is intended to occur within eighteen (18) months; and (b) the amount set forth in the applicable supplemental indenture if an amount different from the Debt Service Reserve Requirement is required.

Subject to the preceding paragraph, to the extent accounts are created in the Debt Service Reserve Fund for Debt Service Reserve Fund Bonds, the funds and DSRF Security (as defined below) held therein shall be available to make payments required under the Subordinate 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, and maturing principal (or Compounded Amount, if applicable) 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 Reserve 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 Commission Payments 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 funds shall be allocated, subject to the provisions of the Subordinate Indenture, pro rata among all Debt Service Reserve Fund 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 such surety bond, insurance policy, letter of credit or similar financial instrument will not result in the rating on any outstanding Debt Service Reserve Fund Bonds being downgraded) (each, a “*DSRF Security*”) payable 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. 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 Compounded Amount, if applicable) or interest on any Subordinate Indenture 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 satisfy the requirements set forth in the second preceding paragraph regarding Rating Agency confirmation, 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.

As of the date of issuance of the 2015A Bonds, it is not expected that any portion of the Debt Service Reserve Fund Requirement will be satisfied with any DSRF Security.

Motor License Fund Repayment Fund

Under the terms of the Subordinate Indenture, there is created a Motor License Fund Repayment Fund. Based on such time schedule as agreed to by the Commission and PennDOT and furnished to the Trustee, the Trustee shall deposit into the Motor License Fund Repayment Fund from the Commission Payments Fund and the Residual Fund such amounts as are necessary and available to repay to the Commonwealth’s Motor License Fund any debt service payments with respect to any Special Revenue Bonds which are made out of such Motor License Fund. The failure to make any such payments shall not be an Event of Default under the Subordinate Indenture. The Subordinate Revenue Bonds are not payable from funds held in the Motor License Fund Repayment Fund, as the 2015A Bonds do not constitute Special Revenue Bonds.

Residual Fund

A Residual Fund is created under the Subordinate Indenture. After making all payments required under the Subordinate Indenture, the Trustee shall at least annually deposit into the Residual Fund out of the Commission Payments Fund such amounts from the Commission Payments Fund as are in excess of current debt service and other required payments and deposits pursuant to the Subordinate Indenture.

Moneys in the Residual Fund may be expended by the Commission to restore deficiencies in any funds or accounts created under the Subordinate Indenture (including without limitation the Revenue Bonds Principal and Interest Sub-Accounts) 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 Subordinate Indenture Bonds; (b) to secure and pay the principal or redemption price of and interest on any Parity Obligations; or (c) to further any corporate purpose.

Pursuant to the written request of the Commission, the Trustee shall transfer to the General Reserve Fund of the Senior Indenture any balance in the Residual Fund not required to restore any deficiency in a fund or account established thereunder.

Future Commission Financings

See APPENDIX A – “THE PENNSYLVANIA TURNPIKE COMMISSION - CERTAIN FINANCIAL INFORMATION – Future Financing Considerations” for a discussion of future financings planned or contemplated by the Commission.

CERTAIN RISK FACTORS

Many factors could affect the sufficiency of the Trust Estate to meet debt service payments on the 2015A Bonds, some of which are discussed below. Potential investors must carefully consider the following factors in order to understand the structure and characteristics of the 2015A Bonds and the potential merits and risks of an investment in the 2015A Bonds. Potential investors must review and be familiar with a variety of risk factors in deciding whether to purchase any 2015A Bonds. The following risk factors are among those which should be considered by a potential investor:

Commission Revenues may decline

The actual amount of future toll revenues collected by the Commission depends upon a number of factors, including rates established by the Commission and the level and composition of traffic on the System. Many of these factors are beyond the control of the Commission. The Commission is obligated under the terms of the Amended Funding Agreement (as such term is defined in the Subordinate Indenture), Act 44, the Senior Indenture and the Subordinate Indenture to fix and revise tolls at levels that will generate revenues (together with other available moneys) sufficient to pay all of its obligations under the Amended Funding Agreement (as such term is defined in the Subordinate Indenture), to construct and maintain the System and to pay debt service obligations and other amounts payable to PennDOT or the Commonwealth. However, the amount of traffic on the System cannot be predicted with certainty and may decline due to general economic conditions, diversion of some traffic to alternative non-toll routes to avoid toll rate increases or because of increased fuel costs, increased mileage standards, higher fuel taxes or other factors. There is insufficient data to assess these risk factors fully. However, based on historical variations in such factors and the recent toll increases, the Commission reasonably expects to have sufficient revenues to meet its payment obligations, including payment obligations with respect to the 2015A Bonds.

In addition, as set forth in the Traffic Study, there is considerable uncertainty inherent in future traffic and revenue forecasts for any toll facility, and differences between forecasted and actual results (which may be material) may occur due to events and circumstances beyond the control of the forecasters, including without limitation economic conditions and other factors. While future traffic volume and revenues cannot be predicted with certainty, the Commission reasonably expects that it will have sufficient revenue to meet the then existing debt and operational obligations of the Commission. See APPENDIX G - “TRAFFIC AND REVENUE STUDY.”

Investors in the 2015A Bonds bear greater risk of nonpayment because the priority of payment of interest and principal on the 2015A Bonds is subordinate to the Senior Indenture Parity Obligations under the Senior Indenture

The 2015A Bonds are subordinate in right of payment from the General Reserve Fund to the payment of all Senior Indenture Parity Obligations under the Senior Indenture. The 2015A Bonds are not secured by the General Reserve Fund established under the Senior Indenture. In addition, it is probable that additional Senior Revenue Bonds and other senior obligations may be issued in the future by the Commission under the Senior Indenture, which would increase the amount of Senior Indenture Parity Obligations to which the payment on the 2015A Bonds are subordinated, thus increasing the risk of nonpayment to the 2015A Bondholders.

The Trust Estate will have limited assets from which to make payments on the 2015A Bonds, which may result in losses

The Trust Estate will not include significant assets. The Trust Estate consists primarily of an obligation of the Commission to make periodic payments from funds available in the General Reserve Fund after satisfaction of Senior Indenture Parity Obligations and the maintenance of any reserve fund established under the Senior Indenture. Consequently, holders of the 2015A Bonds must rely upon the obligation of the Commission to make such payments from the General Reserve Fund and to set Tolls at sufficient levels to generate the necessary excess cash in the General Reserve Fund for such payments.

If the Commission experiences financial problems, delays in payment or losses on the 2015A Bonds may result

Adverse changes in the Commission's financial condition could result in a failure to make its payments, or a delay in payments, to the Trustee with respect to the 2015A Bonds. In addition to a potential decline in revenues, the Commission's financial condition could be adversely affected by a number of factors including, but not limited to:

- Increased and/or unanticipated costs of operation and maintenance of the System;
- Decreased toll revenues due to declines in usage or otherwise;
- Work stoppage, slowdown or action by unionized employees;
- Increased mass transit systems;
- Complete or partial destruction or temporary closure of the System due to events beyond the control of the Commission;
- Increased unfunded pension benefits;
- Increased unfunded healthcare and other non-pension post-employment benefits; and
- Increased fuel costs.

The Commission's financial condition may be adversely affected as a consequence of adverse changes in the financial condition of third-party financial institutions

Adverse changes in the financial condition of certain third-party financial institutions may adversely affect the Commission's financial position. Different types of investment and contractual arrangements may create exposure for the Commission to such institutions including:

- Risk to the Commission's investment portfolio due to defaults or changes in market valuation of the debt securities of such institutions;
- Counterparty risk related to swaps used by the Commission to hedge its cost of funds; and
- Risk of rating changes of the Commission's credit enhancers or liquidity providers which may adversely affect the interest costs on the Commission's variable rate debt or which may render such variable rate debt unmarketable.

The 2015A Bonds may be repaid early due to the exercise of the redemption option. If this happens, yield may be affected and 2015A Bondholders will bear reinvestment risk

The 2015A Bonds may be redeemed prior to their final maturity if the Commission exercises its option to redeem the 2015A Bonds. Bondholders bear the risk that monies received upon such redemption cannot be reinvested in comparable securities or at comparable yields.

The Commission may not be able to pay the purchase price for all or a portion of the 2015A-2 Bonds.

The 2015A-2 Bonds are subject to mandatory tender on the date and under the circumstances described herein. In the event the Commission cannot pay the purchase price for all or a portion of the 2015A-2 Bonds on their respective mandatory tender dates, a Delayed Remarketing Period will commence with respect to the 2015A-2 Bonds on the applicable mandatory tender date. See “2015A-2 Bonds – Tender and Redemption Provisions” and “– Consequences of a Failed Remarketing.”

Certain legislative actions may result in adverse changes to the Commission or Act 44 or Act 89

From time to time legislation is introduced in the Pennsylvania General Assembly which may affect the Commission and therefore may affect certain of the assumptions made in this Official Statement. The Commission cannot predict if any of such bills or other legislation will be enacted into law, or how any such legislation may affect the Commission’s ability to timely pay the 2015A Bonds. See APPENDIX A — “THE PENNSYLVANIA TURNPIKE COMMISSION — THE COMMISSION – Pending Legislation and Recent Developments.”

Bankruptcy risk; lien position

The rights and remedies of Bondholders could be limited by the provisions of the Federal Bankruptcy Code, as now or hereafter enacted (the “*Bankruptcy Code*”), or by other laws or legal or equitable principles which may affect the enforcement of creditors’ rights. Chapter 9 of the Bankruptcy Code permits, under prescribed circumstances, a political subdivision or public agency or instrumentality of a state, such as the Commission, to commence a voluntary bankruptcy proceeding and to file a plan of adjustment in the repayment of its debts, if such entity is generally not paying its debts as they become due (unless such debts are the subject of a bona fide dispute), or is unable to pay its debts as they become due. Under the Bankruptcy Code, an involuntary petition cannot be filed against a political subdivision, public agency or instrumentality of a state.

In order to proceed under Chapter 9 of the Bankruptcy Code, state law must authorize the political subdivision, public agency or instrumentality to file a petition under the Bankruptcy Code. THE ENABLING ACTS DO NOT CURRENTLY AUTHORIZE THE COMMISSION TO FILE A PETITION UNDER THE BANKRUPTCY CODE.

Payment of the 2015A Bonds is not secured by a lien on any funds on deposit in the General Reserve Fund established under the Senior Indenture or on any toll revenues collected by the Commission. The 2015A Bonds are secured solely by the Commission Payments and funds held under the Subordinate Indenture (excluding the Rebate Fund and as otherwise described herein). In the event of insolvency of the Commission, any claim of the Bondholders, to the extent not satisfied from the Trust Estate, would be a general unsecured claim.

Reductions in federal subsidy payable to the Commission for its outstanding Build America Bonds due to sequestration

A series of automatic federal deficit reduction spending cuts known as “sequestration” became effective on March 1, 2013 as a result of the failure by Congress to adopt alternative deficit reduction legislation; recent legislation has extended sequestration through the 2024 federal fiscal year. Sequestration will affect the federal subsidy payable to the Commission with respect to its outstanding Build America Bonds. The Commission currently has \$1,104,675,000 in principal amount of Build America Bonds outstanding, and is entitled to receive approximately \$22,387,000 in federal subsidy annually with respect to such Build America Bonds. Based on guidance issued by the Internal Revenue Service (the “*IRS*”) in March 2013, the amount of such federal subsidy payable to the Commission was reduced by 8.7% or approximately \$1,947,699 for payments through September 30, 2013. Pursuant to the Bipartisan Budget Act of 2013 (Public Law 113-67), such federal subsidy will be reduced by 7.2% or approximately \$1,611,864 for payments through September 30, 2014. Based on guidance issued by the IRS in October 2014, such federal subsidy will be reduced

by 7.3% or \$1,634,251 for payments from October 1, 2014 through September 30, 2015. Reductions in future federal fiscal years are currently unknown. Adverse changes in the amount of the federal subsidy the Commission receives on its Build America Bonds will require the Commission to use other funds to offset the loss of this subsidy.

Uncertainty as to available remedies

The remedies available to owners of the 2015A Bonds upon an Event of Default under the Subordinate Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions which often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Subordinate Indenture and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the 2015A Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

The 2015A Bonds are not subject to acceleration

Payment of principal of and interest on the 2015A Bonds may not be accelerated upon the occurrence of an Event of Default under the Subordinate Indenture.

Possible changes in federal tax laws could affect the excludability or deductibility of interest on tax-exempt bonds such as the 2015A Bonds

Current and future legislative proposals, if enacted into law, could cause some or all of the interest on the 2015A Bonds to be subject, directly or indirectly, to federal income taxation, or to be subject to or not be exempted from state income taxation, or otherwise prevent the owners of the 2015A Bonds from realizing the full current benefit of the tax status of such interest. The introduction and/or enactment of any such legislative proposals may also affect the market price for, or marketability of, the 2015A Bonds. Prospective purchasers of the 2015A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Co-Bond Counsel will express no opinion. See “TAX MATTERS.”

AUDITED FINANCIAL STATEMENTS

The financial statements of the Commission for the years ended May 31, 2014 and May 31, 2013 are set forth in APPENDIX B - “AUDITED FINANCIAL STATEMENTS: 2014 and 2013” certified by Zelenkofske Axelrod, LLC, in its capacity as Independent Auditor. The Commission has not asked Zelenkofske Axelrod, LLC, to perform any additional review procedures in connection with this Official Statement.

CONTINUING DISCLOSURE

The Commission will enter into a Continuing Disclosure Undertaking for the benefit of the Registered Owners from time to time of the 2015A Bonds (the “*Disclosure Undertaking*”) pursuant to Rule 15c2-12 promulgated by the SEC under the Securities Act of 1933, as amended (the “*Rule*”).

Pursuant to the Disclosure Undertaking, the Commission will provide or cause to be provided to the Municipal Securities Rulemaking Board (the “*MSRB*”), via electronic transmissions pursuant to the MSRB’s Electronic Municipal Market Access System (“*EMMA*”), accessible at <http://emma.msrb.org>, the following information and notices:

(a) Within 180 days of the end of each fiscal year of the Commission commencing with the fiscal year ending May 31, 2015, annual financial information (collectively, the “*Annual Financial Information*”), consisting of: (i) financial and operating data of the type set forth in this Official Statement in Tables I, II and III contained in APPENDIX A, “THE PENNSYLVANIA TURNPIKE COMMISSION – CERTAIN FINANCIAL INFORMATION”; (ii) the Commission’s audited financial statements for such fiscal year; and (iii) a summary of any material legislative or regulatory developments affecting Act 44 or Act 89 since the Commission’s most recent annual financial information filing. In the event that the Commission’s 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.

(b) Notice of the occurrence of any of the following events with respect to the 2015A Bonds, within ten (10) business days after the occurrence of such event: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (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, the issuance by the IRS of proposed or final determinations of taxability, notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2015A Bonds or other material events affecting the tax status of the 2015A Bonds; (vii) modifications to rights of holders of the 2015A Bonds, if material; (viii) optional or unscheduled 2015A Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the 2015A Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar proceedings or events involving the Commission; (xiii) consummation of a merger, consolidation or acquisition involving the Commission or the sale of all or substantially all of the assets of the Commission, other than in the ordinary course of business, the entry of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The foregoing fourteen (14) events are quoted from the Rule. The SEC requires the listing of the events listed in clauses (i) through (xiv) above, although some of such events may not be applicable to the 2015A Bonds. For example, the events listed in clauses (iv) and (v) are not applicable to the 2015A Bonds because there is no credit or liquidity enhancement providing for the payment of the 2015A Bonds.

The Commission may amend the Disclosure Undertaking 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 Undertaking, as modified by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the 2015A Bonds, taking into account any amendments or interpretations of the Rule; and (iii) the amendment or waiver does not materially impair the interests of the Registered Owners of the 2015A 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 the MSRB (via EMMA) and shall be sent to the Registered Owners of the 2015A Bonds.

The Disclosure Undertaking will recite that it is entered into for the benefit of the Registered Owners from time to time of the 2015A Bonds. For the purposes of the Disclosure Undertaking, for so long as the 2015A 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 2015A 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 Undertaking.

A default under the Disclosure Undertaking shall not be deemed to be a default under the 2015A Bonds, the Subordinate Indenture or the Senior Indenture, and the sole remedy to enforce the provisions of the Disclosure Undertaking 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 Undertaking.

The Disclosure Undertaking will terminate (1) upon payment or provision for payment in full of the 2015A Bonds, (2) upon repeal or rescission of Section (b)(5) of the Rule or (3) upon a final determination that Section (b)(5) of the Rule is invalid or unenforceable. A copy of the Disclosure Undertaking is on file at the principal office of the Commission.

During the five (5) year period preceding the date of this Official Statement, the Commission has complied in all material respects with all of its continuing disclosure requirements pursuant to the Rule with respect to its other series of bonds, except that notice of a change in trustee in April of 2012 was filed approximately 16 days late.

RELATIONSHIPS OF CERTAIN PARTIES

Public Financial Management, Inc., Financial Advisor, and its affiliate PFM Asset Management LLC are engaged to provide other services to the Commission. Duane Morris LLP, Disclosure Counsel, is engaged to provide certain other services to the Commission. Clark Hill PLC, Co-Bond Counsel, is engaged to provide certain other services to the Commission.

UNDERWRITING

Piper Jaffray & Co., on behalf of itself and the other Underwriters shown on the cover page hereof (the “*Underwriters*”), has entered into a purchase contract (the “*Purchase Contract*”) with the Commission pursuant to which the Underwriters have agreed, subject to certain customary conditions precedent to closing, to purchase the 2015A Bonds from the Commission at a purchase price equal to \$276,415,609.68 (representing the par amount, plus net original issue premium of \$18,368,833.25, less underwriters’ discount of \$963,223.57).

Pursuant to the Purchase Contract, the Underwriters will be obligated to purchase all of the 2015A Bonds if any of such 2015A Bonds are purchased. The 2015A Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing such 2015A 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) only after a public offering of the 2015A Bonds at the initial offering price. 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.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “*Agreement*”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the 2015A Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Commission and to persons and entities with relationships with the Commission, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Commission (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Commission. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

RATINGS

Moody's Investors Service, Inc. ("**Moody's**"), Standard & Poor's Ratings Services ("**Standard & Poor's**") and Fitch Ratings ("**Fitch**") have assigned underlying ratings for the 2015A Bonds, of A3 (stable), A- (stable), and A- (stable), respectively.

An explanation of the significance of each of such ratings and outlook may be obtained from the rating agency furnishing the same at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004. Certain materials and information not included in this Official Statement may have been furnished to such rating agencies. A rating is not a recommendation to buy, sell or hold securities. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies, or any of them, if, in their or its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the 2015A Bonds.

Except as provided in the Disclosure Undertaking, neither the Underwriters nor the Commission has undertaken any responsibility to bring to the attention of the holders of the 2015A Bonds any proposed or actual change in or withdrawal of any rating or to oppose any proposed change or withdrawal.

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 2015A Bonds, or in any way contesting or affecting the validity of the 2015A 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 2015A 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 plaintiff or \$1,000,000 in the aggregate.

The Commission is subject to claims for personal injury and/or property damage pending against the Commission pertaining to matters normally incidental to routine operations. Currently, none of such claims, individually or in the aggregate, are deemed to expose the Commission to a material risk of loss.

On March 13, 2013, as a result of a statewide grand jury investigation, the Pennsylvania Attorney General filed criminal charges against a former Commission Chairman, the former Chief Executive Officer and Chief Operating Officer of the Commission, two individuals at companies doing business with the Commission and two former Commission employees. These individuals were charged with a variety of offenses, including conspiracy, commercial bribery, bid-rigging, theft, conflict of interest and corrupt organization violations. No criminal charges have been filed against current Commissioners, senior executives or employees of the Commission. See "THE PENNSYLVANIA TURNPIKE COMMISSION - THE COMMISSION – Recent Developments and Pending Legislation -- *Statewide Investigating Grand Jury and Recent Criminal Charges*" in APPENDIX A hereto for a detailed discussion of the matters summarized above.

LEGAL MATTERS

Certain legal matters incident to the issuance of the 2015A Bonds and with regard to the tax status of the interest thereon will be passed upon by Co-Bond Counsel. A copy of the form of opinion of Co-Bond Counsel which will be delivered with the 2015A Bonds is set forth in APPENDIX D – "FORM OF OPINION OF CO-BOND COUNSEL." Certain legal matters will be passed upon for the Underwriters by their Counsel, Stradley Ronon Stevens & Young, LLP, and for the Commission by its Chief Counsel, Doreen A. McCall, Esquire, and Duane Morris LLP, Disclosure Counsel to the Commission.

The various legal opinions to be delivered concurrently with the delivery of the 2015A Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. In addition, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Federal Tax Exemption

In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Commission with certain certifications and agreements relating to the use of the 2015A Bonds proceeds and covenants to comply with provisions of the Internal Revenue Code of 1986, as amended (the “*Code*”) and all applicable regulations thereunder, now or hereafter enacted, interest on the 2015A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, such interest is includable in adjusted current earnings for purposes of the federal alternative minimum tax imposed on certain corporations (as defined in the Code). Co-Bond Counsel expresses no opinion regarding other federal tax consequences of ownership or disposition of, or the accrual or receipt of interest on, the 2015A Bonds.

The 2015A-1 Bonds (excluding the 2015A-1 term Bonds maturing on December 1, 2027, 2030, 2035, and 2041, which are offered at a discount (“*original issue discount bonds*”)) are offered at a premium (“*original issue premium*”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a 2015 Bond through reductions in the holder's tax basis for the 2015 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

An amount equal to the excess of the stated redemption price at maturity of the original issue discount bonds as shown on the inside front cover hereof over the initial public offering price of such original issue discount bonds as shown on the inside front cover hereof constitutes original issue discount on such bonds. Such original issue discount is excluded from gross income for federal income tax purposes to the same extent as interest on such original issue discount bonds. Such original issue discount accrues actuarially on a constant interest rate basis over the term of each such original issue discount bond, and the basis of each such original issue discount bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. Purchasers of any bonds which are issued with original issue discount, whether at the time of the initial issuance or subsequent thereto, should consult their own tax advisors with respect to the tax treatment of original issue discount.

The opinion of Co-Bond Counsel on federal tax matters will be based upon and will assume the accuracy of certain representations and certifications, and compliance with certain covenants, of the Commission to be contained in the transcript of proceedings for the issuance of the 2015A Bonds and that are intended to evidence and assure that the 2015A Bonds are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of those certifications and representations or covenants.

The Code prescribes a number of qualifications and conditions for the interest on state and local obligations to be and to remain excludable from gross income for federal income purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the Commission may cause the interest on the 2015A Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to their date of issuance. The Commission has covenanted to take the actions required of it for the interest on the 2015A Bonds to be and to remain excludable from gross income for federal income tax purposes and not to take any actions that would adversely affect that exclusion. Co-Bond Counsel has not undertaken to evaluate, determine or inform any person, including any holder of the 2015A Bonds, whether any

actions taken or not taken, events, events occurring or not occurring, or other matters that might come to attention of Co-Bond Counsel, would adversely affect the value of, or tax status of the interest on, the 2015A Bonds.

Under the provisions of the Code, the Treasury Department is authorized and empowered to promulgate regulations implementing the intent of Congress under the Code which could affect the tax exemption and/or tax consequences of holding tax-exempt obligations, such as the 2015A Bonds. In addition, legislation may be introduced and enacted in the future which could change the provisions of the Code relating to the tax exempt bonds of a state or state agency, such as the Commission, or the taxability of interest in general.

Proposals to alter or eliminate the exclusion of interest on tax-exempt bonds from gross income for some or all taxpayers have been made in the past and may be made again in the future. Future legislation, if enacted into law, or clarification of the Code may cause interest on the 2015A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the 2015A Bonds. PROSPECTIVE PURCHASERS OF THE 2015A BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING ANY PROPOSED FEDERAL TAX LEGISLATION, AS TO WHICH CO-BOND COUNSEL EXPRESSES NO OPINION.

The opinions of Co-Bond Counsel are based on current legal authority, cover certain matters not directly addressed by such authorities and represent Co-Bond Counsel's judgment as to the proper treatment of the 2015A Bonds for federal income tax purposes. The opinions are not a guarantee of any result, and are not binding on the Internal Revenue Service (the "*IRS*") or the courts.

Co-Bond Counsel's engagement with respect to the 2015A Bonds ends with the issuance of the 2015A Bonds.

No representation is made or can be made by the Commission or any other party associated with the issuance of the 2015A Bonds as to whether or not any other legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the 2015A Bonds to federal income taxes or so as to otherwise affect the marketability or market value of the 2015A Bonds.

State Tax Exemption

Under the laws of the Commonwealth as presently enacted and construed, the 2015A Bonds are exempt from personal property taxes in the Commonwealth and the interest on the 2015A Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

The 2015A Bonds and the interest thereon may be subject to state or local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

* * * * *

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF 2015A BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS AND ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL TAX LEGISLATION. ANY STATEMENT REGARDING TAX MATTERS HEREIN CANNOT BE RELIED UPON BY ANY PERSON TO AVOID TAX PENALTIES.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

PFM Asset Management LLC ("*Verification Agent*"), at the time of issuance of the 2015A-1 Bonds, will verify from the information provided to it the mathematical accuracy as of the date of the closing on the 2015A-1 Bonds of the computations contained in such information to determine that the securities and cash deposits listed in the applicable schedules, to be deposited in the escrow trust fund established in connection with the Refunded Bonds, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of

the Refunded Bonds. The Verification Agent expressed no opinion on the assumptions provided to it, nor as to the exemption from taxation of the interest on the 2015A-1 Bonds.

FINANCIAL ADVISORS

The Commission has retained Public Financial Management, Inc., Philadelphia, Pennsylvania, and G-Entry Principle, P.C., Philadelphia, Pennsylvania, as Co-Financial Advisors with respect to the authorization and issuance of the 2015A Bonds. The Co-Financial Advisors are not obligated to undertake or assume responsibility for, nor have they undertaken or assumed responsibility for, an independent verification of the accuracy, completeness or fairness of the information contained in this Official Statement. Each of the Co-Financial Advisors is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

TRUSTEE, ESCROW AGENT, CALCULATION AGENT, TENDER AGENT AND PAYING AGENT

Wells Fargo Bank, N.A. (the “*Bank*”), Philadelphia, Pennsylvania, is the Trustee, Escrow Agent, Calculation Agent, Tender Agent and Paying Agent under the Subordinate Indenture, the obligations and duties of which are as described in the Subordinate Indenture. The Bank has not evaluated the risks, benefits or propriety of any investment in the 2015A Bonds, makes no representation, and has reached no conclusions, regarding the validity of the 2015A Bonds, the security therefor, the adequacy of the provisions for payment thereof or the tax-exempt status, as applicable, of the interest on the 2015A Bonds. The Bank has relied upon the opinion of Co-Bond Counsel for the validity of the 2015A Bonds and status of the interest on the 2015A Bonds as well as other matters set out in that opinion. Furthermore, the Bank has no oversight responsibility, and is not accountable, for the use or application by the Commission of any of the 2015A Bonds authenticated or delivered pursuant to the Subordinate Indenture or for the use or application of the proceeds of such 2015A Bonds by the Commission.

Under the terms of the Subordinate Indenture, the Trustee is not responsible for any loss or damage resulting from any action or inaction taken in good faith in reliance upon an opinion of counsel and the Trustee is liable only for those damages caused by its gross negligence or willful misconduct. Under the Subordinate Indenture, the Trustee is not required to take notice, and is not deemed to have notice, of any default under the Subordinate Indenture (except with respect to failure to make debt service payments), unless a Responsible Officer of the Trustee has actual notice thereof or has been specifically notified in writing of such default by the owners of at least 25% in aggregate principal amount of the Outstanding Subordinate Indenture Bonds of any Class (as defined in Appendix C). All notices or other instruments required by the Subordinate Indenture to be delivered to the Trustee must be delivered at the designated office of the Trustee. In the absence of any such notice, the Trustee may conclusively assume no Event of Default under the Subordinate Indenture exists, except as expressly stated in the Subordinate Indenture. The summary of the Trustee’s rights, duties, obligations and immunities is not intended to be a complete summary and reference must be made to the Subordinate Indenture for a complete statement of the Trustee’s rights, duties, obligations and immunities.

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. However, no guarantee is given that any of the assumptions, forecasts or estimates contained herein will be realized.

The references herein to the Enabling Acts, the 2015A Bonds, the Subordinate Indenture, the Disclosure Undertaking, and the Senior Indenture 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 2015A Bonds is to be construed as a contract with the holders of the 2015A Bonds. Any statement made in this Official Statement involving matters of opinion or estimates, whether or not expressly so identified, is intended merely as such and not as representations of fact. No representation is made that any of such statements will be realized.

The execution and delivery of this Official Statement by its Chief Financial Officer have been duly authorized by the Commission.

PENNSYLVANIA TURNPIKE COMMISSION

By: /s/ Nikolaus H. Grieshaber
Nikolaus H. Grieshaber
Chief Financial Officer

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APPENDIX A

PENNSYLVANIA TURNPIKE COMMISSION

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APPENDIX A^{1,2}

THE PENNSYLVANIA TURNPIKE COMMISSION

THE COMMISSION

General

The Commission is an instrumentality of the Commonwealth existing pursuant to an Act of the General Assembly of Pennsylvania approved on July 18, 2007, P. L. 169, No. 44 (“Act 44”) and various Acts of the General Assembly approved on several dates, including the Act of May 21, 1937, P. L. 774; the Act of May 24, 1945, P. L. 972; the Act of February 26, 1947, P. L. 17; the Act of May 23, 1951, P. L. 335; the Act of August 14, 1951, P. L. 1232; the Act of September 30, 1985, P. L. 240, No. 61 (“Act 61”), to the extent not repealed by Act 44, and the Act of November 25, 2013, P.L. 794, No. 89 (“Act 89”) (collectively, the “Enabling Acts”). Pursuant to the Enabling Acts, the Commission has the power to construct, operate and maintain the Pennsylvania Turnpike System (as further described herein, the “System” or the “Turnpike System”). The Commission’s composition, powers, duties, functions, duration and all other attributes are derived from the Enabling Acts. The Enabling Acts may be modified, suspended, extended or terminated at any time by further legislation.

The Commission is composed of five members, including one ex officio member, the Secretary of the Department of Transportation of the Commonwealth of Pennsylvania (“PennDOT”). Any vacancy in the membership of the Commission (other than the Secretary of Transportation) must be filled by appointment of the Governor, with the advice and consent of two-thirds of the members of the Pennsylvania Senate. Act 89 enacted additional provisions pertaining to membership of the Commission. The term of confirmed members of the Commission (other than the Secretary of Transportation) is a period of four years and members may serve a maximum of two terms. Upon the expiration of a term, a member may continue to hold the office of Commissioner for a period of 90 days or until his or her successor is appointed and qualified, whichever is less. The limitations on Commissioner terms under Act 89 are not applicable to any current member of the Commission.

The present members of the Commission and the expiration dates of their respective terms (which, in each case, would be extended until reappointment or until a successor is appointed and confirmed) are as follows:

Sean F. Logan was elected as Chairman of the Commission on January 28, 2015. He was appointed to the Commission in July 2013. Mr. Logan is currently the Executive Director/CEO of the Convention and Visitors Bureau of Greater Monroeville. He is also a former Vice

¹ Capitalized terms used in this Appendix A and not otherwise defined have the meanings ascribed in the forepart of this Official Statement or in Appendix C of this Official Statement.

² Included in this Appendix A are links to certain additional materials. This Appendix A includes only the information contained on such website as of the date of this Official Statement. The inclusion of these links is not intended to be a republication herein of any information contained on such websites.

President of Community Relations for the University of Pittsburgh Medical Center. Mr. Logan is a former state Senator, having served from January 2001 until August 2010. Prior to his service in the Pennsylvania Senate, Mr. Logan served as the Mayor of Monroeville from 1997 to 2000. His term expires on June 30, 2017.

William K. Lieberman is the current Vice Chairman of the Commission and he was appointed to serve as a Commissioner on July 1, 2010. Mr. Lieberman previously served as Chairman of the Commission from January 2011 until January 28, 2015. Mr. Lieberman has been President of The Lieberman Companies, an insurance and pension provider, since 2003. He serves on the board of AMPCO Pittsburgh. A graduate of The Pennsylvania State University, he is a University of Pittsburgh Trustee and former Chairman of the Manchester-Bidwell Corp., Pittsburgh, Pennsylvania. His term expired on July 1, 2014, but he continues to serve as a Commissioner for an indefinite term and he was reappointed to serve as a Commissioner in January 2015 and is currently awaiting a Senate confirmation hearing.

Pasquale T. Deon, Sr., an established businessman and lifelong resident of Bucks County, Pennsylvania, is the current Secretary-Treasurer of the Commission. Mr. Deon has served as a member of the Commission since 2002. Commissioner Deon was reappointed to the Commission on December 10, 2013. Mr. Deon is Chairman of the Board of Directors of the Southeastern Pennsylvania Transportation Authority (SEPTA). He is also a service-industry entrepreneur involved in real-estate development, beverage distribution and construction services. He is the owner of WBCB-1490AM Radio, Levittown, Pennsylvania. His term will expire on December 10, 2017.

A. Michael Pratt, Esq. is a partner in the law firm of Pepper Hamilton LLP and was named to the Commission in June 2009, becoming the first African-American Commissioner in the Commission's 70-year history. Mr. Pratt joined Pepper Hamilton LLP in 1986 and is a partner in the firm's Philadelphia and Harrisburg offices, as well as the first African-American member of the firm's executive committee. He is an active member of the Philadelphia, Pennsylvania, and American Bar Associations and has served as the Chancellor of the Philadelphia Bar Association and President of the Barristers' Association of Philadelphia, an organization of African-American lawyers. He received a B.A. in Economics and English from Washington & Jefferson College, Washington, Pennsylvania, in 1981 and earned a law degree from Harvard Law School in 1985. His term expired on June 24, 2013, but he continues to serve as Commissioner for an indefinite term until he is reappointed or a successor is appointed and confirmed.

Leslie S. Richards was nominated by Governor Tom Wolf as Acting Secretary of Transportation of the Commonwealth of Pennsylvania in January 2015. Acting Secretary Richards is a graduate of Brown University, where she concentrated in economics and urban studies. She received a master's of regional planning from the University of Pennsylvania. In the private sector, Ms. Richards served as a senior project manager at a woman-owned civil engineering firm and served as a public involvement specialist at a consulting firm. She is experienced with managing multi-million dollar infrastructure projects and writing annual and long-range strategic plans. In the public sector, Acting Secretary Richards focused on transportation and planning issues. She served as the vice chair of the Montgomery County Board of Commissioners; served as chair of the Delaware Valley Regional Planning

Commission; as well as on the boards of the Southeastern Pennsylvania Transportation Authority (SEPTA) and the Greater Valley Forge Transportation Management Association (GVFTMA). Before being elected county commissioner, she served as the chair and vice chair of the Whitemarsh Township Board of Supervisors.

Executive Personnel

Mark P. Compton assumed the position of Chief Executive Officer of the Commission on February 1, 2013. Mr. Compton previously served as Deputy Secretary of Administration of PennDOT, overseeing eight bureaus within the agency, including: human resources, information systems governance, business solutions and services, infrastructure and operations, and fiscal management. Before joining PennDOT, Mr. Compton served as Director of Government Affairs for all four companies of American Infrastructure, a heavy civil construction company headquartered in Worcester, Pennsylvania. Prior to that, he worked in various public and private operations, focusing largely on transportation, construction and economic development.

Craig R. Shuey is the Chief Operating Officer of the Commission. He joined the Commission in August 2009 as Director of Government Affairs and was named Chief Operating Officer in January 2011. Mr. Shuey served as Acting Chief Executive Officer from October 31, 2012 to February 1, 2013. Prior to joining the Commission, Mr. Shuey was executive director of the Pennsylvania Senate Transportation Committee from 2001 to 2009. He also served as a representative on the Senate Transportation Commission and on various advisory committees in areas such as air, rail, freight movement and safety.

Nikolaus H. Grieshaber was named Chief Financial Officer in June 2008. Prior to that, he held positions of Director of Treasury Management and Treasury Manager with the Commission. Before joining the Commission in 2000, he was a finance manager and portfolio manager for ADP Capital Management, assistant treasurer for BTR Dunlop Finance, cash manager for Silo, Inc. and investment analyst for American Life Insurance Company.

Bradley J. Heigel, P.E., was named Chief Engineer in April 2012. He was previously employed by the Commission from 1990 to 2010, and served as the Total Reconstruction Program Manager from 2000 to 2010. From 2010 to 2012, he was employed as a Vice President with Michael Baker, Jr., Inc., an engineering unit of Michael Baker Corporation.

Doreen A. McCall, Esq., has been the Chief Counsel since July 2005. Prior to that time, she served as Chief Counsel to the Pennsylvania Historical and Museum Commission from February 2003 to July 2005 and as Deputy General Counsel in the Governor's Office of General Counsel from April 2000 to January 2003. From September 1996 to April 2000, she was an Assistant General Counsel and from November 1993 to August 1996, she was a staff attorney in the Office of Inspector General.

Ray A. Morrow was named the Chief Compliance Officer on July 11, 2014. Prior to being named the Chief Compliance Officer, Mr. Morrow served the Commission as its Acting Chief Compliance Officer and Inspector General. Mr. Morrow joined the Commission on January 2, 2014. Prior to joining the Commission, Mr. Morrow had an extensive career with the Federal Bureau of Investigation (FBI) from 1977 to 2007, culminating as the Special Agent in

Charge of the FBI's Pittsburgh Field Office. Mr. Morrow served as a Senior Compliance Investigator for the Siemens Corporation from 2010-2013.

Enabling Acts

Act 44 and the Act 44 Funding Agreement

On July 18, 2007, Act 44 was enacted, creating a “public-public partnership” between the Commission and PennDOT to provide funding for roads, bridges and transit throughout the Commonwealth. Subsequently, in order to, among other things, effectuate the provisions of Act 44 requiring the Commission to make substantial annual payments to PennDOT as described below, the Commission and PennDOT entered into a Lease and Funding Agreement (the “**Act 44 Funding Agreement**”), incorporating many of the terms of Act 44.

The Act 44 Funding Agreement also granted the Commission the option to lease the portion of Interstate I-80 (“**I-80**”) located in the Commonwealth from PennDOT upon the approval of the Federal Highway Administration (“**FHWA**”) of the conversion of such portion into a toll road (the “**Conversion**”). The Conversion was not approved by FHWA and neither the Commission nor PennDOT appealed the decision. The Commission did not exercise its option to lease such portion of I-80, and the period during which the Commission could exercise its option under the Act 44 Funding Agreement lapsed on October 14, 2010 without the Commission effectuating Conversion or having the ability to do so in the future. Under existing law, including Act 89, all legal, financial and operational responsibility for I-80 remains with PennDOT.

Pursuant to Act 44 and the Act 44 Funding Agreement, because the Conversion did not occur, the Commission was obligated to make scheduled annual payments, payable in equal quarterly installments, of \$450 million to PennDOT through 2057 with \$200 million of the scheduled annual payment supporting road and bridge projects and \$250 million supporting transit projects throughout the Commonwealth.

Act 89 and the Act 89 Amendment

On November 25, 2013, Act 89 was enacted to provide substantial additional and sustained investment in the Commonwealth's aging transportation infrastructure. Once fully implemented by Fiscal Year 2018, the revenue enhancements enacted in Act 89 are projected to generate substantial additional funds each year for investment in the Commonwealth's transportation infrastructure.

Act 89 also enacted substantial revisions to the Commission's transportation funding obligations under Act 44 and authorized the Commission and PennDOT to immediately amend the Act 44 Funding Agreement to reflect the statutory provisions of Act 89. On April 4, 2014 the Commission and PennDOT executed Amendment Number One to Lease and Funding Agreement (the “**Act 89 Amendment**” and together with the Act 44 Funding Agreement, the “**Amended Funding Agreement**”). The Amended Funding Agreement terminates on October 14, 2057.

In accordance with Act 89 and the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT for Fiscal Year 2013-2014 through Fiscal Year 2021-

2022 is \$450 million and, in accordance with Act 89, the Commission must pay at least \$30 million of such amount from current revenues. Commencing in Fiscal Year 2022-2023 through the term of the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT is \$50 million, which amount shall be paid from then current revenues of the Commission. Further, Act 89 revises the use of the Commission's scheduled annual payments. Effective on July 1, 2014, none of the Commission's scheduled annual payment will be used to support Commonwealth road and bridge projects. Instead, \$420 million of the scheduled annual payment will be used to support mass transit capital and operating needs and \$30 million will be used to support multi-modal projects, which may include: aviation projects; rail freight projects; port projects; bicycle projects and pedestrian projects. The Commission's \$50 million scheduled annual payment, which commences in Fiscal Year 2022-2023, will support mass transit capital and operating needs. The table under "*Act 44 Payments to PennDOT for Roads, Bridges and Transit*" below indicates the amounts that have been paid to date by the Commission. The Commission's obligation to pay the annual debt service on any Special Revenue Bonds on a timely basis continues to be part of its payment obligation under the Amended Funding Agreement.

The Enabling Acts provide that if the Secretary of the Budget notifies the Commission of a failure to make a payment to PennDOT under the Amended Funding Agreement, all actions of the Commission taken by a vote of the Commissioners thereafter must be approved by a unanimous vote of all Commissioners until such time as the payment is made. However, a unanimous vote is not required if it would prevent the Commission from complying with covenants with "current bondholders, debt holders or creditors." The Amended Funding Agreement does not refer to "current bondholders, debt holders or creditors," but provides that a unanimous vote is not required if it would prevent the Commission from complying with covenants with "bondholders, debt holders or creditors having such status as of the Effective Date," which under the Amended Funding Agreement is defined as October 14, 2007. These voting procedures have not become effective as the Commission has not missed any payments under the Amended Funding Agreement.

The Commission is required by the terms of the Amended Funding Agreement and Act 44 to fix and adjust tolls at levels that will generate revenues (together with other available moneys) sufficient to pay, among other things, amounts to PennDOT pursuant to the Amended Funding Agreement when due and other obligations of the Commission, and the Commission has covenanted in the Subordinate Indenture to set tolls at a level sufficient to meet its coverage obligations taking into account any additional debt incurred in order to make such payments. The Commission believes that System revenues should enable it to satisfy its reduced payment obligations as set forth in the Amended Funding Agreement.

Payments to PennDOT for Roads, Bridges and Transit

The Enabling Acts provide that all required payments under the Amended Funding Agreement or as required by the Enabling Acts shall be subordinate obligations of the Commission payable solely from the General Reserve Fund after meeting all other Commission requirements pursuant to any financial documents, financial covenants, liquidity policies or agreements in effect at the Commission. Pursuant to Act 44 and the Act 44 Funding Agreement, the Commission's payments to PennDOT over the seven fiscal years ended May 31, 2014 have

been allocated between deposits to the Motor License Fund for road and bridge work and deposits into the Public Transportation Trust Fund for distribution to Pennsylvania’s local and regional public transportation agencies for operating and capital purposes.

No portion of the payments of the Commission to be deposited into the Public Transportation Trust Fund may be made with proceeds of Special Revenue Bonds. In accordance with Act 89 and the Amended Funding Agreement, effective July 1, 2014, 100 percent of the scheduled annual payments of the Commission to PennDOT will be deposited into the Public Transportation Trust Fund and will be used to support transit operating and capital costs, multi-modal transportation capital project costs and alternative energy transportation capital project costs.

To date, the Commission has paid a total amount of \$4,637,500,000 under the Amended Funding Agreement, as set forth in the following table (dollar amounts in millions). Three quarterly payments subject to the provisions of Act 89 have been paid to date in fiscal year 2015.

Fiscal Year Ended May 31,	Payments to Motor License Fund	Payments to Public Transportation Trust Fund	Total
2008	\$ 450.0	\$ 300.0	\$ 750.0
2009	500.0	350.0	850.0
2010	500.0	400.0	900.0
2011	200.0	250.0	450.0
2012	200.0	250.0	450.0
2013	200.0	250.0	450.0
2014	200.0	250.0	450.0
2015	0.0	450.0	337.5*

* Through the first 9 months of Fiscal Year 2014-2015

Issuance of Bonds; Commission Payments

Under the Enabling Acts, the Commission is authorized and empowered, among other things, to issue turnpike revenue bonds, notes or other obligations (either senior on a parity basis or subordinate) to pay (i) pursuant to the Amended Funding Agreement, if applicable, the costs of construction, reconstructing, widening, expanding or extending I-80 or any other costs of I-80 and the System, (ii) certain amounts to PennDOT pursuant to the Amended Funding Agreement for purposes of funding PennDOT highway, road and bridge construction and maintenance programs in the Commonwealth (provided that, commencing in Fiscal Year 2014-2015, all payments to PennDOT under the Amended Funding Agreement will be deposited into the Public Transportation Trust Fund), (iii) costs of improvements to the System, and (iv) certain amounts into a Public Transportation Trust Fund pursuant to the Amended Funding Agreement, to be used for mass transit programs, multi-modal transportation programs and alternative energy transportation programs (provided that, pursuant to the terms of the Amended Funding

Agreement, the proceeds of any Special Revenue Bonds may not be applied for payments to mass transit programs, multi-modal transportation programs or alternative energy transportation programs).

The bonds authorized to be issued by the Commission under Act 44 include up to \$5 billion of Special Revenue Bonds, as described below. Proceeds of such bonds may be applied toward the satisfaction of the Commission's scheduled annual payment obligations under the Amended Funding Agreement and the Enabling Acts, except for that portion of the annual payment obligations to be deposited in the Public Transportation Trust Fund pursuant to the terms of the Amended Funding Agreement. Since all of the Commission's payments to PennDOT under the Amended Funding Agreement are being deposited into the Public Transportation Trust Fund commencing July 1, 2014, as of such date, the Commission is no longer issuing Special Revenue Bonds to fund its obligations under the Amended Funding Agreement. See "*Statutory Limitations on the Incurrence of Special Revenue Bonds*" below. The Amended Funding Agreement provides that the Commission is obligated to pay all debt service due with respect to the Special Revenue Bonds.

Pursuant to the terms of the Subordinate Indenture, the Commission has covenanted to pay to the trustee under the Subordinate Indenture (the "***Subordinate Indenture Trustee***"), and it has instructed the trustee under the Senior Indenture (the "***Senior Indenture Trustee***") to pay to the Subordinate Indenture Trustee, after payment of all required debt service on all Senior Indenture Obligations (defined below) and subject to the provisions of the Senior Indenture, out of the General Reserve Fund established under the Senior Indenture, such amounts as are required by the Subordinate Indenture, by a supplemental indenture to the Subordinate Indenture or by a parity swap agreement to pay, at the times specified, all amounts due in respect of the Subordinate Indenture Obligations (defined below) outstanding under the Subordinate Indenture.

Accordingly, the Commission is required to instruct and furnish a debt service schedule to the Senior Indenture Trustee providing (i) for the payment to the Subordinate Indenture Trustee out of available funds held in the General Reserve Fund of the amount from time to time necessary to satisfy all required deposits under the Subordinate Indenture to the Commission Payments Fund established under the Subordinate Indenture and (ii) for the payment of debt service on the outstanding Subordinate Indenture Obligations and all other payments required from time to time under the Subordinate Indenture and in any supplemental indenture to the Subordinate Indenture (collectively, the "***Commission Payments***").

Under the Subordinate Indenture, the Commission may, from time to time, issue additional bonds, including Subordinate Revenue Bonds and Special Revenue Bonds, to satisfy its payment obligations under the Enabling Acts. The Commission intends any long-term indebtedness to be issued under the Subordinate Indenture to be paid solely from Commission Payments. Such obligations, if issued, are subordinate to the Turnpike Revenue Bonds issued under the Senior Indenture. Such Subordinate Revenue Bonds will be parity obligations with the outstanding Subordinate Revenue Bonds already issued under the Subordinate Indenture. Upon the issuance of the 2015A Bonds, the Commission will have \$4,202,128,297.05 of Subordinate Revenue Bonds outstanding under the Subordinate Indenture (including compounded amounts as of December 1, 2014 for outstanding capital appreciation bonds). Special Revenue Bonds have a right to payment from Commission Payments that is subordinate to the rights of payment of the

holders of Subordinate Revenue Bonds issued under the Subordinate Indenture. **APPENDIX F sets forth the existing debt service schedule for the Turnpike Revenue Bonds issued under the Senior Indenture.**

Statutory Limitations on the Incurrence of Special Revenue Bonds

Under the Enabling Acts, the Commission is authorized to issue, by resolution, Special Revenue Bonds (as defined in § 9511.2 of Act 44) up to an aggregate principal amount of \$5 billion, exclusive of original issue discount, for the purpose of paying bond related expenses and costs of PennDOT, including the costs of highway, road, tunnel and bridge construction, renovation and expansion, including acquisition of land, rights, machinery and equipment and certain finance charges relating thereto, planning, engineering, administrative and other expenses, and debt service. No more than \$600 million in aggregate principal amount of such Special Revenue Bonds, exclusive of original issue discount, may be issued in any calendar year. No such bonds may be issued unless the Amended Funding Agreement is in effect, and no such bonds may be outstanding beyond the stated term of the Amended Funding Agreement at the time of issuance. Special Revenue Refunding Bonds (as defined in § 9511.2 of Act 44) shall not be deemed to count against the total or annual maximum issuance volume under Act 44. Pursuant to Act 89, Special Revenue Bonds may not be issued by the Commission to fund any portion of its annual payment obligation commencing July 1, 2014, as all of such annual payment obligation is to be deposited in the Public Transportation Trust Fund after such date, although Special Revenue Refunding Bonds could be issued.

Special Revenue Bonds have been issued under the Subordinate Indenture. Currently, \$976,555,620.20 (including compounded amounts as of December 1, 2014 for capital appreciation bonds) of Special Revenue Bonds is outstanding under the Subordinate Indenture.

Should the Commission fail to timely make required debt service deposits for Special Revenue Bonds, the Subordinate Indenture Trustee shall proceed under the terms of Act 44 and a Memorandum of Agreement between PennDOT, the Office of the Budget of the Commonwealth and the Pennsylvania State Treasurer, dated July 16, 2010 (the “*MOA*”), to notify PennDOT of such default, and PennDOT shall give notice to the Treasurer of the Commonwealth of such deficiency and shall request the payment of funds necessary to cure such deficiency only from funds available for such purpose in the Motor License Fund. The appropriation of money in the Commonwealth’s Motor License Fund in respect of Special Revenue Bonds issued by the Commission under Act 44 is continuing and non-lapsing. The Commonwealth has no obligation to appropriate any funds, other than available funds on deposit in the Motor License Fund, for the payment of any such Special Revenue Bonds. Pursuant to the MOA, certain funds equal to the maximum annual debt service on outstanding Special Revenue Bonds are to be set aside (but not pledged) in the Motor License Fund for this purpose upon the issuance of Special Revenue Bonds. Funds in such amounts were set aside in the Motor License Fund in connection with the issuance of the Commission’s Motor License Fund-Enhanced Turnpike Subordinate Special Revenue Bonds, Series A of 2010, Series B of 2010, Series A of 2011, Series B of 2011, Series A of 2012, Series B of 2012, Series A of 2013, Series B of 2013 and Series A of 2014. The Commission is obligated pursuant to the Amended Funding Agreement to reimburse the Treasurer of the Commonwealth for any amounts withdrawn from the Motor License Fund in order to cure a default in the payment by the Commission with respect to the annual debt service

on any such Special Revenue Bonds. This reimbursement obligation is subject to and junior to the payment obligations of the Commission under the Special Revenue Bonds.

Rules Relating to Governance and Accountability Under the Enabling Acts

The Enabling Acts sets forth certain rules relating to governance and accountability of the Commission, including, but not limited to: requiring the Commission to file an annual financial plan with the Pennsylvania Secretary of the Budget no later than June 1 of each year; to have an audit of the Commission's finances (including a review of its performance, procedures, operating budget, capital budget and debt) conducted by the Auditor General every two years (such audit to be paid for by the Commission); to adopt a comprehensive code of conduct for Commissioners and executive-level employees, which the Commission adopted on October 31, 2007 and further expanded and strengthened on January 7, 2014 and January 28, 2015; and upon request, at least one Commission member shall testify annually before the appropriations committee of the Pennsylvania House of Representatives and the Senate of Pennsylvania.

On May 30, 2014, the Commission submitted its financial plan for Fiscal Year 2014-15 (the "**Financial Plan**"). The Financial Plan incorporates the Commission's Fiscal Year 2015 Ten Year Capital Plan (the "**Capital Plan**"), which provides for \$6.52 billion, net of federal reimbursements, in capital spending over the period from Fiscal Year 2014-2015 through Fiscal Year 2023-2024. The Capital Plan allows the Commission to accelerate a number of capital improvements and to pursue new initiatives to maintain and improve the System. The Financial Plan indicates that in Fiscal Year 2013-2014 the Commission was able to meet all of its financial covenants and obligations under the Enabling Acts, and was able to progress with its Capital Plan. Given the ongoing and moderate recovery of both the national and state economies, the Commission plans to continue the cost containment and efficiency measures it implemented within the past few years. These measures, together with future toll increases, are expected to allow the Commission to meet its financial covenants, obligations under the Enabling Acts, and capital needs during Fiscal Year 2014-2015.

The Financial Plan concludes that the Commission will continue to meet all of its indenture covenants and all of its other obligations through the Fiscal Year 2056-2057. However, as a forward-looking report, the Financial Plan makes certain assumptions, including future toll increases, to reach its conclusion that the financial covenants, obligations under the Enabling Acts, and capital needs will be met beyond Fiscal Year 2014-2015. Key among these assumptions is the Commission's ability to raise all tolls throughout the System. The Financial Plan reflects the full year effects of the January 2014 toll increase and the expected partial year impacts of the toll increase that became effective in January 2015. The Financial Plan assumes the \$450 million reduced level of funding obligations required by the Enabling Acts through Fiscal Year 2021-2022 and the \$50 million funding level from Fiscal Year 2022-2023 through Fiscal Year 2056-2057. No assurances can be made by the Commission with respect to the assumptions made or conclusions reached in the Financial Plan. A complete copy of the Financial Plan is available on the Commission's website below. See "THE COMMISSION – Enabling Acts" above.

http://www.paturnpike.com/financial/documents/PTC%20Fiscal%202015%20Act%2044%20Financial%20Plan_5-30-2014_FINAL.pdf

For information on the most recent performance audit by the Auditor General, see “CERTAIN FINANCIAL INFORMATION – Performance Audit by the Auditor General” below.

Recent Developments and Pending Legislation

Act 88 of 2012 (formerly House Bill 3 and Senate Bill 344) (“*Act 88*”) was signed into law by former Governor Corbett on July 5, 2012. Act 88 authorizes “public-private” transportation partnership arrangements in the Commonwealth. The law allows the Commission, among other public entities, to enter into public-private partnerships for the construction of transportation infrastructure and facilities and for the lease of such facilities through long-term agreements. Act 88 prohibits a lease of the Turnpike Mainline without the further express approval of the General Assembly. However, the law does not restrict the Commission from entering into public-private partnership agreements which do not involve granting substantial oversight and control over the Turnpike Mainline to another entity, nor does it limit or preempt in any way the Commission’s ability to enter into certain types of public-private partnership agreements currently allowed under its Enabling Acts. The Public Private Transportation Partnership Board, established pursuant to Act 88, has issued an Implementation Manual & Guidelines for Public-Private Transportation Partnerships.

Pennsylvania Legislative Proposals

From time to time, legislation is introduced in the Pennsylvania General Assembly (with respect to the Enabling Acts and otherwise) and in the United States Congress, the nature and content of which may affect the Commission. The Commission cannot predict if any such legislation will be enacted into law, or how any such legislation may affect the Commission’s ability to pay the Senior Indenture Obligations or the Subordinate Indenture Obligations, or to perform its financial obligations pursuant to the Enabling Acts.

The Pennsylvania House of Representatives and the Pennsylvania Senate convene for a two-year session on the first Tuesday after New Year’s in odd numbered years and adjourn (*Sine Die*) on November 30 of the next even numbered year. Legislation which was not enacted by November 30, 2014 expired, but may be reintroduced when the legislature reconvened for the 2015-16 legislative session, which began on January 6, 2015.

Among legislation either in discussion or introduced in the General Assembly that could affect the Commission includes proposals or bills which would accomplish the following:

- Affect future pension contributions by the Commission (and other Commonwealth employers) by switching future public employees (including Commission employees) from a defined benefit plan to a defined contribution plan, or a variation thereof. (House Bill 727, introduced March 9, 2015).
- Language which would redefine “electronic toll collection” to include additional technology such as all-electronic tolling, video tolling, and any other similar structural or technological enhancements related to tolling; as well as provide for

authority to suspend vehicle registration for failure to pay tolls due to the Commission.

- Legislation requiring the Commission to improve its tunnel maintenance and inspection procedures, expand its customer service telephone access, post Commissioner expenses on-line, and enact various restrictions concerning the Commission's travel policies. (Senate Co-Sponsor Memo #45, filed December 1, 2014 and as of yet not introduced).
- Legislation requiring a majority vote of the Pennsylvania Senate to confirm the Chief Executive Officer of the Commission. (Senate Bill 474, introduced February 13, 2015).

The Commission cannot predict what other legislation may be considered by the General Assembly during the 2015-2016 or future legislative sessions or if any other proposals or initiatives may lead to the adoption of legislation that may affect the Commission.

Federal Surface Transportation Reauthorization

On July 6, 2012, President Obama signed into law a two-year federal transportation funding bill (the "**2012 Transportation Act**"). The 2012 Transportation Act provided continued funding for federal transportation programs at approximately \$54 billion per year. In August 2014, President Obama signed into law a \$10.8 billion extension of the 2012 Transportation Act that is intended to keep the Federal Highway Trust Fund operating through May of 2015. Because neither the operations of the Commission nor its capital programs depend, to any material extent, upon the continuing availability of federal funding, the Commission does not believe that the 2012 Transportation Act, as extended, will have a material effect on the financial condition or results of operations of the Commission.

Statewide Investigating Grand Jury and Recent Criminal Charges

In May, 2009, a statewide grand jury investigation was commenced as a result of public allegations of potential public corruption and criminal misconduct within the Commission (the "**Grand Jury Investigation**")³. As part of this investigation, covering Turnpike System operations during an approximate period from February 2000 through early 2013, the Grand Jury heard testimony from hundreds of witnesses and reviewed numerous exhibits, including correspondence, e-mails, campaign contribution records, audio recordings, invoices, bank records, internal Commission policies and memoranda, and expense reports, among other items. The Grand Jury Investigation spanned forty-four months and culminated on March 13, 2013,

³ The Grand Jury investigation was initially commenced before the 31st Statewide Investigating Grand Jury in May of 2009. Upon the expiration of that Grand Jury, the investigation was transferred to the 33rd Statewide Investigating Grand Jury in June of 2011. For purposes of this disclosure, the 31st Statewide Investigating Grand Jury together with the 33rd Statewide Investigating Grand Jury, will be referred to as the "Grand Jury".

when the Grand Jury issued its 85-page Presentment (the “*Grand Jury Presentment*”)⁴, detailing its findings of fact, conclusions, and recommendations of charges.

The Grand Jury found that certain elected state officials, a former Commissioner, officials, and employees, and vendors and consultants that had business dealings with the Commission engaged and attempted to engage in systemic illegal bid-rigging, commercial bribery, conflict of interest crimes, theft by unlawful taking, theft by deception, criminal conspiracy and corrupt organization crimes. The former Commissioner, who resigned, was granted immunity in connection with his testimony before the Grand Jury. The Grand Jury concluded that these criminal acts resulted in the public losing millions of dollars. The Grand Jury further concluded that the Commission has been corrupted by improper political influence from certain of its own former officials as well as politicians in state government.

The Grand Jury identified a former Pennsylvania state senator, a former chairman of the Commission, a former Chief Executive Officer of the Commission, a former Chief Operating Officer of the Commission, two other Commission employees and two individuals associated with vendors providing services to the Commission as having criminal responsibility for the crimes outlined in its Presentment.

In addition, the Grand Jury found that during the time that the eight identified individuals were employed by or served at the Commission, the Commission operated under a system that rewarded vendors with multi-million dollar contracts in exchange for the payment of political contributions to public officials and political organizations and the payment of gifts and entertainment expenses. In particular, the Grand Jury found that the named former State Senator, during his tenure as Democratic Floor Leader, was actively involved in securing Commission contracts for key contributors and supporters, and imposing fundraising participation on individuals at the Commission to provide political support and raise campaign funds on his behalf.

The Grand Jury cited specific political contributions that were allegedly solicited in exchange for awarding various contracts with the Commission. These campaign contributions were allegedly made during the approximate period of February, 2000 through October, 2010. The Grand Jury also identified specific contracts that it determined were awarded to vendors as a result of their political contributions and other payments.

On March 13, 2013, the Pennsylvania Attorney General filed criminal charges against the individuals referred to above. These individuals are charged with a variety of offenses, including conspiracy, commercial bribery, bid-rigging, theft, conflict of interest, and corrupt organization violations. No criminal charges have been filed against current Commissioners, senior management, or employees. All Commission employees and officials against whom criminal charges were filed left the Commission between March, 2009 and November, 2011. In her statement on March 13, 2013, the Attorney General stated: “The Grand Jury heard evidence of secret gifts of cash, travel, and entertainment, and the payment of substantial political contributions to public officials and political organizations, by private Turnpike vendors and

⁴ For a copy of the complete Grand Jury Presentment, see http://www.attorneygeneral.gov/uploadedFiles/Press/Turnpike_Grand_Jury_Presentment.pdf.

their consultants, demonstrates that the Turnpike operates under a pay-to-play system that is illegal and corrupt.” Preliminary hearings for six of the eight individuals charged were held during the week of June 24, 2013, (excluding the two individuals referred to above as “other former Commission employees”). Final arguments in the preliminary hearings were held on July 16, 2013 and the six individuals were held for trial which was scheduled to begin on or about November 17, 2014. With respect to the “two other former Commission employees”, one waived his preliminary hearing, pled guilty and received probation, and with respect to the other, a preliminary hearing was held on September 16, 2013, the individual pled guilty on January 14, 2014 and was sentenced to two years of probation, ordered to pay restitution and fines and perform 50 hours of community service. On September 30, 2014, a Dauphin County Court Judge approved admission of the two individuals associated with vendors, of the eight individuals charged, into the county’s Accelerated Rehabilitative Disposition Program. On October 6, 2014, the trials of the former state senator and the former Commission chairman were severed from the remaining two defendants. Six of the seven counts against the former state senator were dismissed for lack of evidence. Subsequently, on October 16, 2014, the attorney general’s office requested that the remaining conspiracy charge against the former state senator be dismissed, which request was granted. On November 13, 2014, the former Commission chairman pled guilty to one misdemeanor count of commercial bribery and was sentenced to 24 months of probation, 100 hours of community service, and fined \$2,500. The remaining eight charges against the former Commission chairman were dropped. On November 20, 2014, the former Chief Executive Officer and the former Chief Operating Officer pled guilty to a single felony count of conflict of interest and each received five years’ probation, 250 hours of community service, and a fine of \$2,500.

The Commission’s current Chief Executive Officer, Mark Compton, issued a statement following the publication of the Grand Jury Presentment. Mr. Compton explained that the Commission began revamping its procurement process resulting in more transparency and greater accountability two years prior to the Grand Jury Presentment. Moreover, the Commission continues to evaluate the procurement process and is committed to making improvements where needed. Mr. Compton also announced that he directed the Commission’s Office of Compliance to launch a thorough review of every professional-services contract cited in the Grand Jury Presentment, and provide each of the Commission’s professional-service providers a copy of the Commission’s employee code of conduct and the professional services procurement policy that was enacted in April, 2012. Additionally, the Commission initiated a comprehensive, mandatory code of conduct and ethics training program for its employees which commenced as of September, 2013. Further, on January 7, 2014, the Commission adopted an expanded and more comprehensive code of conduct for all Commission employees which included, among other revisions, required participation in annual training. The code of conduct and procurement policies have since been, and continue to be, updated. The most recent update to the code of conduct was approved on January 28, 2015 with the addition of a complete ban on all gifts to any Commissioners or Commission employees. Finally, the Commissioners directed Mr. Compton to convene a special advisory group to review and critique Commission policies and procedures relating to contracting and other business practices to make improvements to the Commission’s existing practices.

A special independent advisory committee (the “Advisory Committee”) composed of three members was appointed in the spring of 2013. The members are a retired Judge of the

Superior Court of the Commonwealth and member of the Board of Education of the Commonwealth, a former PennDOT Chief Highway Engineer and construction company executive, and a former Vice-Dean of Widener University School of Law and a retired law professor. The Advisory Committee members initially met monthly with the Commission's executive staff and additionally met independently to review and critique Commission procurement and business practices and to research best-practices at comparable agencies to determine where further improvements could be made.

After 12 months of review, the Advisory Committee submitted to the Commission its formal report, which focused primarily on the Commission's contracting and professional services procurement procedures. The report, which the Commissioners accepted on October 21, 2014, commended the Commission's implementation and continued consideration of significant reforms and made recommendations for the enhancement and establishment of policies and procedures in the areas of ethics, procurements, transparency and accountability, and governance. The Advisory Committee will continue to meet on a quarterly basis for one year following the submission of the report.

The complete report of the Advisory Committee is available on the Commission's website below. See "Commission Compliance Department" under "CERTAIN OTHER INFORMATION" for additional information.

http://www.paturnpike.com/news/Advisory_Committee_Report_FINAL.pdf.

Additional Matters

Consistent with recommendations of the Transportation Funding Advisory Commission (the "*TFAC*"), the Commission continues to be actively engaged with other Commonwealth administrative agencies in initiatives to streamline project delivery and increase operational efficiencies. Among such undertakings are the development of a pilot program with the Department of Environmental Protection ("*PaDEP*") for more expeditious third-party review of environmental permits, and a number of collaborative programs with PennDOT in various administrative and technical areas, including integration of communication and information systems, standardization of manuals and publications, and coordination of training, operations, project planning and construction phasing (all as outlined in an August 2011 report entitled *Mapping the Future between the Pennsylvania Turnpike Commission and the Pennsylvania Department of Transportation*). Meetings of Commission management with executives of both PaDEP and PennDOT continue to be held on a regular basis to discuss issues, define direction and explore future collaborative initiatives.

THE TURNPIKE SYSTEM

General

The present Turnpike System is composed of:

- the 359-mile Turnpike Mainline traversing the southern portion of Pennsylvania from east to west;

- the 110-mile north/south section identified as the Northeast Extension;
- the approximately 16-mile north/south connection, known as the Beaver Valley Expressway, which intersects the Turnpike Mainline in the southwestern portion of the Commonwealth;
- the approximately 13-mile Amos K. Hutchinson Bypass which adjoins the Turnpike Mainline near the New Stanton Interchange;
- the completed portion of the Mon/Fayette Expressway project totaling approximately 48 miles; and
- a 6-mile section of the Southern Beltway project from PA 60 to US 22.

For a more complete description of the Mon/Fayette Expressway and Southern Beltway projects, see “CAPITAL IMPROVEMENTS – Mon/Fayette Expressway and Southern Beltway” herein.

The Turnpike Mainline connects with the Ohio Turnpike at its western terminus and with the New Jersey Turnpike at its eastern terminus. The Turnpike Mainline commences on the eastern boundary of Pennsylvania at the Delaware River Bridge which connects the System to the New Jersey Turnpike. The Turnpike Mainline 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 System was constructed prior to the development of the National Interstate Highway System and no Federal Highway Trust Fund monies have been utilized in the construction of the Turnpike Mainline, Northeast Extension, Beaver Valley Expressway or Amos K. Hutchinson Bypass section of the Turnpike System. However, portions of the System have been designated as Interstate Routes. The Turnpike Mainline has been designated as Interstate Route 276 between the area where Interstate Route 95 crosses the System and the Valley Forge Interchange. The portion of the Turnpike Mainline 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 Turnpike Mainline between the New Stanton and Breezewood Interchanges has been designated as Interstate Route 70. The Northeast Extension has been designated as Interstate Route 476. Portions of the Beaver Valley Expressway are designated as Interstate Route 376.

The System was constructed and opened to traffic in sections. The original Turnpike Mainline segment between Irwin and Carlisle was opened in 1940. Ten years later, in 1950, the 100-mile section between Carlisle and King of Prussia was completed and opened. After 1950, construction of new segments of the System occurred at more frequent intervals with the Turnpike Mainline segment in service as of May, 1956. The initial segment of the Northeast Extension between the Turnpike Mainline and the temporary interchange just south of the Lehigh Tunnel was opened in 1955. The final segment, from the temporary interchange to Scranton, was completed and opened for traffic in November, 1957.

The Delaware River Bridge, which connects the Turnpike Mainline with the New Jersey Turnpike System, is owned jointly by the Commission and the New Jersey Turnpike Authority.

Interchanges and Service Plazas

The System has a total of 67 toll interchanges which connect it with major arteries and population centers in its 552 mile traffic corridor. Thirty-two of the interchanges are located on the Turnpike Mainline, including Turnpike Mainline barriers at the New Jersey and Ohio state lines, and 10 interchanges are situated on the Northeast Extension. The additional 25 interchanges are located on the Beaver Valley Expressway, Amos K. Hutchinson Bypass, and completed segments of the Mon/Fayette Expressway and Southern Beltway.

There are 17 service plazas along the System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. The Commission has entered into long term service plaza redevelopment agreements with HMSHost Restaurants, LLC and Sunoco, Inc. to design, reconstruct, finance, operate and maintain all of the service plazas. The Commission has no responsibility for maintaining the service plazas under the agreements. Since the Commission entered the agreements in 2005, 15 rebuilt service plazas have opened. Two service plazas, Valley Forge and North Midway, remain to be renovated. North Midway closed for renovations on September 22, 2014 and is expected to reopen before Memorial Day 2015. Valley Forge closed on January 5, 2015 and will reopen before Labor Day 2015. Cumulatively, the two companies are expected to have invested approximately \$190 million in service renovation projects, at no cost to the Commission. The Commission recorded income of approximately \$3.5 million and \$3.3 million under the service plaza agreements in Fiscal Years 2013-2014 and 2012-2013, respectively, which is based on fixed rental payments plus a percentage of revenue generated.

Additional Services

In addition to 791 field personnel in 22 facilities available to keep the roadway open and safe in the event of unfavorable road conditions, the Commission has a 24/7 Traffic Operations Center which monitors conditions on the System and provides emergency dispatch.

A Turnpike Roadway Information Program provides real-time data to drivers. Travelers are alerted to roadway conditions via Variable Message Signs, Highway Advisory Radio and alerts via e-mail and mobile phone.

With funding from the PaDEP, the Commission built its first Truck Space Electrification (“*TSE*”) facility in 2010 at the New Stanton Service Plaza. The TSE provides service towers equipped with modules that fit into truck cab windows to provide heat, air conditioning, internet, TV and electrical power while the truck’s engine remains off. The TSE will help operators of diesel trucks comply with new environmental regulations and will relieve surrounding neighborhoods from noise and pollution from idling diesel engines.

In September 2011, Commission officials along with representatives from sponsor State Farm Insurance released a smartphone application that enhances safety for those traveling the System. The free iPhone and Android application is an innovative method for travelers to keep up-to-date on current conditions on the roadway.

In December 2011, the PaDEP announced a \$1 million grant award to help develop electric vehicle infrastructure on the System. The grant recipient, Car Charging Group Inc., will install charging stations at all of the System's 17 service plazas. The Commission has also committed additional funding of up to \$500,000 to upgrade the electrical systems at the plazas to accommodate the charging stations. The first phase of the work will be incorporated into ongoing service-plaza renovations between Harrisburg and New Jersey. Later phases will involve service plazas between Harrisburg and Ohio, and then along the Northeast Extension. The first phase of the project, involving five service plazas, was completed during the second half of 2014 with the balance of the project to be completed by the middle of 2015.

In February 2013, the Commission announced that free Wi-Fi service is available at all operational service plazas. The amenity was added to accommodate Turnpike System customers who want to use smartphones, tablets, laptops or other portable devices to access the internet while traveling.

In September 2013, the Commonwealth Financing Authority announced a \$500,000 grant to Sunoco, Inc., a portion of which was used to partially fund a compressed natural gas refueling station located at the New Stanton service plaza, the first natural gas refueling station on the System. Construction was completed and the refueling station opened in November 2014.

E-ZPass Lanes

The Commission has installed E-ZPass, a form of electronic toll collection, throughout the System. Not only has E-ZPass enhanced safety and convenience for users of the System, but the technology has improved traffic flow and reduced congestion at the System's busiest interchanges, especially in southeastern Pennsylvania. The use of electronic tolling has enhanced the overall efficiency of the Commission's toll collections operations and has resulted in a reduction in the number of required full-time and part-time toll collectors. Express E-ZPass lanes have been constructed at five interchanges and permit E-ZPass customers to travel through the toll plaza at highway speeds. In addition, E-ZPass customers traveling in 15 other states that have implemented E-ZPass technology are able to use E-ZPass. Currently, E-ZPass is available on the entire System, including the western extensions. The Commission has not experienced any material problems in connection with the installation or operation of the E-ZPass system.

To help ensure, protect and preserve the collection of toll revenue due the Commission, a violation enforcement system ("**VES**") has been installed at all interchanges where E-ZPass has been installed to identify violators (customers who travel through E-ZPass lanes and do not have E-ZPass) and motorists with problem tags that are unreadable. VES enables the Commission to collect appropriate tolls and other additional fees relating to violations. Legislation passed in 2000 included enforcement provisions for E-ZPass, including, among other things, certain evidentiary presumptions with respect to whether the registered vehicle owner was the operator of the vehicle, procedures for notifying the vehicle owner of the violation charged and the imposition upon the vehicle owner of civil penalties for violations. Act 89 included enhanced fare evasion measures and criminal penalties pertaining to E-ZPass violators. Under Act 89, motorists who commit or attempt to commit fare evasion on the System shall have committed a summary offense and upon conviction, shall be fined a sum between \$100 and \$1,000 in addition to civil penalties that are already in place. Further, motorists who take affirmative action to evade

a System fare shall, upon conviction, have committed a misdemeanor of the third degree which will be punishable by fines ranging from \$3,000 to \$6,500 (depending on the number of offenses) and imprisonment of not more than six months for a second offense. Revenue generated from the additional fare evasion fines imposed by Act 89 is to be deposited in the Commonwealth’s Motor License Fund rather than with the Commission; however, restitution for the full fare is due the Commission.

The Commission’s annual revenues from E-ZPass users have increased to \$606.17 million during the Fiscal Year ended May 31, 2014 from \$561.34 million for the Fiscal Year ended May 31, 2013. The Commission’s annual revenues from ticketed drivers (i.e., those not using E-ZPass) decreased to \$259.89 million during the Fiscal Year ended May 31, 2014 from \$260.17 million for the Fiscal Year ended May 31, 2013. The Commission expects that E-ZPass usage will continue to increase. The following table summarizes the Commission’s E-ZPass penetration rates among passenger, commercial and total users over the past seven fiscal years.

E-ZPass Penetration Rates

<u>Year</u>	<u>Passenger</u>	<u>Commercial</u>	<u>Total</u>
2008	45%	75%	59%
2009	48%	77%	61%
2010	51%	78%	63%
2011	54%	79%	65%
2012	56%	80%	67%
2013	58%	81%	68%
2014	61%	83%	72%

The Commission is a member of the E-ZPass Interagency Group (“**IAG**”), a coalition of toll authorities throughout the United States. IAG includes the following agencies: Peace Bridge Authority; Burlington County Bridge Commission; Delaware Department of Transportation; Delaware River and Bay Authority; Delaware River Joint Toll Bridge Commission; Delaware River Port Authority; Illinois State Toll Highway Authority; ITR Concession Company (Indiana Turnpike); Maine Turnpike Authority; Maryland Transportation Authority; Massachusetts Department of Transportation; Metropolitan Transportation Authority Bridges & Tunnels; New Hampshire Department of Transportation, Bureau of Turnpikes; New Jersey Turnpike Authority; New Jersey Highway Authority; New York State Bridge Authority; New York State Thruway Authority; North Carolina Turnpike Authority; Ohio Turnpike Commission; Port Authority of New York and New Jersey; Rhode Island Turnpike and Bridge Authority; South Jersey Transportation Authority; Virginia Department of Transportation; the West Virginia Parkways Authority; Skyway Concession Co. LLC; and Niagara Falls Bridge Commission. IAG’s stated mission is “to enable E-ZPass members and affiliated toll operators to provide the public with a seamless, accurate, interoperable electronic method of paying tolls and fees while preserving and enhancing the E-ZPass program.”

New highway construction projects, such as the Mon/Fayette Expressway and Southern Beltway, are being designed and built to be compatible with the E-ZPass system. The installation of the E-ZPass system has required the incorporation of innovative technologies into a single toll system that uses hardware and software adaptable to future technologies. The Commission has a contract, extending through 2019, with TransCore Company for the design, installation and maintenance of the E-ZPass system software and hardware and the operation of the E-ZPass Customer Service and Violations Processing Centers. The E-ZPass system implementation is a major component of the Commission's Ten-Year Capital Plan. For a more complete description of the Commission's Capital Plan, see "CAPITAL IMPROVEMENTS – Ten-Year Capital Plan" herein. Plans call for enhancements to E-ZPass lane signage and the design of additional Express E-ZPass lanes.

See "CERTAIN FINANCIAL INFORMATION – Toll Schedule and Rates" below for a discussion of the Commission's toll rates, including recent revisions for E-ZPass customers.

E-ZPass Plus

In November 2009, the Commission began offering E-ZPass customers who meet specific criteria the ability to participate in E-ZPass Plus. E-ZPass Plus allows E-ZPass customers to use their transponder to pay for parking fees at participating facilities displaying the E-ZPass Plus logo.

All Electronic Tolling

The Commission has constructed three all-electronic-tolling ("**AET**") interchanges in the Philadelphia area which are designed for the exclusive use of E-ZPass customers: Virginia Drive (located east of the Fort Washington interchange); Street Road (located west of the Bensalem interchange); and Route 29 (located west of the Valley Forge Interchange). There are also two AET interchanges that are currently under construction: one at Route 903 in Carbon County is expected to be in construction through the spring of 2015. A second one at the Delaware River Bridge (westbound) is part of the I-95 Connector in Bucks County and is expected to be in construction through the fall of 2015. These AET interchanges and other similarly planned interchanges are expected to reduce congestion at the System's busier interchanges and provide convenient access to industrial parks and job centers.

Early in 2011, the Commission initiated a feasibility study to examine the benefits and potential issues associated with converting the toll road to a cashless, AET system. The team of McCormick Taylor/CDM Smith (formerly Wilbur Smith Associates) was selected to conduct the AET study which includes an overview of the existing toll collection system and an analysis of AET systems throughout the United States, comparing the costs and benefits of various electronic tolling options. The AET feasibility report (the "**AET Feasibility Report**") was completed in March 2012. The Commission has determined, based on the assumptions in the AET Feasibility Report, that conversion to AET is feasible from both a financial and physical perspective. As a result, the Commission has committed to a full conversion to a cashless, non-stop AET system. The AET Feasibility Report is available for review on the Commission's website at http://www.paturndpike.com/aet_public/aet.asp. In July 2012, the Commission selected HNTB Corporation to act as its Program Manager to lead and direct the multi-

disciplinary efforts required to manage and coordinate the design and implementation of an AET system. The final Conceptual Implementation Plan report, including a schedule for AET conversion, was issued in October 2014. In regard to Commission efforts to move forward with the AET initiative, the Commission sought to include legislative language in House Bill 1060, during the prior legislative session that ended in December 2014, to assist in preserving and protecting the Commission's revenues from non E-ZPass customers under an AET environment. Specifically, the Commission had sought legislation that would have provided the Commission with enforcement provisions for video tolling and reciprocity authority with other states. While language was adopted in the Senate during discussions on transportation funding (Senate Bill 1) by a vote of 45-5, Senate Bill 1 was not considered in the House. The main enforcement mechanism would have been the ability of PennDOT to suspend the vehicle registration of video toll scofflaws. Act 89, as currently enacted, does not include any of the AET enforcement language or reciprocity language that the Commission had sought. Act 89 does include enhanced fare evasion penalties but this is not exclusive to AET. Therefore, the Commission is developing a Revenue Assurance Plan incorporating various strategies to assist the Commission in enhancing its toll enforcement capabilities. In addition, the Commission will again seek legislation, in the current legislative session, to obtain the aforementioned video tolling enforcement provisions and reciprocity authority with other states.

Following the enactment of Act 89, the Commission re-evaluated the AET schedule, which had contemplated full conversion to a cashless, non-stop AET system by 2018, and determined that a modified schedule for AET implementation extending to approximately 2021 was reasonable. Even further consideration has resulted in an approach called AET In-Place; whereby, the existing toll lanes are equipped with the necessary technology to allow AET to occur at the existing plaza locations. AET In-Place for the Mon-Fayette, Amos K. Hutchinson By-Pass and the Beaver Valley will be implemented by the end of 2015. The Turnpike Mainline and Northeast Extension will be equipped with AET In-Place by the end of 2017. From an AET In-Place concept, regional deployment of the ultimate AET mainline gantry system can occur on a planned and systematic approach where E-Z Pass penetration rates support the initiative. Additional information regarding AET is available on the Commission's website at http://www.paturnpike.com/aet_public/aet.asp.

CAPITAL IMPROVEMENTS

Act 61 Projects

In 1985, the General Assembly of the Commonwealth enacted Act 61. Act 61, among other things, authorized and empowered the Commission to undertake the construction of new projects and to operate them as part of the System. Although Act 44 repealed Act 61, it provides that all activities initiated under Act 61 shall continue and remain in full force and effect and may be completed under Act 44.

System Maintenance and Inspection

The Commission's engineering and maintenance staff performs maintenance on, and repairs to, the System. In addition, the Commission also uses staff and consultants to perform periodic inspections of the System. Pursuant to the terms of the Senior Indenture, the

Commission must arrange for the System to be inspected at least once every three years by engaging one or more consultants to conduct inspections and prepare a report. The report must state (a) whether the System has been maintained in good repair, working order and condition since the last inspection report and (b) any recommendations which such consultants may have as to revisions or additions to the Commission's annual capital budget. The most recent inspection report, the Pennsylvania Turnpike Condition Assessment Report 2014 (submitted to the Commission in February 2015), was prepared by Michael Baker International (the "**Condition Assessment Report**"). The next Turnpike Condition Assessment Report is scheduled for completion during 2017 and the Commission anticipates receiving the report in either late 2017 or early 2018.

Based on reviews performed by others as well as their own observations, the authors of the Condition Assessment Report found that, "the overall condition of the System is good except for specific areas noted in the report."

The following summarizes certain information found in the Condition Assessment Report, including certain of the "specific areas" referred to in the preceding paragraph, and in inspection data gathered in 2014. Three of the four asset groups, including Roadway, Structures and Facilities are rated Good overall. The asset group Technology, which only included Intelligent Transportation Systems is rated Fair to Good. Each of the asset groups are in working order based on the condition ratings of the individual assets within the asset group. The individual asset condition rating was developed through an extensive evaluation of available performance data that was both qualitative and quantitative. There were several different evaluation measures used across the array of Commission assets. The derivation of the individual asset rating is detailed in each section of the report. The following is an overall summary for each of the four asset groups.

Roadway

The recent roadway pavement inspection data indicate that the overall condition of the Commission pavement meets or exceeds established criteria with the area noted for skid resistance as the only exception. The supporting roadway features guiderail, attenuators, and median barrier are generally in Fair to Good condition. These assets require regular inspection and prompt repair when damaged for the safety of the Commission customers. Stormwater/BMP facilities are in Good condition and are being inspected in accordance with permitting requirements, however, a continued focus on regular maintenance or repair of these facilities is needed to keep them functioning as intended. The roadway drainage system seems to be in Fair condition based on qualitative approach used to evaluate this asset. More detailed inspections would be needed to verify the condition of drainage facilities and to establish necessary maintenance activities beyond the routine annual maintenance that the Commission currently performs. Based on a recent visual inspection and a comparative analysis from the 2011 Rock Cut Evaluation, the rock cuts appear to be in Good condition. The overall condition of signs is Good, and is being maintained adequately. Recent field evaluations of the Commission's highly reflective and pavement markings and waterborne pavement markings at selected locations indicate that the Commission's pavement markings are in Good condition.

Structures

The Turnpike's bridges and culverts are in Good condition with about 5.4 percent noted as structurally deficient and 62 percent exceeding 50 years in age. Condition ratings are being uploaded to Pontis, a bridge management software tool, for the 233 sign structures and detailed information is provided in the inspection reports with the overall condition being Good. Retaining walls/noise barriers are in Good condition overall, with only minor areas of concern and no loss of structural integrity. High mast light poles appear to be in Fair condition. High mast light poles are being removed with construction projects that impact them, and will ultimately be phased out. Turnpike tunnels are generally in Fair to Good condition with special attention to be given to structural elements (i.e. ceiling slabs, hanger rods) for corrective action, if needed.

Facilities

The service plazas were rated Good but nearly 50 percent of the facility ratings have declined in the last year. Facility condition reports are being shared with HMS/Host and Sunoco to assist with their maintenance responsibilities and capital plans reflecting maintenance needs and allocations will be developed. Maintenance buildings are in Fair condition with a number of these buildings requiring maintenance. Projects are being developed based on Condition Assessment reports with money being allocated to the Capital Plan to support these projects. The overall condition for the following facilities types, Interchange buildings, Administration buildings, District Fare Collection Buildings, and Stockpiles are Good. The State Police Station facilities are rated Good based on the available condition data. An overall condition for Communication Towers is not provided due to a limited amount of available of inspection data. Since taking responsibility for inspection and maintenance of the communication towers in 2012, FEMO has advanced a structural analysis review program to assess the condition of Communications Towers to identify and fix deficiencies.

Technology

Intelligent Transportation System devices were the sole Commission technology that was included in the Condition Assessment. The overall condition of the ITS devices that were evaluated is Fair to Good. The Commission's IT continually monitors the virtual network and provides support in troubleshooting issues as needed. The Commission's ITS contractor maintains the ITS equipment through preventative and response maintenance plans.

Ten-Year Capital Plan

The Commission prepared the Ten-Year Capital Plan for its facilities and equipment (exclusive of the Mon/Fayette and Southern Beltway projects), consisting of the Highway Program, the Technology Program, Fleet Equipment, Facilities and Energy Management Operations and AET Conversion, which it updates each year. The Capital Plan for Fiscal Year 2014-2015 was adopted by the Commission on May 30, 2014. The Capital Plan calls for investment of \$6.52 billion, net of federal reimbursements, over the coming decade and is estimated to support approximately 95,000 jobs each year for the next 10 years.

Exhibit I attached to this Appendix A indicates budget allocations by program.

The Capital Plan will require the issuance of additional debt throughout the ten-year period. The Commission believes that the increased capital spending and increased debt issuance will require the imposition of annual toll increases throughout the ten-year period and beyond. The Traffic Study (as defined in the forepart of this Official Statement) prepared by CDM Smith (formerly Wilbur Smith Associates) contemplates toll increases of 3.0% to 6.0% in each year.

The Highway Program consists of roadway, bridge, tunnel and toll plaza/interchange projects. The Technology Program consists of toll collection, communication, and other electronic information management projects. The Fleet Program funds rolling stock that is required to maintain the system. The Facilities and Energy Management Program consists of buildings and large, heavy or high value equipment needs.

The highest priority highway project for the Commission is the ongoing full depth roadway total reconstruction of the east/west Turnpike Mainline and Northeast Extension. This work includes the reconstruction and widening of the roadway, the widening of the median, and the replacement of both mainline and overhead bridges. To date, approximately 112 miles of total reconstruction has been completed and approximately 20 miles are currently in construction. Total reconstruction projects from Milepost 44 to Milepost 48, Milepost 99 to Milepost 102, Milepost 220 to Milepost 227, and Milepost A26 to Milepost A-31 are in construction. Milepost 242 to Milepost 245 total reconstruction was bid on January 28, 2015. Currently, approximately 135 miles are in design.

Based on the Capital Plan, the Commission plans to spend approximately \$2.8 billion on total reconstruction projects and approximately \$1.1 billion on various bridge and tunnel projects over the next ten years. In total, the Highway Program includes funding of \$5.406 billion over the next ten years.

The Technology Program includes funding of \$237 million over the next ten years to address the Commission's technology needs including toll collection projects, communication, application development and technical operational needs. The Commission has implemented SAP ERP to provide a set of integrated business processes supported by multi-module application software with a centralized data repository.

The Fleet Program includes funding of \$164 million to purchase rolling stock to insure adequate maintenance of the roadway system.

The Facilities and Energy Management Program includes funding of \$265 million to repair and replace the aging facilities of the Commission. This commitment will ensure that major equipment and facilities are in good repair to support ongoing Turnpike System operations.

The implementation of AET and the conversion of System facilities to accommodate AET is estimated to require \$447 million in capital funding over the next ten years. This amount is higher than the estimate included in the AET Feasibility Report. The increase is associated with a proposed 3-gantry system in lieu of the 2-gantry system proposed in the AET Feasibility Report. A revision to the level of capital funding required for the modified AET In-Place approach is expected to be included in the FY 2015-2016 Ten Year Capital Plan.

Mon/Fayette Expressway and Southern Beltway

Four projects constructed as part of the Mon/Fayette Expressway are now in operation. One is an approximately 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 second is an approximately twelve-mile section of toll road from I-68 near Morgantown, West Virginia, to Fairchance, Pennsylvania, which is located just south of Uniontown. The third project is an approximately sixteen mile section of the Mon/Fayette Expressway from Interstate Route 70 in Washington County to Pennsylvania Route 51 in Allegheny County, which opened in April 2002. The fourth is an approximately fifteen mile section from Uniontown to Brownsville, including a 3,022-foot bridge over the Monongahela River, which opened to traffic in July 2012. These four contiguous projects, which total 48 miles from Morgantown, West Virginia to PA Route 51 south of Pittsburgh, are now part of the System. The final 14-mile section of the Mon/Fayette Expressway, extending from PA Route 51 to Interstate Route 376 in Pittsburgh, received environmental clearance in December 2004. Final design through design field view has been completed. Additional design, right-of-way acquisition and construction cannot progress until additional funding from Act 89 becomes available in future years. Current estimates to complete the final 14 miles of the Mon/Fayette Expressway to Interstate Route 376 are in excess of \$1.6 billion.

When eventually completed, the Mon/Fayette Expressway would extend from Interstate 68 in West Virginia to Interstate Route 376 near Pittsburgh.

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 Interstate 376 at the Pittsburgh International Airport. It is comprised of three distinct projects. The six-mile project from I-376 to U.S. 22 (also known as the Findlay Connector) opened to traffic in October 2006. The project from U.S. 22 to I-79, which is currently estimated to cost \$666 million, received environmental clearance for its 13 miles in September, 2008 and is in final design with sections of the final design expected to be completed in 2016; right of way acquisition began in late 2010. In January 2014, the Commission awarded two contracts, one for the construction manager and the other for the construction of a major bridge to carry the Southern Beltway over U.S. 22, to begin the construction of this leg of the Southern Beltway. Bridge construction commenced in the Spring of 2014 and is expected to be completed by May 2015. Construction on the roadway portion of the U.S. 22 to I-79 project is expected to begin in 2016. When completed, the U.S. 22 to I-79 portion of the Southern Beltway will be an All-Electronic Toll facility. The remaining Southern Beltway project, from I-79 to the Mon/Fayette Expressway, received environmental clearance in May 2009. The final portion of the Southern Beltway is currently estimated to cost approximately \$788 million. The proceeds of the Commission's Oil Franchise Tax Revenue Bonds, Series A and B of 1998, and Oil Franchise Tax Revenue Bonds, Series A, B and C of 2003, and Registration Fee Revenue Bonds, Series of 2001, were applied to fund the construction of the Mon/Fayette and Southern Beltway projects that have been completed to date. It is anticipated that the remaining costs to complete the Mon/Fayette Expressway and the Southern Beltway will be financed with Oil Franchise Tax Revenues (as defined herein) and Registration Fee Revenues (as defined herein) along with other funding sources. Although the open sections of the Mon/Fayette Expressway and the Southern Beltway are toll roads, the Tolls (as defined herein) pledged for the repayment of Turnpike Revenue Bonds will not be pledged

for the financing of their construction, which will be funded by Oil Franchise Tax Revenues and Registration Fee Revenues.

The Commission has no legal obligation to complete the unfinished portions of the Mon/Fayette Expressway and Southern Beltway projects at this time. However, Act 89 is expected to generate an estimated \$86.2 million in additional annual Oil Franchise Tax revenues for the Commission by Fiscal Year 2017-2018. With additional Oil Franchise Tax revenues, the Commission is proceeding with the U.S. 22 to I-79 portion of the Southern Beltway as well as actively evaluating financing options to complete additional portions of the Southern Beltway and portions of the Mon/Fayette Expressway.

I-95 Interchange

I-95 was completed in 1969 without an interchange connecting it to the Turnpike Mainline. Interstate travelers must either by-pass the Philadelphia area entirely or exit the interstate system and navigate a complex system of local roadways to access I-95 again in New Jersey.

The Commission is currently in the first of three phases of its Pennsylvania Turnpike/I-95 Interchange Project (the “*Interchange Project*”). The main objectives of the Interchange Project are to improve the linkage between I-95 and the Turnpike Mainline to create continuity in the interstate system, relieve congestion on local roads which are currently used by travelers to make the connection between I-95 and the Turnpike Mainline, create additional capacity on the Turnpike Mainline and I-95 to accommodate the transfer of traffic from the local roadway system, and improve travel times through the interchange area.

The first phase of the Interchange Project includes preparatory work and construction of a portion of the interchange between I-95 and the Turnpike Mainline, including northbound I-95 to the eastbound Turnpike Mainline and southbound I-95 to the westbound Turnpike Mainline, and is currently under construction. This phase includes construction of a new mainline toll plaza and an AET plaza westbound, and was bid on March 27, 2013. Construction is expected to continue through 2015. The next construction contract, covering Section D10 of the Turnpike Mainline, was bid on June 5, 2014 and construction commenced in September 2014 and is expected to continue through 2016. The final contract in the first phase, covering Section D20 of the Turnpike Mainline, is planned to bid in the Summer 2015 and continue through construction into 2018. The second phase will include the completion of the reconstruction and widening of the remaining interchange connectors. The third phase will be the construction of an additional bridge over the Delaware River. Funding for construction of the first phase is included in the Capital Plan.

CERTAIN FINANCIAL INFORMATION

Revenue Sources of the Commission

The Commission’s revenues are principally derived from three separate sources: toll revenues from the operation of the System, revenue derived from a portion of the Commonwealth’s Oil Franchise Tax, and revenue derived from a portion of the Commonwealth’s vehicle registration fee revenues.

Toll Revenues

The largest part of the Commission's revenues is derived from the collection of 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**"). The Tolls are presently pledged to secure the Commission's Turnpike Revenue Bonds and other Senior Indenture Parity Obligations, as well as any subordinated indebtedness that may be issued under the Senior Indenture (collectively, the "**Senior Indenture Obligations**"). There are \$3,773,275,000 aggregate principal amount of fixed and variable rate Turnpike Revenue Bonds outstanding under the Senior Indenture as of December 1, 2014. Other obligations incurred and outstanding under the Senior Indenture include the Commission's obligations under various interest rate swap agreements having a total current notional amount of \$1,129,129,000. The Tolls are not pledged to secure the Oil Franchise Tax Revenue Bonds (as defined below), the Registration Fee Revenue Bonds (as defined below) or the bonds and other obligations issued under the Subordinate Indenture ("**Subordinate Indenture Obligations**"). All Subordinate Indenture Obligations are subordinated to the payment of the Senior Indenture Obligations issued under the Senior Indenture. See "THE COMMISSION – Enabling Acts - *Issuance of Bonds; Commission Payments.*"

Neither the Senior Indenture Obligations, the Oil Franchise Tax Revenue Bonds, nor the Registration Fee Revenue Bonds are secured by or have any interest in the trust estate established pursuant to the Subordinate Indenture.

The Commission may in the future, under the terms of the Senior Indenture, identify in writing certain roads, other than the Turnpike Mainline and the Northeast Extension, as not being part of the System for the purposes of the Senior Indenture which would eliminate toll revenues from these portions from the definition of Tolls under the Senior Indenture. The Commission currently has no plans to remove any roads from the System. In addition, under the Senior Indenture, the Commission has covenanted that it will not sell, lease or otherwise dispose of real estate or personal property comprising a portion of the System except upon compliance with the provisions of the Senior Indenture, including a determination by resolution that the Net Revenues of the Commission will not be materially adversely affected. The Commission from time to time may consider various proposals that could involve the transfer or other disposition of Commission property. Any such transfer or disposition would be required to comply with the provisions of the Senior Indenture.

Oil Franchise Tax Revenues

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**") allocated by statute to the Commission or the holders of the Commission's Oil Franchise Tax Revenue Bonds (the "**Oil Franchise Tax Revenue Bonds**"), \$734,605,016.20 (including compounded amounts as of December 1, 2014 for capital appreciation bonds) of which are issued and outstanding. The Oil Franchise Tax Revenue Bonds, the proceeds of which were spent on portions of the Mon/Fayette Expressway and the Southern Beltway, are secured solely by Oil Franchise Tax Revenues. **The Oil Franchise Tax Revenues are not pledged to secure any Senior Indenture**

Obligations, any Subordinate Indenture Obligations or any Registration Fee Revenue Bonds.

Registration Fee Revenues

The Commission's third principal stream of revenues consists of that portion of the Commonwealth's vehicle registration fee revenues (the "**Registration Fee Revenues**") allocated by statute to the Commission or the holders of any of the Commission's Registration Fee Revenue Bonds (the "**Registration Fee Revenue Bonds**"), \$409,880,000 of which are issued and outstanding as of December 1, 2014. The Registration Fee Revenue Bonds, the proceeds of which were spent on portions of the Mon/Fayette Expressway and the Southern Beltway, are secured by Registration Fee Revenues. Registration Fee Revenue Bonds are to be paid solely from the Registration Fee Revenues. **The Registration Fee Revenues are not pledged to secure any Senior Indenture Obligations, Subordinate Indenture Obligations or the Oil Franchise Tax Revenue Bonds.**

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. Electronic toll collection methods, however, have been implemented throughout the System. See "THE TURNPIKE SYSTEM – E-ZPass Lanes."

Between 1957 and 2008, the Commission implemented only five revisions in its toll schedule, effective on September 1, 1969, August 1, 1978, January 2, 1987, June 1, 1991 and August 1, 2004. On August 1, 2004, Turnpike System tolls increased by 1.8 cents per mile for passenger vehicles from 4.1 to 5.9 cents per mile. Commercial vehicles had an average increase of 5.3 cents per mile. Such toll increase was consistent with the rate of inflation over the 13 years since the Commission's prior toll increase in 1991. All incremental revenue generated by such toll increase has been used to fund capital improvements to the System's roads, tunnels and other upgrades.

Since 2008, the Commission has implemented rate increases as follows:

- On July 22, 2008, the Commission approved a toll increase in the amount of 25% (except for the Southern Beltway and the Mon Fayette Expressway) which became effective on January 4, 2009, with the expectation that it would implement annual increases thereafter.
- On August 18, 2009, the Commission approved a toll increase in the amount of 3% (except for the Southern Beltway) which became effective on January 3, 2010.
- On July 13, 2010, the Commission adopted several revenue enhancement measures that took effect on January 2, 2011. For E-ZPass users, tolls increased

by 3%. For cash customers, tolls increased by 10% (rounded to the nearest \$0.05). (Tolls on the Southern Beltway were not increased.) Annual fees for use of E-ZPass transponders increased from \$3 per transponder to \$6 per transponder. Finally, the commercial discount program, which provided for tiered discounts of 10%, 15% and 20% off published toll rates depending on total monthly fares, was adjusted to provide tiered discounts of 5%, 10% and 15%. These revenue enhancements were used to provide funds for payments under the Amended Funding Agreement and other Act 44 purposes, including funding of the Commission's capital expenditure program and normal operating expenditures.

- On July 19, 2011, the Commission approved a toll increase (except on the Southern Beltway) which took effect on January 2, 2012. E-ZPass users did not see a toll increase, and cash customers saw an increase of 10%. In addition, commercial discounts were reduced. The 15% volume discount was eliminated and the remaining discounts were set at a 5% discount for \$5,000-\$10,000 in monthly tolls and a 10% discount for more than \$10,000 in monthly tolls. In addition, the Commission also approved approximate overall toll rate increases that among E-ZPass users and cash customers would average 3% annually for each of the 2013 and 2014 calendar years.
- At meetings on July 18, 2012 and September 4, 2012, the Commission approved toll increases which became effective on January 6, 2013. Tolls for cash customers generally increased by 10%, except for the Southern Beltway, and tolls for E-ZPass users increased by 2%. On the Southern Beltway, cash tolls for all classes (which had never increased since its opening in 2006) increased by 50%, and E-ZPass rates increased by 25%. Annual fees for non-commercial use of E-ZPass transponders decreased from \$6 per transponder to \$3 per transponder due to lower cost from the supplier. Finally, the commercial discount program was further adjusted. The 10% discount was eliminated and the minimum toll amount for discount eligibility increased from \$5,000 to \$10,000. The revised discount program provided for a 5% discount on total monthly fares of \$10,000 or more.
- At its meeting on July 16, 2013, the Commission clarified its previously approved toll increase which was to occur in January 2014. The Commission approved a differential to the toll increases which became effective on January 5, 2014. Tolls (except on the Southern Beltway) increased by 12% for cash customers and by 2% for E-ZPass users. The toll increase differential kept the overall toll revenue increase to approximately 3%, in keeping with previous approvals of the Commission. Additionally, the remaining commercial discount program (5% volume discount on total monthly fares of \$10,000 or more) was approved for elimination, effective January 5, 2014.
- At its meeting on September 20, 2013 the Commission partially reinstated the commercial discount to provide a three percent (3%) discount to Turnpike System commercial E-ZPass account holders that expend \$20,000 or more in tolls per month on the Turnpike System.

- On June 17, 2014, the Commission approved a toll increase (except for the Southern Beltway) in the amount of 5% for both cash and E-ZPass users effective January 4, 2015.

Traffic data for the Fiscal Year ended May 31, 2014 indicates a 6.2% increase in adjusted gross toll revenue, with an increase in traffic volume of 0.4%, as compared to the same period in Fiscal Year 2012-13. Improving economic conditions and gasoline price declines have positively impacted traffic volumes and revenue for the first nine months of Fiscal Year 2014-2015 compared to the same period in Fiscal Year 2013-2014. Preliminary unaudited traffic data for the nine months of Fiscal Year 2015, ended February 28, 2015 indicates an 8.3% increase in adjusted gross toll revenue, with an increase in traffic volume of 2.1%, as compared to the same period in Fiscal Year 2014.

The following Table I illustrates the current tolls and per mile rates applicable to each vehicle class for a trip on the Turnpike Mainline from Interchange 1 through Interchange 359:

TABLE I
Current Tolls and Per Mile Rates for Mainline
Roadway East - West Complete Trip
Delaware River Bridge - Warrendale (Ticket System)

Vehicle Toll Class	Gross Vehicle Weight (Thousand Pound)	New Toll Rate Cash Effective 1/2015	Per Mile Cash Rate	New Toll Rate EZ-Pass Effective 1/2015	Per Mile EZ-Pass Rate
1	1-7	39.90	0.121	28.60	0.087
2	7-15	58.60	0.178	42.01	0.128
3	15-19	72.70	0.221	52.14	0.158
4	19-30	84.90	0.258	60.85	0.185
5	30-45	119.05	0.362	85.47	0.260
6	45-62	151.35	0.460	108.65	0.330
7	62-80	215.85	0.656	155.00	0.471
8	80-100	282.25	0.858	202.82	0.616
9	Over 100	1600.35	4.864	1150.26	3.496

Notes:

The above rates represent an “East West” trip for the ticket toll system between the Delaware River Bridge (#359) interchange and Warrendale (#30). The 30-mile Gateway to Warrendale roadway between Warrendale and the Ohio Turnpike has a barrier toll at the Gateway Mainline interchange (#2). For purposes of the Senior Indenture, the Mainline is the entire length of the roadway between Ohio and the Delaware River Bridge. The toll on the Gateway connector is payable only when traveling eastbound and is standard for all vehicles of a class, regardless of distance traveled. The cash rate as of January 4, 2015 is \$ 6.20 for the first two axles, \$12.25 for three axles, \$18.35 for four axles, \$24.30 for five axles and \$30.35 for six axles. The E-ZPass rate is \$4.35 for the first two axles, \$8.69 for three axles, \$13.04 for four axles, \$17.38 for five axles, and \$21.74 for six axles.

Act 44 requires the Commission to fix toll rates such that revenues from tolls and other sources to the Commission are sufficient to pay the cost of the System’s operation, construction, expansion and maintenance, all Commission obligations and interest thereon, sinking fund requirements of the Commission, other requirements in any trust indentures, notes or resolutions, and payments to PennDOT under the Amended Funding Agreement.

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Five-Year Financial History

The following Tables II and III summarize certain operating and revenue information with respect to the System for the Fiscal Years from 2010 to 2014 and for the nine-month periods ended February 28, in Fiscal Years 2014 and 2015. This information is derived from the Commission's regularly prepared books and records. The financial information presented in Table III is a combination of cash basis financial statements with certain accruals included. **Such information is not presented in accordance with generally accepted accounting principles and has not been audited.** In the opinion of management of the Commission, the financial information for the nine-month period ended February 28, for Fiscal Years 2014 and 2015, is presented on a basis consistent with the presentation of the audited information below. Such interim information is not indicative of the results that may be expected for the entire Fiscal Year.

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 B – AUDITED 2014 AND 2013 FINANCIAL STATEMENTS" of this Official Statement (the "*Financial Statements*").

The Commission currently makes certain operating and financial information, including its audited annual financial statements and information corresponding to the information set forth below in Tables II and III, available through the Municipal Securities Rulemaking Board - Electronic Municipal Market Access (<http://www.emma.msrb.org/www.emma.msrb.org>) pursuant to its undertakings in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. Information to be provided pursuant to the Commission's undertaking in connection with the bonds offered pursuant to this Official Statement is described in the forefront of this Official Statement under the caption "CONTINUING DISCLOSURE."

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TABLE II
Number of Vehicles and Fare Revenues – Summarized by Fare Classification
(in thousands)

	Fiscal Year Ended May 31,					Nine-Months Ended February 28,	
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
Number of Vehicles:							
Passenger	163,599	165,230	164,960	163,690	163,788	124,080	122,131
Commercial	22,933	23,812	24,127	24,207	24,891	19,420	18,419
Total	186,532	189,042	189,087	187,897	188,679	143,500	140,550
Fare Revenue							
Passenger	\$407,368	\$435,751	\$455,133	\$471,514	\$497,671	\$394,825	\$368,997
Commercial	310,670	328,105	342,646	350,226	368,395	293,931	269,817
Total	718,038	763,856	797,779	821,740	866,066	\$688,756	\$638,814
Discount	-24,211	-24,152	-16,981	-10,198	-4,220	-1,284	-3,759
Net Fare Revenues	\$693,827	\$739,704	\$780,798	\$811,542	\$861,846	\$687,472	\$635,055

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TABLE III
Summary of System Revenues and Operating Expenditures
Before Interest and Other Charges (1)
(000's Omitted)
Fiscal Year End May 31

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	Nine months ended	
						<u>FY 2015</u>	<u>FY 2014</u>
Revenues							
Net Toll Revenues	\$693,827	\$739,704	\$780,798	\$811,542	\$861,846	\$687,472	\$635,055
Concession Revenues	2,868	2,728	3,167	3,302	3,554	2,807	2,836
Interest Income (non bond proceeds)	5,560	11,089	15,771	19,497	14,917	9,740	11,780
Miscellaneous	13,337	16,202	19,923	16,792	15,355	10,523	12,122
Total Revenues	\$715,592	\$769,723	\$819,659	\$851,133	\$895,672	\$710,542	\$661,793
Operating Expenditures							
General & Administrative	\$41,467	\$33,528	\$40,335	\$42,542	\$40,958	\$45,598	\$33,602
Operations Safety & Incident Response	4,048	3,979	4,078	4,455	3,966	2,875	3,010
Service Centers	19,596	20,384	25,570	24,480	22,448	17,741	16,889
Employee Benefits	69,387	70,441	77,563	80,670	83,810	65,010	62,315
Fare Collection	63,087	64,944	61,884	59,952	58,164	33,687	44,186
Normal Maintenance	64,347	65,285	58,096	65,924	74,789	56,197	58,696
Facilities and Energy Mgmt. Operations	80	2,866	7,644	8,903	9,850	7,798	6,961
Turnpike Patrol	34,337	34,056	34,658	36,171	39,818	30,074	29,505
Total Operating Expenditures	\$296,349	\$295,483	\$309,828	\$323,097	\$333,803	\$258,980	\$255,164
Revenues less Operating Expenditures	\$419,243	\$474,240	\$509,831	\$528,036	\$561,869	\$451,562	\$406,629
Senior Annual Debt Service Requirement	\$127,866	\$120,570	\$145,906	\$142,552	\$158,995		
Coverage Ratio	3.28	3.93	3.49	3.70	3.53		
Annual Subordinate Debt Service Requirement	\$86,977	\$123,186	\$130,713	\$156,067	\$196,475		
Coverage Ratio	1.95	1.95	1.84	1.77	1.58		
Annual MLF Enhanced Debt Service Requirement		\$1,541	\$10,063	\$20,305	\$29,632		
Coverage Ratio		1.93	1.78	1.66	1.46		

(1) This summary of revenues and operating expenditures is not intended to present results of operations in conformity with generally accepted accounting principles. Debt service is net of capitalized interest and receipt of Federal Subsidy.

* Unaudited

Budget Process

The Commission's Finance and Administration 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 Finance and Administration 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 Board of Commissioners for formal approval.

In addition, Act 44 requires the Commission to prepare and submit a Financial Plan to the Secretary of the Budget of the Commonwealth no later than June 1 of each year for the ensuing Fiscal Year, describing its proposed operating and capital expenditures, borrowings, liquidity and

other financial management covenants and policies, estimated toll rates and all other revenues and expenses. The purpose of the Financial Plan is to demonstrate that the Commission's operation in accordance with such plan can be reasonably anticipated to generate unencumbered funds sufficient to make all payments due to PennDOT under Act 44, Act 89 and the Amended Funding Agreement in the upcoming year after all other Commission obligations and interest thereon, sinking fund requirements of the Commission, and other requirements in any trust indenture, notes or resolutions have been met. Any deviations and the causes therefor in prior year plans must be explained. Following the enactment of Act 89 the Commission delivered to the Secretary of the Budget an Amended Act 44 Financial Plan for Fiscal Year 2013-2014 on March 5, 2014. The Commission delivered the Act 44 Financial Plan for Fiscal Year 2014-15 on May 30, 2014. See "THE COMMISSION – Enabling Acts – *Rules Relating to Governance and Accountability Under the Enabling Acts*" above.

Performance Audit by the Auditor General

The Enabling Acts require the Auditor General of the Commonwealth to conduct an audit of the accounts of the Commission and to review its performance, procedures, operating budget, capital budget and debt every two years. The Act of October 23, 1988, P. L. 1059, No. 122 ("*Act 122*") also requires the Auditor General to conduct a financial audit and a compliance audit of the Commission every four years.

On January 8, 2013, former Auditor General Wagner issued a final report presenting the results of his quadrennial audit of the Commission under Act 44 and Act 122. The financial portion of the audit covered the period from June 1, 2005 to May 31, 2010, and the performance portion of the audit covered the period from June 1, 2007 to August 31, 2011. The Auditor General's office did not conduct its own financial audit but reviewed audits and supporting documentation of the independent firm that audits the Commission's financial statements annually, including working papers for the five fiscal years ended May 31, 2006 through May 31, 2010.

The audit report included recommendations to the Commission with respect to the following areas:

- non-revenue use of the Turnpike System by Commission employees;
- non-revenue use of the Turnpike System by nearly 5,000 consultants, contractors, and other state government officials;
- the monitoring, audit and evaluation by the Commission of the E-ZPass system;
- continued or expanded monitoring, review and inspection of the Turnpike System's tunnels;
- reimbursement of the travel and other expenses of Commissioners; and
- the Commission's use of interest rate swaps as part of its overall debt-management practices.

On January 2, 2013, in response to the release by the former Auditor General of a draft report, the Commission's then Acting Chief Executive Officer responded by letter to former Auditor General Wagner, addressing the proposed recommendations of the Department of Auditor General. On January 8, 2013, upon release of the final report, the Commission issued a press release making available to the public the Commission's response to the audit report.

The full text of the Department of Auditor General's final report may be found at http://www.auditorgen.state.pa.us/department/press/PTC_Report_final_01082013.pdf. For the Commission's response, see <http://www.paturnpike.com/press/2013/20130108145419.htm>.

Financial Policies and Guidelines

The Commission's Investment Policy and Guidelines, adopted on June 6, 1997 and amended from time to time thereafter (the "**Investment Policy**"), sets forth the purpose, objectives and investment guidelines for eligible securities for the investment of financial assets of the Commission. Eligible securities include those that are consistent with the Senior Indenture. For a discussion of the Commission's concentration of credit risk to particular issuers, see Note 4 to the Financial Statements.

The Investment Policy provides that appropriate benchmarks shall be developed for the various funds invested by the Commission and that the returns of the Commission's individual portfolio segments are to be compared to such benchmarks. Pursuant to the Investment Policy, the Commission's Investment Policy Committee must prepare an investment report for the Commissioners on a quarterly basis, including a management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the latest reporting period. The report is to include investment performance and demonstrate conformity with the Investment Policy.

The Commission adopted three additional financial policies on April 20, 2004: a Liquidity Standard Policy, a Debt Management Policy and an Interest Rate Swap Management Policy (the "**Swap Policy**"). These financial management policies were developed in recognition of the increasing financial sophistication of the Commission with respect to its debt structure and to provide guidance governing the issuance, management, ongoing evaluation and reporting of all debt obligations.

The Liquidity Standard Policy requires that the Commission maintain sufficient year-end fund balances to ensure levels of uncommitted reserves necessary to secure and protect its long-term debt and other financial obligations. Under this policy, the Commission budgets and maintains cumulative fund balances, including balances in the Reserve Maintenance Fund and the General Reserve Fund, equal to the greater of maximum annual debt service on those bonds not secured by a debt service reserve fund or 10% of annual budgeted revenues.

The Debt Management Policy establishes parameters and provides guidance governing the issuance and management of Commission debt. It addresses such issues as usage of unhedged variable rate debt, rate covenants and limitations on additional bonds and disclosure. Notwithstanding the rate covenants in the Senior Indenture and the Commission's Debt Management Policy, it is the internal policy of the Commission's management to maintain 2.00

debt service coverage on the Turnpike Revenue Bonds, 1.30 debt service coverage on the Subordinate Bonds and 1.20 debt service coverage on the Special Revenue Bonds. For a discussion of the rate covenant under the Senior Indenture, see “SECURITY FOR THE 2015A BONDS – Rate Covenant” in the forepart to this Official Statement. The Commission’s Debt Management Policy is available at on the Commission’s website at: <http://www.paturndpike.com/geninfo/Debt%20Management%20Policy%20Letter.pdf>. As of March 1, 2015, approximately 87% of the Commission’s outstanding debt is fixed rate, five percent is synthetic fixed, seven percent variable rate, and one percent is synthetic variable.

The Commission’s Swap Policy establishes guidelines for the use and management of all interest rate management agreements, including, but not limited to, interest rate swaps, swap options, caps, collars and floors (collectively, “*Swaps*”) incurred in connection with the incurrence of debt. The Commission’s Swap Policy was amended in May 2013 to reflect current regulations and best practices in the derivatives industry, particularly with respect to the selection requirements and on-going monitoring related to swap advisors.

The Swap Policy authorizes the Commission to use Swaps to hedge interest rate movement, basis risk and other risks, to lock in a fixed rate or, alternatively, to create synthetic variable rate debt. Swaps may also be used to produce interest rate savings, limit or hedge variable rate payments, alter the pattern of debt service payments, manage exposure to changing market conditions in advance of anticipated bond issues (through the use of anticipatory hedging instruments) or for asset/liability matching purposes. Key elements of the Swap Policy include the following:

Swap Counterparties – Credit Criteria. The Commission will make its best efforts to work with qualified Swap counterparties that have a general credit rating of: (i) at least “A3” or “A-” by two of the nationally recognized rating agencies and not rated lower than “A3” or “A” by any nationally recognized rating agency, or (ii) have a “non-terminating” “AAA” subsidiary as rated by at least one nationally recognized credit rating agency.

Term and Notional Amount. For Swaps tied to an issued series of bonds, the term of the Swap agreement shall not extend beyond the final maturity date of the related bonds. The total net notional amount of all Swaps related to a bond issue should not exceed the aggregate principal amount of outstanding bonds. In calculating the net notional amount, netting credit shall be given to any Swaps that offset each other for a specific bond transaction.

Security and Source of Repayment. The Commission may use the same security and source of repayment (pledged revenues) for Swaps as is used for bonds that are hedged by the Swap, if any, but shall consider the economic costs and benefits of subordinating the Commission’s payments and/or termination payment under the Swap. The Commission shall consult with Bond Counsel regarding the legal requirements associated with making the payments under the Swap on a parity or non-parity basis with outstanding Commission debt.

Prohibited Agreements. The Commission will not use Swaps that:

- Are speculative or create extraordinary leverage as risk;

- Lack adequate liquidity to terminate without incurring a significant bid/ask spread; or
- Provide insufficient price transparency to allow reasonable valuation.

Annual Swap Report. The Commission’s Chief Financial Officer, in consultation with the Commission’s Financial Consultant, Swap Advisor and Bond Counsel, will evaluate the risks associated with outstanding Swaps at least annually and provide to the senior executives and the Commissioners a written report of the findings based upon criteria set forth in the Swap Policy.

Disclosure and Financial Reporting. The Commission will ensure that there is full and complete disclosure of all Swaps to rating agencies and in disclosure documents. Disclosure in marketing documents, including bond offering documents, shall provide a clear summary of the special risks involved with Swaps and any potential exposure to interest rate volatility or unusually large and rapid changes in market value. With respect to its financial statements, the Commission will adhere to the guidelines for the financial reporting of Swaps, as set forth by the Governmental Accounting Standards Board (“**GASB**”) or other applicable regulatory agencies.

The Commission has interest rate exchange agreements with respect to its Senior Revenue Bonds, Series 2006A, Series 2009A, Series 2010B, Series 2012B, Series 2013B, and Series 2014B. In addition, the Commission has interest rate exchange agreements with respect to its Registration Fee Revenue Bonds, Series 2005, and Oil Franchise Tax Revenue Bonds, Series 2003C. As of March 31, 2015, the aggregate market value of the swaps to the counterparties thereto from the Commission was calculated to be approximately \$164,838,399 (negative value to the Commission) with respect to swaps relating to the Senior Bonds referred to above \$87,437,623 (negative value to the Commission) with respect to swaps relating to the Registration Fee Revenue Bonds referred to above, and \$3,325,124 (negative value to the Commission) with respect to swaps relating to the above-referenced Oil Franchise Tax Revenue Bonds. See Note 4, Note 8, and Note 13 to the Financial Statements. The Commission does not have any interest rate exchange agreements associated with its Subordinate Revenue Bonds or Special Revenue Bonds.

There are a number of risks associated with Swaps that could affect the value of the Swaps, the ability of the Commission to accomplish its objectives in entering into the Swaps and the ability of the Commission to meet its obligations under the Swaps. These risks include, among others, the following: counterparty risk – the failure of the counterparty to make required payments; credit risk – the occurrence of an event modifying the credit rating of the Commission or its counterparty; termination risk – the need to terminate the transaction in a market that dictates a termination payment by the Commission; tax risk – the risk created by potential tax events that could affect Swap payments; and basis risk – the mismatch between actual variable rate debt service and variable rate indices used to determine Swap payments. The Commission actively monitors the degree of risk and exposure associated with the Swaps to which it is a party but can offer no assurances that compliance with its Swap Policy will prevent the Commission from suffering adverse financial consequences as a result of these transactions.

The Commission adopted a post-issuance tax compliance policy on December 6, 2011 to assist it in complying with the provisions of the Internal Revenue Code of 1986, as amended

regarding, among other things, the use of proceeds of tax-exempt bonds and arbitrage rebate compliance.

Copies of the Commission's Investment Policy, Liquidity Standard Policy, Debt Management Policy and Swap Policy can be found on the Commission's website at: <http://www.paturndpike.com/geninfo/policies.aspx>.

The policies of the Commission described above may be revised or amended at any time at the discretion of the Commission.

Future Financing Considerations

The Commission may issue additional bonds under the Senior Indenture and the Subordinate Indenture. In addition, the Commission may, from time to time, issue other notes and bonds payable from such sources as may be available so long as the Tolls, the Oil Franchise Tax Revenues securing the Oil Franchise Tax Revenue Bonds or the Registration Fee Revenues securing the Registration Fee Revenue Bonds are not pledged to such other notes and bonds or, if pledged, are pledged on a subordinate basis. The Commission anticipates that it will borrow substantial additional funds for the purpose of funding capital expenditures for the System pursuant to the Ten Year Capital Plan. Borrowings for the Ten Year Capital Plan are expected to be undertaken principally under the Senior Indenture. In addition, pursuant to Act 89, the Commission anticipates that it will borrow substantial additional funds for purposes of funding payments under Act 44, Act 89 and the Amended Funding Agreement through Fiscal Year 2021-2022. Such borrowings are expected to be undertaken principally under the Subordinate Indenture. In addition, the Commission may from time to time increase toll rates to meet the debt, capital and operational obligations of the Commission. The most recent toll increase was effective January 4, 2015. See "CERTAIN FINANCIAL INFORMATION – Toll Schedule and Rates" above for further information.

The Commission expects to issue one or more additional series of Turnpike Revenue Bonds under the Senior Indenture during the Spring and Fall of 2015 for the purpose of funding costs of capital projects included in the Commission's Capital Plan. The Commission also expects to issue additional bonds under the Subordinate Indenture, including the 2015A Bonds, to finance all or a portion of its quarterly payments to PennDOT pursuant to the Amended Funding Agreement under the Enabling Acts. (See "THE COMMISSION—Enabling Acts – Issuance of Bonds; Commission Payments" above.) In addition, the Commission regularly evaluates market conditions with respect to the possible refunding of its outstanding Turnpike Revenue Bonds, Subordinate Revenue Bonds, Special Revenue Bonds, Oil Franchise Tax Revenue Bonds and Registration Fee Revenue Bonds.

In September of 2014, the Commission issued its Special Obligation Bonds (Federally Taxable), Series 2014 in an aggregate principal amount of \$288,675,000 (the "2014 Special Obligation Bonds") under the Enabling Acts and pursuant to a Trust Indenture dated as of September 1, 2014 by and between the Commission and The Bank of New York Mellon Trust Company, N.A., as trustee (the "2014 Special Obligation Bonds Trust Indenture"), the proceeds of which, together with cash from the Commission's own funds escrowed under an escrow deposit agreement dated as of July 15, 2003 by and between the Commission and The Bank of

New York Mellon Trust Company, N.A. (successor to National City Bank of Pennsylvania), as escrow agent (the “Escrowed Funds” under the “2003 Escrow Deposit Agreement”), were applied to current refund all of the outstanding Commission’s Oil Franchise Tax Senior Revenue Bonds, Series A of 1998 and the Commission’s Oil Franchise Tax Senior Revenue Bonds, Series B of 1998, and to provide funds for the construction of part of the sections of the System known as the Mon-Fayette Expressway and Southern Beltway. The 2014 Special Obligation Bonds are limited obligation bonds secured solely by the trust estate established under the 2014 Special Obligation Bonds Trust Indenture. The 2014 Special Obligation Bonds are not secured by nor have any interest in the Trust Estate under the Subordinate Indenture. Further, the trust estate established under the 2014 Special Obligation Bonds Trust Indenture is not pledged to secure any Senior Revenue Bonds, the 2015A Bonds, other Subordinate Revenue Bonds or Special Revenue Bonds or the Senior Indenture Parity Obligations.

In connection with funding for the I-95 Interchange project, the Commission anticipates borrowing up to \$200 million in four tranches of up to \$50 million each through the Immigrant Investor Program (known as the EB-5 visa program) administered by the U.S. Citizenship and Immigration Services in the period 2015 through 2017. Such debt would be issued under the Senior Indenture on parity with the Turnpike Revenue Bonds.

The ability of the Commission to repay such borrowings could be adversely affected by many factors, some of which are beyond the control of the Commission. For example, economic circumstances which result in significant declines in motor vehicle acquisition or operating cost increases could adversely affect the number of motor vehicles in use. An increase in the cost of fuel could adversely affect both the number of motor vehicles using the System and the mileage that such vehicles travel. Government regulations, such as Clean Air Act requirements, might also significantly restrict motor vehicle use and therefore diminish Tolls.

CERTAIN OTHER INFORMATION

Insurance

The Commission maintains All-Risk Property, Builder’s Risk, Public Official bonds, Crime and Fiduciary insurance coverage and is self-insured for Workers’ Compensation, Auto Liability, and General Liability claims.

For capital projects, the Commission maintains Builders’ Risk insurance that covers buildings and structures, including temporary structures, while being constructed, erected or fabricated on Commission property. This insurance provides coverage against risk of physical damage and/or loss (subject to policy exclusions) to all buildings and structures during construction. Upon completion, a project is then covered under an All Risk insurance policy that has a \$125 million per occurrence policy limit.

Deductibles range in amount depending on the line of coverage and the nature of the claim. For bridges, tunnels, overpasses, underpasses and viaducts, the deductible is \$5 million. For buildings (including contents), toll plazas and equipment, warehouses and similar facilities, the deductible is \$1 million.

Certain pre-specified construction projects are insured under an “Owner Controlled Insurance Program” until completion. Under these programs, the Commission, contractors and subcontractors are insured for Workers Compensation, General Liability, Builders Risk and other project-specific insurance with limits and large deductibles varying by project.

Personnel and Labor Relations

As of April 1, 2015, the Commission employed 2,085 persons, consisting of 495 management employees, 1,485 full-time union members, and 105 temporary union employees. Seventy one percent (71.0%) of all employees are engaged in maintenance operations and fare collection. There is 791 field personnel in the 22 facilities.

In an effort to meet funding obligations and contain costs, in 2008 the Commission reduced overhead by eliminating vacant positions, offered early retirement incentives to eligible staff members, implemented a reduction-in-force program for positions no longer required, and reduced salary and benefit expenses by cutting 15 management positions. Subsequently, the Commission also reduced overtime by permanently shifting schedules, lowered expenses, and implemented a management pay freeze during Fiscal Years 2009-2010 and 2010-2011, and the first half of Fiscal Year 2011-2012. As a result, the Commission currently employs 465, or 18.24%, fewer employees than it did in 2002, the peak employment year over the past 13 years.

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, professional and first level supervisory personnel. The three collective bargaining agreements became effective on October 1, 2007 and expired on September 30, 2011. An agreement was reached with one bargaining unit, which was effective as of November 19, 2013 and extends until September 30, 2017. No extension to either of the two remaining collective bargaining agreements has been executed. Those unions retain their right to strike during negotiations. Negotiations are ongoing with the two remaining collective bargaining units. The memorandum of understanding, which became effective on October 1, 2007, has no termination date. Since union representation began, the Commission has experienced one work stoppage which occurred on November 24, 2004 and lasted for seven days.

Retirement Plan

The State Employee’s Retirement System of the Commonwealth (“**SERS**”) is one of the nation’s oldest and largest statewide retirement plans for public employees. SERS administers both a defined benefit plan and a defined contribution plan. The defined benefit plan is funded through a combination of employee contributions, employer contributions and investment earnings. The defined contribution plan (Commonwealth of Pennsylvania Deferred Compensation Program) is funded by voluntary employee contributions and investment earnings.

Substantially all employees of the Commission are covered by SERS. The costs of the defined benefit 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 SERS with assets sufficient to meet the benefits to be paid to SERS members.

Article II of the Pennsylvania Constitution provides the General Assembly the authority to establish or amend benefit provisions. Act 2001-9, signed into law on May 17, 2001, established Class AA (“*Class AA*”) membership whereby, generally, annual full retirement benefits for electing active members is 2.5% of the member’s highest three-year average salary (final average salary) multiplied by years of service. Commission employees hired after June 30, 2001, but before January 1, 2011, are Class AA members. Members hired on or before June 30, 2001 had the option, but were not required, to elect Class AA membership.

Those members not electing Class AA membership are considered Class A (“*Class A*”). The general annual benefit for full retirement for Class A members is 2% of the member’s final average salary multiplied by years of service. Retirement benefits for Class A and AA employees vest after 5 years of credited service. Class A and AA employees who retire at age 60 with three years of service or with 35 years of service if under age 60 are entitled to an unreduced annual retirement benefit.

On November 23, 2010, Pennsylvania Act 120 of 2010 (“*Act 120*”) was enacted. Under this legislation, effective January 1, 2011, benefit reductions are mandated for future SERS members; however benefits for current members are preserved. New employees are subject to a higher contribution rate, an increase in the vesting period from five to ten years, elimination of lump-sum withdrawals, and an increase to the normal retirement age to obtain full, unreduced pension benefits. Rather than the current full benefit provision of 35 years of credited service, new employees’ age and combined years of service must equal 92, including a minimum of 35 years of credited service, before they may receive full benefits. Act 120 established Class A-3 and Class A-4 memberships. Effective January 1, 2011, all new members to the System must elect one of these new membership classes. New members who elect Class A-3 will accrue benefits at 2% of their final average salary multiplied by years of service. Those members choosing Class A-4 will accrue benefits at 2.5% of their final average salary multiplied by years of service. Under Act 120, retirement benefits for Class A-3 and A-4 vest after 10 years of credited service. Class A-3 and A-4 members who retire at age 65 with three years of service or when the member’s age (last birthday) plus his/her completed years of credit service total at least 92 (Rule of 92) are entitled to an unreduced annual retirement benefit. Members hired prior to January 1, 2011 retain their current full benefit provision of 35 years of credited service.

Covered Class A, Class AA, Class A-3 and A-4 employees are required by statute to contribute to SERS at a rate of 5.00%, 6.25%, 6.25% and 9.30% respectively, of their gross pay. Employees’ contributions are recorded in individually identified accounts, which are also credited with interest, calculated quarterly to yield 4.00% 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 SERS with assets sufficient to meet the benefits to be paid to SERS

members. The Commission's required retirement contribution, as a percentage of covered payroll, by class for the most recent five Fiscal Years of the Commonwealth is as follows:

<u>Year Ended June 30</u> <u>(Commonwealth's Fiscal Year)</u>	<u>Class A</u>	<u>Class AA</u>	<u>Class A-3</u>	<u>Class A-4</u>
2014	12.10%	15.12%	10.46%	10.46%
2013	8.43	10.51	7.29	7.29
2012	5.59	6.99	4.83	4.83
2011	3.29	4.11	4.11	4.11
2010	2.52	3.15		

The Commission's required contributions and percentage contributed for the most recent five Fiscal Years are as follows:

<u>Year Ended May 31</u>	<u>Commission Required</u> <u>Contribution</u> <u>(in millions)</u>	<u>Percent Contributed</u>
2014	\$17.4	100%
2013	12.0	100
2012	7.9	100
2011	5.3	100
2010	4.0	100

The Commission has budgeted \$24.9 million for Fiscal Year 2014-2015 SERS required contribution.

A copy of SERS's annual financial statements may be obtained by writing to: State Employees' Retirement System, 30 North Third Street, P.O. Box 1147, Harrisburg, Pennsylvania, 17108-1147. Additional information about SERS, including its Comprehensive Annual Financial Reports and actuarial valuation reports, are available at <http://www.sers.state.pa.us>.

On July 6, 2010, Pennsylvania Act 2010-46 was enacted which reduced the employer contribution rates for Fiscal Year 2010-2011, thus reducing the Commission's contribution rates for Fiscal Year 2010-2011 from 3.80% for Class A employees and 4.75% for Class AA employees to 3.29% for Class A employees and 4.11% for Class AA employees. This rate reduction was only for one year.

Act 120 also imposes limits referred to as "collars" on annual increases to employer contribution rates (i.e., the employer contribution rate for a particular year may not exceed the sum which results from adding the collar applicable for such year to the prior year's contribution rate). The collared percentage point increases are 3.0 for the Commonwealth's fiscal year ended June 30, 2012, 3.5 for the Commonwealth fiscal year ending June 30, 2013 and 4.5 each year thereafter until no longer needed. These limitations are intended to reduce spikes in employer contributions.

For more information on SERS, including Act 120, see the SERS website at www.portal.state.pa.us/portal/server.pt/community/pension_funding/19115 and the disclosure beginning on page 45 of the Official Statement for the Commonwealth's General Obligation Bonds, First Series of 2015 dated February 3, 2015 (as modified), which may be found at the EMMA website at <http://emma.msrb.org/IssueView/IssueDetails.aspx?id=EP364563>.

During the prior legislative session of the General Assembly, which ended in December 2014, various legislation was introduced, which, if enacted, would have affected future required pension contributions by the Commission (and other Commonwealth employers) for its employees by changing various provisions of the defined benefit plan. None of this legislation was enacted prior to the conclusion of the prior legislative session and is therefore null and void.

In March 2015, as part of his fiscal year 2015-2016 Executive Budget, Governor Wolf proposed a pension reform proposal focused mainly the Public School Employees Retirement System (“*PSERS*”) rather than on SERS. However, one component of the Governor’s pension proposal includes a proposed reduction in the level of management fees paid to outside investment managers by SERS. The Governor’s pension proposal does not appear to recommend any changes to the level of benefits for current or new employees and does not recommend any changes to the employer contribution rates as contained in Act 120. Based on materials publicly available to the Commission, it does not appear that any portion of Governor Wolf’s pension reform proposal, in and of itself, would directly or materially impact the Commission’s employer contributions under Act 120 or any Commission employee benefits provided by SERS.

Other Post-Employment Benefit Liabilities

The Commission maintains a welfare plan program (the “*Plan*”), one purpose of which is to provide benefits to eligible retirees and their dependents. The Plan is a single employer, defined benefit plan. The Commission established the Pennsylvania Turnpike Commission Retiree Medical Trust (the “*Trust*”) on May 30, 2008 as an irrevocable trust, tax-exempt under the Internal Revenue Code, to provide funding of the Plan’s other post-employment benefits (“*OPEB*” or the “*Benefits*”).

The Trust is administered by six trustees appointed by the Commission and who serve 2-year terms. PNC Bank, N.A. serves as custodian of the assets of the Trust. Payments from the Trust are made by the custodian at the direction of the Trustees. The Trust’s financial statements are not included in the financial statements of a public employee retirement system. The Trust issues a stand-alone financial report, which can be obtained by contacting the Commission’s Accounting and Financial Reporting Department.

Plan benefit provisions and retiree and dependent contribution rates are established and may be amended by the Commission.

Management and Supervisory Union Employees/Retirees. The Benefits funded by the Trust include certain post-employment medical, prescription drug, dental and vision benefits to management and supervisory union employees who have reached 20 years of service and are under age 60; and benefit eligibility changes from 20 to 10 years for retirees 60 years of age or

older. The same coverage is provided to surviving spouses or domestic partners and dependents of management and supervisory union retirees who retired on or after March 1, 2001. Surviving spouses or domestic partners of retirees who retired prior to March 1, 2001, may purchase medical coverage at the group rate and dependents are offered coverage under COBRA. Medicare Part B premiums are paid by the retiree, spouse or dependent if age 65 or over, or under age 65 and disabled.

Non-Supervisory Union Employees/Retirees. The Benefits also include certain post-employment medical and prescription drug benefits to non-supervisory union employees who have satisfied the eligibility requirements.

For Local 30 Professional and other non-supervisory union employees/retirees who were hired prior to January 1, 2011, the earlier of completion of 20 years of service or the later of attainment of age 60 and the completion of 10 years of service satisfies the eligibility requirements. The last five years of service must be with the Commission.

For Local 30 Professionals who were hired on or after January 1, 2011, the earlier of completion of 30 years of service or the later of attainment of age 60 and completion of 25 years of service satisfies the eligibility requirements. The last ten years of service must be with the Commission.

The same coverage is provided to spouses or domestic partners and dependents of eligible non-supervisory union retirees until the death of the retiree. Surviving spouses or domestic partners are required to contribute the full cost of coverage and dependents are offered coverage under COBRA.

The Trust began making payments to benefit providers for retiree claims and related administrative fees in October 2008. Prior to that time, the Commission made such payments. For the year ended May 31, 2014, claims and administration expenses totaled \$13.7 million.

Historically, the Commission has funded its post-employment benefit liabilities on a pay-as-you-go basis. In accordance with the pronouncements of the GASB applicable to the Commission, the Commission began reporting its unfunded actuarial accrued liabilities for OPEB and its annual OPEB cost each year commencing with its audited financial statements for the Fiscal Year ended May 31, 2008. The Commission's unfunded actuarial accrued liability (the "*UAAL*") as of January 1, 2014 was \$11.9 million, using a 7% discount rate and assuming that the annual required contribution would be invested in an irrevocable separate trust account. The Commission decided to use the Projected Unit Credit Cost Method with the unfunded liability as of March 1, 2012 amortized over a closed 10 years and subsequent changes in the unfunded liability amortized over an open 10 years. The Commission is required, pursuant to GASB rules, to have biennial actuarial valuations of its OPEB obligations. The last biennial actuarial valuation was as of January 1, 2014. The Commission has adopted a Retiree Medical Trust Funding Policy, effective September 17, 2008, whereby the Commission anticipates approving an annual contribution to the Trust in the amount of the annual required contribution ("*ARC*") as determined by the Commission's actuary during the approval of its annual operating budget. The Commission's annual required contributions for Fiscal Year 2013 and Fiscal Year 2014, which includes the normal costs for the year, a Trust expense assumption, a component for the level

dollar amortization of the total UAAL and a mid-year contribution interest component, were \$23.4 million and \$18.4 million, respectively. The Commission's actual contributions towards the ARC for Fiscal Year 2013 and Fiscal Year 2014 were \$54.8 million and \$44.2 million, respectively. The market value of the Trust's assets for the fiscal years 2013 and 2014 were \$217.0 million and \$275.2 million, respectively.

The Trust's financial statements are not included in the financial statements of the Commission. For additional information regarding the Benefits and the Trust, including funding status and actuarial methods and assumptions, see Note 10 to the Financial Statements.

Commission Compliance Department

In 2009, an Office of Inspector General (the "OIG") was created within the Commission to maintain integrity and efficiency at the Commission and to further maintain public confidence in the Commission. In 2012, the OIG merged into the newly created Compliance Department. The functions of the former OIG currently fall under the Compliance Department and the Special Investigations unit within the Compliance Department. The primary mission of the Compliance Department is developing, managing, and executing comprehensive audit and investigation programs that examine and promote the adequacy and effectiveness of the Commission's internal control system. The Compliance Department includes the office of Chief Compliance Officer and the departments of Toll Revenue Audit, Audit and Advisory Services, and Special Investigations. As head of the department, the Chief Compliance Officer oversees all aspects of operations auditing, toll revenue auditing, and internal and external investigations, enforcement of Commission rules, regulations, policies and strategic planning, and the Commission's Code of Conduct. The Compliance Department has conducted numerous investigations of fraud, waste, abuse and misconduct that have resulted in the termination of Commission employees and a vendor contract. When appropriate, the Compliance Department refers cases to law enforcement authorities for possible criminal prosecution.

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EXHIBIT I

PENNSYLVANIA TURNPIKE COMMISSION Fiscal Year 2015 TEN-YEAR CAPITAL PLAN⁵

FY 2015 Ten Year Capital Plan (YOE)												
Program	Program Category	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	TOTAL PLAN
Highway	Roadway/Safety	98,811,000	62,008,452	67,176,941	92,104,311	59,681,103	125,783,223	138,746,758	109,675,606	121,684,404	90,816,432	966,488,230
Highway	Bridge, Tunnels & Misc Structure	88,552,026	98,799,026	87,883,239	63,943,747	58,825,181	162,554,981	136,651,282	136,125,791	139,526,837	143,519,904	1,116,382,014
Highway	Total Reconstruction	273,917,000	319,370,738	279,552,481	272,722,034	402,172,159	206,532,255	188,569,393	285,500,742	263,188,242	291,175,902	2,782,700,948
Highway	Interchanges	79,603,000	117,476,188	131,800,323	107,716,110	16,507,066	3,424,132	0	0	0	0	456,526,820
Highway	Highway Miscellaneous	44,740,667	31,098,178	36,379,251	34,788,514	27,194,975	20,310,812	18,944,837	19,332,221	19,071,880	19,202,385	271,063,720
Highway	Highway Total	585,623,693	628,752,582	602,792,235	571,274,716	564,380,485	518,605,404	482,912,270	550,634,360	543,471,364	544,714,623	5,593,161,732
Highway	Federally Reimbursed Funds	52,000,000	20,000,000	25,850,000	30,850,000	40,000,000	18,800,000	0	0	0	0	187,500,000
Highway	Highway Net	533,623,693	608,752,582	576,942,235	540,424,716	524,380,485	499,805,404	482,912,270	550,634,360	543,471,364	544,714,623	5,405,661,732
FEMO	Re-capitalization	700,000	513,400	1,052,088	410,646	190,593	469,387					3,336,114
FEMO	Sustainment	10,650,000	8,111,720	9,910,591	10,176,195	9,893,124	10,158,260	10,430,501	9,386,326	9,637,879	9,896,174	98,250,771
FEMO	Compliance	1,980,000	2,412,980	3,162,955	3,247,722	3,334,761	3,424,132	3,515,899	3,610,125	3,706,877	3,806,221	32,201,672
FEMO	New Energy Initiative	1,865,835	1,197,079	1,176,445	1,021,032	1,000,428	1,027,240	1,054,770	1,083,038	1,112,063	1,141,866	11,679,796
FEMO	Facilities Design	28,307,557	26,570,736	26,935,172	14,344,105	3,612,658	4,613,980	3,808,891	3,910,969	4,015,783	4,123,406	120,243,256
FEMO	FEMO Total	43,503,392	38,805,915	42,237,252	29,199,700	18,031,563	19,692,998	18,810,061	17,990,458	18,472,602	18,967,668	265,711,609
Fleet Equipment	Fleet Equipment	16,031,814	13,419,781	15,920,778	14,214,773	16,288,976	20,175,503	17,812,122	18,315,302	18,831,948	13,276,317	164,287,314
Fleet Equipment	Fleet Equipment Total	16,031,814	13,419,781	15,920,778	14,214,773	16,288,976	20,175,503	17,812,122	18,315,302	18,831,948	13,276,317	164,287,314
Technology	Functional Business Software	13,000,986	13,628,427	12,048,395	12,457,427	13,177,592	13,552,150	14,095,977	15,188,330	15,235,263	14,532,863	136,917,410
Technology	Infrastructure HW / SW	8,580,000	5,963,914	6,649,616	6,429,353	3,894,751	3,999,130	3,913,635	4,018,521	4,126,217	3,773,229	51,348,365
Technology	Toll Collection / Operations	10,760,000	14,708,910	11,492,069	1,623,861	1,667,380	1,712,066	1,757,950	1,805,063	1,853,438	1,522,488	48,903,225
Technology	Technology Total	32,340,986	34,301,251	30,190,079	20,510,640	18,739,723	19,263,346	19,767,562	21,011,914	21,214,918	19,828,580	237,169,000
EN-00115	All-Electronic Toll Conversion	5,175,000	18,887,986	8,764,548	28,668,724	30,504,169	81,544,573	117,463,848	50,071,234	57,702,478	48,526,780	447,309,339
Capital Plan Grand Total		682,674,885	734,167,515	699,904,892	663,868,554	647,944,916	659,281,824	656,765,863	658,023,268	659,693,310	645,313,968	6,707,638,993
Capital Plan Grand Total NET		630,674,885	714,167,515	674,054,892	633,018,554	607,944,916	640,481,824	656,765,863	658,023,268	659,693,310	645,313,968	6,520,138,993

⁵ Capital plans from prior years back to Fiscal Year 2005-2006 are available on the Commission's website at <https://www.paturnpike.com/>.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS: 2014 AND 2013

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BASIC FINANCIAL STATEMENTS

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania
Years Ended May 31, 2014 and 2013
With Report of Independent Auditors

Zelenkofske Axelrod LLC

A Certified Public Accounting and Auditing Firm

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

The Commissioners
Pennsylvania Turnpike Commission
Middletown, Pennsylvania

We have audited the accompanying financial statements of the Pennsylvania Turnpike Commission (the "Commission"), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended May 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Zelenkofske Axelrod LLC

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of May 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Accounting Pronouncements

As described in Note 2 to the financial statements, in 2014 the Commission adopted the provisions of Governmental Accounting Standards Board's Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, the provisions of Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the provisions of Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and the provisions of Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As more fully explained in Note 9, the Commission has committed to making significant payments under an Amended Lease and Funding Agreement as required under the terms of Acts 44 and 89. The Commission's ability to make such payments is dependent on its continuing capability to issue bonds to fund such payments and ultimately to raise tolls sufficient to repay its bonded debt and current lease payments. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress – postemployment healthcare benefits on pages 4 through 20 and page 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any


Zelenkofske Axelrod LLC

assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The section information on pages on 94 through 108 and the schedules of cost of services detail on page 109 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The section information and schedules of cost of services detail are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the section information and cost of services detail are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
August 27, 2014

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Management's Discussion and Analysis

May 31, 2014

The management of the Pennsylvania Turnpike Commission (hereinafter referred to as the Commission) offers this narrative overview and analysis of the Commission's financial activities for the year ended May 31, 2014, which should be read in conjunction with the Commission's basic financial statements. Certain amounts presented in the prior period have been reclassified to conform to the current period financial statement presentation.

Overview of the Basic Financial Statements

This MD&A is intended to serve as an introduction to the Commission's basic financial statements. While the Commission is considered a component unit of the Commonwealth of Pennsylvania, it is also an enterprise fund. Therefore, the Commission's financial statements are presented in a manner similar to a private-sector business and have been prepared according to accounting principles generally accepted in the United States of America (GAAP). All of the current year's revenues are recorded when earned and expenses are recorded as they are incurred, regardless of when the cash is received or disbursed.

The statements of net position present information on all of the Commission's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the differences being reported as net position. Over time, increases or decreases in net position serve as a relative indicator of the change in financial position of the Commission.

The statements of revenues, expenses, and changes in net position show the result of the Commission's total operations during the fiscal year and reflect both operating and nonoperating activities, capital contributions, and the special item. Changes in net position (increases or decreases) reflect the current fiscal period's operating impact upon the overall financial position of the Commission.

The statements of cash flows provide a detailed analysis of all sources and uses of cash. The direct method of cash flows is presented, along with a reconciliation of operating income to net cash provided by operating activities. The statements of cash flows are divided into the following activities sections – operating, investing, capital and related financing, and noncapital financing.

Notes to the basic financial statements contain information and offer explanations to the basic financial statements. The notes are intended to assist the reader in understanding the Commission's basic financial statements.

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Management's Discussion and Analysis (continued)

Financial Analysis

Comparative Condensed Statements of Net Position

	2014	May 31 2013 <i>(Restated)¹</i>	2012 <i>(Restated)¹</i>
	<i>(In Thousands)</i>		
Assets and deferred outflows of resources			
Current assets	\$ 1,123,279	\$ 1,014,941	\$ 777,193
Long-term investments	743,407	728,103	898,014
Capital assets, net of accumulated depreciation	4,914,361	4,831,902	4,715,957
Other assets	123,055	101,708	71,752
Total assets	6,904,102	6,676,654	6,462,916
Deferred outflows of resources	213,878	255,521	349,406
Total assets and deferred outflows of resources	7,117,980	6,932,175	6,812,322
Liabilities and deferred inflows of resources			
Current liabilities	569,919	597,007	523,912
Debt, net of unamortized premium	9,523,230	8,678,370	7,942,673
Other noncurrent liabilities	200,726	203,766	284,892
Total liabilities	10,293,875	9,479,143	8,751,477
Deferred inflows of resources	124,560	141,440	108,503
Total liabilities and deferred inflows of resources	10,418,435	9,620,583	8,859,980
Net position			
Net investment in capital assets	372,750	613,422	927,679
Restricted for construction purposes	237,042	225,358	232,392
Restricted for debt service	36,801	49,655	37,611
Unrestricted	(3,947,048)	(3,576,843)	(3,245,340)
Total net position	\$ (3,300,455)	\$ (2,688,408)	\$ (2,047,658)

¹ Certain 2013 and 2012 amounts were restated.

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Management's Discussion and Analysis (continued)

Financial Analysis (continued)

The Commission's total net position decreased \$612.0 million and \$640.8 million for the fiscal years ended May 31, 2014 and 2013, respectively. The large decreases in net position in the fiscal years 2014 and 2013 were mainly the result of the \$450 million paid in both years to the Pennsylvania Department of Transportation (PennDOT), as required by Act 44, Act 89 and the Amended Lease and Funding Agreement (Amended Funding Agreement) between the Commission and PennDOT, as well as interest expense on the debt issued to fund these payments. These expenses were recorded as nonoperating expenses. Please refer to Note 9, Commitments and Contingencies, of the financial statements and to the Events That Will Impact Financial Position section of this MD&A for additional information regarding Act 44, Act 89 and the Amended Funding Agreement between the Commission and PennDOT.

Additionally, as a result of the implementation of GASB Statement No. 65, net position as of May 31, 2012 was decreased by \$69.7 million. This decrease was comprised of a \$40.1 million decrease in Net investment in capital assets, a \$3.6 million decrease in Net position, restricted for construction purposes and a \$26.0 million decrease in Net position, unrestricted. See Notes 2 and 15 for further discussion on the implementation of GASB Statement No. 65 and the fiscal year 2013 restatements.

Restricted net position is restricted for construction projects and debt service as defined in Trust Indentures and applicable bond issue official statements.

The Commission's total assets and deferred outflows of resources increased by \$185.8 million in fiscal year 2014. This 2014 increase is mostly related to increases in cash and investments of \$114.3 million, capital assets of \$82.5 million, and the other post-employment benefit (OPEB) asset of \$21.0 million. These increases were partially offset by a decrease in deferred outflows of resources of \$41.6 million. The increase in capital assets is related to capital asset additions of \$420.5 million offset by \$324.0 million of depreciation expense. The increase in the OPEB asset is mostly related to the Commission's \$44.2 million contributions to the Retiree Medical Trust. The decrease in deferred outflows of resources is primarily the result of changes in values of the Commission's hedging derivatives. For additional information, see: Note 4, Cash and Investments; Note 5, Capital Assets, and the Capital Assets and Debt Administration section of this MD&A; Note 11, Postemployment Benefits; and Note 9, Commitments and Contingencies.

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Management's Discussion and Analysis (continued)

Financial Analysis (continued)

The Commission's total assets and deferred outflows of resources increased by \$119.9 million in fiscal year 2013. This 2013 increase is mostly related to increases in cash and investments of \$69.1 million, capital assets of \$115.9 million, and the OPEB asset of \$29.3 million. These increases were partially offset by a decrease in deferred outflows of resources of \$93.9 million. The increase in capital assets is related to capital asset additions of \$479.1 million offset by \$311.7 million of depreciation expense. The increase in the OPEB asset is mostly related to the Commission's \$54.8 million contributions to the Retiree Medical Trust. The decrease in deferred outflows of resources is primarily the result of change in values of the Commission's hedging derivatives. For additional information, see: Note 4, Cash and Investments; Note 5, Capital Assets, and the Capital Assets and Debt Administration section of this MD&A; Note 11, Postemployment Benefits; and Note 9, Commitments and Contingencies.

Total liabilities and deferred inflows of resources increased by \$797.9 million in fiscal year 2014 and by \$760.6 million in fiscal year 2013. The increase for both fiscal year 2014 and fiscal year 2013 were mainly related to the issuance of senior debt to finance the costs of various capital expenditures set forth in the Commission's current ten-year plan and the issuance of subordinate debt to finance the costs of making payments to PennDOT in accordance with Act 44, Act 89, and the Amended Funding Agreement. See Note 7, Debt, for additional information regarding the new issuances of debt.

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Management's Discussion and Analysis (continued)

Financial Analysis (continued)

Comparative Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year ended May 31		
	2014	2013 <i>(Restated)</i> ¹	2012 <i>(Restated)</i> ¹
	<i>(In Thousands)</i>		
Operating:			
Operating revenues	\$ 880,755	\$ 831,636	\$ 803,939
Cost of services	(438,981)	(412,484)	(387,506)
Depreciation	(324,010)	(311,735)	(300,777)
Operating income	117,764	107,417	115,656
Nonoperating revenues (expenses):			
Investment earnings	27,570	30,048	28,052
Other nonoperating revenues	23,161	19,877	21,196
Act 44 payments to PennDOT	(450,000)	(450,000)	(450,000)
Capital assets transferred to PennDOT	(13,531)	-	(22,783)
Interest and bond expense	(427,047)	(394,919)	(437,680)
Nonoperating expenses, net	(839,847)	(794,994)	(861,215)
Loss before capital contributions and special item	(722,083)	(687,577)	(745,559)
Capital contributions	110,036	97,836	102,407
Discontinued project	-	(51,009)	-
Decrease in net position	\$ (612,047)	\$ (640,750)	\$ (643,152)

¹ Certain 2013 and 2012 amounts were restated.

For fiscal years ended May 31, 2014, and 2013, operating and nonoperating revenues totaled \$931.5 million and \$881.6 million, respectively, while operating and nonoperating expenses totaled \$1,653.6 million and \$1,569.1 million, respectively.

Total operating and nonoperating revenues for fiscal year 2014 were \$49.9 million or 5.7% higher than fiscal year 2013. This increase in revenue was mainly related to a \$50.3 million increase in fare revenues resulting from a January 2014 toll increase of 2% for E-ZPass customers and 12% for cash customers, the full year impact of the January 2013 toll increase of 2% for E-ZPass customers and 10% for cash customers and reductions in January 2014 and

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Management's Discussion and Analysis (continued)

Financial Analysis (continued)

January 2013 to the post-paid, commercial-volume-discount program. Total traffic volumes were flat in fiscal year 2014 compared to fiscal year 2013.

Total operating and nonoperating revenues for fiscal year 2013 were \$28.4 million or 3.3% higher than fiscal year 2012. This increase in revenue was mainly related to a \$30.7 million increase in fare revenues resulting from a January 2013 toll increase of 2% for E-ZPass customers and 10% for cash customers, the full year impact of the January 2012 toll increase of 2% for E-ZPass customers and 10% for cash customers and reductions in January 2013 and January 2012 to the post-paid, commercial-volume-discount program. Total traffic volumes were flat in fiscal year 2013 compared to fiscal year 2012.

Total operating and nonoperating expenses for fiscal year 2014 were \$84.4 million higher than fiscal year 2013 primarily due to increases in: cost of services of \$26.5 million mainly related to increases in noncapitalizable contractor charges related to maintenance of the road, an increase in employee benefits of \$7.0 million driven by the contribution to the State Employees' Retirement System, an increase of \$5.9 million for materials and supplies which is primarily a winter materials increase of \$4.7 million; depreciation expense of \$12.3 related to an increase in assets being depreciated (see Note 5, Capital Assets); and interest and bond expenses of \$32.1 million related to the increase in debt (see Note 7, Debt).

Total operating and nonoperating expenses for fiscal year 2013 were \$29.6 million lower than fiscal year 2012 primarily due to a decrease in interest and bond expenses of \$42.8 million related to the implementation of GASB 65 and capital assets transferred to PennDOT in fiscal year 2012 of \$22.8 million compared to none in fiscal year 2013. These decreases were offset with increases in: cost of services of \$25.0 million mainly related to increases in noncapitalizable contractor charges related to maintenance of the road, increase in employee benefits of \$5.9 million driven by the contribution to the State Employees' Retirement System, increase of \$5.1 million for materials and supplies which is primarily a winter materials increase of \$4.9 million; and depreciation expense of \$11.0 related to an increase in assets being depreciated (see Note 5, Capital Assets).

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Management's Discussion and Analysis (continued)

Financial Analysis (continued)

For the fiscal year ended May 31, 2013, the Commission recorded an expense of \$51.0 million for the write-down of assets under construction related to design costs for the west leg of the PA Route 51 to Interstate Route 376 project. Due to the magnitude of the estimated costs of construction, the Commission believes it is unlikely to be economically feasible to complete this leg of the project. This expense was recorded as a special item in the statements of revenues, expenses, and changes in net position.

Capital Assets and Debt Administration

Capital Assets

Capital assets consist of land and intangible assets (right-of-way easements), buildings, improvements, equipment, infrastructure, and assets under construction. Infrastructure assets are typically items that are immovable such as highways, bridges, and tunnels. The Commission's investment in capital assets at May 31, 2014 amounted to \$10.0 billion of gross asset value with accumulated depreciation of \$5.1 billion, leaving a net book value of \$4.9 billion. The net book value of capital assets at May 31, 2013 was \$4.8 billion. Capital assets represented 69.0% and 69.7% of the Commission's total assets and deferred outflows of resources at May 31, 2014 and 2013, respectively.

Assets under construction at the end of fiscal year 2014 were \$790.4 million, which was \$128.8 million more than fiscal year 2013. In fiscal year 2014, \$241.2 million of constructed capital assets were completed which was \$309.7 million less than the \$550.9 million of constructed capital assets completed in fiscal year 2013. In addition to constructed capital assets, the Commission had capital asset additions of approximately \$50.5 million and \$80.1 million in fiscal years 2014 and 2013, respectively.

A top priority of the Commission is to entirely reconstruct the Turnpike roadway, completely removing all original pavement down to the subgrade and replacing it with an entirely new roadway pavement section, including all facets of the highway construction such as median barriers and guide rails, drainage systems and signage, as well as the construction of retaining walls and noise walls where warranted. From about 1998 to date, the Commission has rebuilt approximately 105 miles of roadways and bridges and much of the reconstructed roadway has been widened to accommodate six lanes. An additional 12 miles of roadway reconstruction has

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Management's Discussion and Analysis (continued)

Financial Analysis (continued)

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

been initiated, and another 113 miles of reconstruction is currently in design. Also, the Commission completed 54 miles of roadway resurfacing during fiscal year 2014, helping to maintain a quality-riding surface with a Turnpike System wide median IRI (International Roughness Index) of 75 which is rated as good.

The Commission completely replaced 11 aging original bridges with new bridges, rehabilitated another 32 bridges, completely painted 11 bridges, and constructed three new retaining walls in calendar year 2013. Of the Commission's bridges, 5.4% are rated structurally deficient which is below the national average of 10.5%. Forty-five of the 47 bridges currently rated structurally deficient are either in construction or design for rehabilitation.

Facility projects continue to focus on environmental and safety compliance, and on the maintenance and repair of existing buildings including HVAC, electrical and plumbing systems. The Commission completed construction on the Somerset Maintenance Facility in June 2014 and completed construction on the new Everett PA State Police Barracks in February 2014. Construction of the new Somerset PA State Police Barracks is underway which is anticipated to be completed in February 2015. Construction of the new Plymouth Meeting Maintenance Facility is underway which is anticipated to be completed in August 2015. Construction of the new Western Training Facility is underway which is anticipated to be completed in November 2014. New Maintenance Facilities continue to be under design currently with the new District 1 Maintenance Facility to be constructed in the New Stanton area. A public CNG Fueling Station is planned to open in October 2014 at the New Stanton Service Plaza. Currently, there are four service plazas that have electric vehicle (EV) charging systems available to users on the Turnpike System. They are the Oakmont, New Stanton, Bowmansville and King of Prussia service plazas. Over the next two years, the remaining 13 services plazas will have EV charging systems installed.

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Management's Discussion and Analysis (continued)

Financial Analysis (continued)

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

With the completion of Phase 2 for the Uniontown to Brownsville project, the Mon/Fayette Expressway is completed and open to traffic from the Pennsylvania/West Virginia line to PA 51 in Jefferson Hills Borough, a distance of 54 miles. Phase 2 of the Uniontown to Brownsville project, a seven mile section, opened to traffic on July 16, 2012. The preliminary design for the remainder of the Mon/Fayette Expressway project, extending from PA Route 51 to Interstate Route 376 in Pittsburgh, has been completed. Additional funding is required to construct this section. Due to the magnitude of the estimated costs of construction, the Commission believes it is unlikely to be economically feasible to complete the west leg of this project.

The Southern Beltway is a series of three independent projects that extend from the Mon/Fayette Expressway near Finleyville to Pennsylvania Route 60 (PA 60) at the Pittsburgh International Airport. One project constructed as part of the Southern Beltway, a six-mile section of toll road in Allegheny County that connects PA 60 to U.S. Route 22 (U.S. 22), is in operation. The project from U.S. 22 to I-79 is in final design and some construction has already started. The additional funding under Act 89 will enable the Commission to continue to construct this section. The entire 13 miles of this section are anticipated to be open to traffic by 2020. The project from Interstate 79 (I-79) to Mon/Fayette Expressway has completed the environmental phase and is inactive until additional funding is identified. The fourth and final section of the Mon/Fayette Expressway, the SR51 to Pittsburgh project, is completed in Preliminary Design and is also now inactive until additional funding is identified.

The Commission has no legal obligation to complete the unfinished portions of the Mon/Fayette Expressway and Southern beltway projects at this time.

The I-276/I-95 Interchange Project involves the construction of a direct interchange connecting the PA Turnpike to I-95. The project also includes tolling modifications and reconstruction and widening of the interstates.

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Management's Discussion and Analysis (continued)

Financial Analysis (continued)

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

The first phase of the Interchange Project includes preparatory work and construction of a portion of the interchange between I-95 and the Turnpike Mainline, including northbound I-95 to the eastbound Turnpike Mainline and southbound I-95 to the westbound Turnpike Mainline. This phase includes construction of a new mainline toll plaza and an All-Electronic Tolling (AET) plaza westbound. Construction has commenced and is expected to continue through 2018. The second phase will include the completion of the reconstruction and widening of the remaining interchange connectors. The third phase will be the construction of an additional bridge over the Delaware River.

The above paragraphs describe the changes in capital assets occurring during the fiscal years ended May 31, 2014 and 2013. Please refer to the capital assets section in the notes to the financial statements (Note 5) for more detailed capital asset schedules.

Debt Administration – Mainline

In July 2012, the Commission issued \$200,215,000 2012 Series A Turnpike Revenue Bonds at a fixed rate with a maturity date of December 1, 2042. The 2012 A Bonds were issued for the purpose of financing the costs of various capital expenditures set forth in the Commission's ten-year plan including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or the rehabilitation of certain interchanges and for issuing the 2012 A Bonds.

In October 2012, the Commission issued \$121,065,000 2012 Series B Subordinate Bonds at a fixed rate with a maturity date of December 1, 2042. The 2012 B Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2012 B Subordinate Bonds.

In October 2012, the Commission issued \$92,780,000 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds at a fixed rate with a maturity date of December 1, 2042. The 2012 B Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2012 B Motor License Fund Enhanced Subordinate Special Revenue Bonds.

Pennsylvania Turnpike Commission
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Management's Discussion and Analysis (continued)

Financial Analysis (continued)

Capital Assets and Debt Administration (continued)

Debt Administration – Mainline (continued)

In November 2012, the Commission issued \$70,060,000 2012 Series B Senior Bonds at a variable rate with a maturity date of December 1, 2016. The 2012 B Senior Bonds were issued primarily for the current refunding of the \$52,070,000 December 1, 2012 maturity of the Commission's Variable Rate Turnpike Revenue Bonds, Series C of 2009 and the \$17,455,000 December 1, 2012 maturity of the Commission's Variable Rate Turnpike Revenue Bonds, Series D of 2011 and for payment of the costs of issuance of the 2012 B Senior Bonds.

In January 2013, the Commission issued \$176,075,000 2013 Series A Senior Bonds at a variable rate with a maturity date of December 1, 2018. The 2013 A Senior Bonds were issued primarily to finance the cost of various capital expenditures set forth in the Commission's current ten-year capital plan including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or the rehabilitation of certain interchanges and for issuing the 2013 A Bonds.

In April 2013, the Commission issued \$71,702,000 2013 Series A Subordinate Bonds at a fixed rate with a maturity date of December 1, 2043. The 2013 A Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2013 A Subordinate Bonds.

In April 2013, the Commission issued \$92,465,000 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds at a fixed rate with a maturity date of December 1, 2043. The 2013 A Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2013 A Motor License Fund Enhanced Subordinate Special Revenue Bonds.

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Management's Discussion and Analysis (continued)

Financial Analysis (continued)

Capital Assets and Debt Administration (continued)

Debt Administration – Mainline (continued)

In July 2013, the Commission issued \$265,155,000 2013 Series B Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2020. The 2013 B Senior Bonds were issued primarily for the current refunding of the Commission's 2009 Series C Variable Rate Turnpike Revenue Bonds (\$52,070,000) and the Commission's 2011 Series D Variable Rate Turnpike Revenue Bonds (\$17,455,000), both with maturity dates of December 1, 2013; the Commission's 2010 Series A-1 Multi-Modal Revenue Refunding Bonds (\$97,230,000) and the Commission's 2010 Series A-2 Multi-Modal Revenue Refunding Bonds (\$97,140,000), both with a mandatory redemption date of July 2013; and for the payment of the costs of issuance of the 2013 B Senior Bonds.

In August 2013, the Commission issued \$222,935,000 2013 Series C Senior Bonds at a fixed rate with a maturity date of December 1, 2043. The 2013 C Senior Bonds were issued primarily to finance the cost of various capital expenditures set forth in the Commission's ten-year capital plan including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or the rehabilitation of certain interchanges and for issuing the 2013 C Bonds.

In October 2013, the Commission issued \$108,708,000 2013 Series B Subordinate Bonds at a fixed rate with a maturity date of December 1, 2043. The 2013 B Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2013 B Subordinate Bonds.

In October 2013, the Commission issued \$101,731,000 2013 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds at a fixed rate with a maturity date of December 1, 2043. The 2013 B Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2013 B Motor License Fund-Enhanced Subordinate Special Revenue Bonds.

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Management's Discussion and Analysis (continued)

Financial Analysis (continued)

Capital Assets and Debt Administration (continued)

Debt Administration – Mainline (continued)

In April 2014, the Commission issued \$236,115,000 2014 Series A Senior Bonds at a fixed rate with a maturity date of December 1, 2044. The 2014 A Senior Bonds were issued primarily to finance the cost of various capital expenditures set forth in the Commission's ten-year capital plan including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or the rehabilitation of certain interchanges and for issuing the 2014 A Bonds.

In April 2014, the Commission issued \$148,300,000 2014 Series A Subordinate Bonds at a fixed rate with a maturity December 1, 2043. The 2014 A Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and Act 89 as well as for issuing the 2014 A Subordinate Bonds.

In April 2014, the Commission issued \$59,740,000 2014 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds as a capital appreciation bond with a maturity date of December 1, 2044. The 2014 A Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and Act 89 as well as for issuing the 2014 A Motor License Fund Enhanced Subordinate Special Revenue Bonds.

In May 2014, the Commission issued \$444,280,000 2014 Series B-1 Senior Bonds at a variable rate with a maturity date of December 1, 2021. The 2014 B-1 Senior Bonds were issued primarily for the current refunding of the Commission's 2008 Series B-1 Multi-Modal Revenue Bonds (\$100,000,000), the Commission's 2008 Series C Multi-Modal Revenue Bonds (\$50,000,000), the Commission's 2011 Series C-1 Multi-Modal Revenue Bonds (\$230,745,000), and the Commission's 2011 Series C-2 Multi-Modal Revenue Bonds (\$61,500,000), all with a mandatory redemption date of May 2014. The bonds were also issued for payment of the costs of issuance for the 2014 Series B-1 Senior Bonds.

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Management's Discussion and Analysis (continued)

Financial Analysis (continued)

Capital Assets and Debt Administration (continued)

Debt Administration – Oil Company Franchise Tax

In October 2013, the Commission issued \$27,785,000 2013 Series A Senior Oil Franchise Tax Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2024. The 2013 A Senior Oil Franchise Tax Revenue Refunding Bonds were issued primarily for the current refunding of the \$30,775,000 December 1, 2024 maturity of the Commission's Oil Franchise Tax Senior Revenue Bonds, Series A of 2003 and for the payment of the costs of issuance of the 2013 A Senior Oil Franchise Tax Revenue Refunding Bonds.

In October 2013, the Commission issued \$32,035,000 2013 Series B Subordinate Oil Franchise Tax Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2025. The 2013 B Subordinate Oil Franchise Tax Revenue Refunding Bonds were issued primarily to partially refund the \$34,695,000 December 1, 2025 maturity of the Commission's 2003 B Oil Franchise Tax Subordinate Revenue Bonds and for the payment of the costs of issuance of the 2013 B Subordinate Oil Franchise Tax Revenue Refunding Bonds.

Debt Administration – Motor License Registration Fee

No Motor License Registration Fee debt has been issued during the fiscal years presented in these statements.

The preceding paragraphs describe debt activity occurring during the fiscal years ended May 31, 2014 and 2013. Please refer to the debt and commitments and contingencies sections in the notes to the financial statements (Notes 7 and 9) for more detailed schedules and descriptions of long-term debt and swap activity.

Pennsylvania Turnpike Commission
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Management's Discussion and Analysis (continued)

Events That Will Impact Financial Position

On July 18, 2007, Act 44 was enacted, creating a “public-public partnership” between the Commission and PennDOT to provide funding for roads, bridges and transit throughout the Commonwealth. Subsequently, in order to effectuate the provisions of Act 44 requiring the Commission to make substantial annual payments to PennDOT, the Commission and PennDOT entered into a Lease and Funding Agreement (the Funding Agreement), incorporating many of the terms of Act 44. The term of the Funding Agreement is fifty (50) years from October 14, 2007, its effective date.

The Funding Agreement requires the Commission to make scheduled annual payments to PennDOT, payable in equal quarterly installments, to be used to provide funding for roads, bridges and transit in the Commonwealth. The Commission's obligation to pay the annual debt service on any Special Revenue Bonds on a timely basis is part of its payment obligation under the Funding Agreement. The Funding Agreement also granted the Commission the option to lease the portion of Interstate 80 (I-80) located in the Commonwealth from PennDOT upon the approval of the Federal Highway Administration (FHWA) of the conversion of such portion into a toll road (the Conversion). The Funding Agreement granted the unilateral option to the Commission to effectuate the Conversion at any time before the third anniversary of the Funding Agreement (the Conversion Period), with the option to extend the Conversion Period for up to three one-year periods.

On October 13, 2007, the Commission and PennDOT submitted a joint application to the FHWA for approval of the Conversion. The FHWA ultimately denied the application on April 6, 2010. Neither the Commission nor PennDOT appealed the FHWA's decision, nor did the Commission extend the Conversion Period during the notice period under the Funding Agreement or give notice of Conversion. Therefore, the Conversion Period lapsed on October 14, 2010 without the Commission effectuating Conversion or having the ability to do so in the future. The Funding Agreement provides that the Commission's aggregate annual payments to PennDOT are limited to \$450 million annually upon lapse of the Conversion option and such payment amount commenced with fiscal year 2011. Under existing law, all legal, financial and operational responsibility for I-80 remains with PennDOT.

Pennsylvania Turnpike Commission
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Management's Discussion and Analysis (continued)

Events That Will Impact Financial Position (continued)

On November 25, 2013, Act 89 was enacted providing substantial revisions to the Commission's transportation funding obligations under Act 44 and authorized the Commission and PennDOT to immediately amend the Funding Agreement to reflect the statutory provisions of Act 89. On April 4, 2014, the Commission and PennDOT executed Amendment Number One to the Lease and Funding Agreement (the *Act 89 Amendment* and together with the Act 44 Funding Agreement, the *Amended Funding Agreement*). In accordance with Act 89 and the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT for fiscal year 2014 through fiscal year 2022 remains at \$450 million and at least \$30 million of the payment must be made from current revenues. Commencing in fiscal year 2023 through the term of the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT is \$50 million, which must be paid from current revenues.

In accordance with Act 44, the Commission is required to provide a financial plan to the Secretary of the Budget of the Commonwealth no later than June 1 of each year. The financial plan must describe the Commission's proposed operating and capital expenditures, borrowings, liquidity and other financial management covenants and policies, estimated toll rates and all other revenue and expenditures for the ensuing fiscal year. The financial plan must also show that the operation of the Turnpike System can reasonably be anticipated to result in the Commission's ability to meet its payment obligations to PennDOT pursuant to Act 44, Act 89 and the Amended Funding Agreement. It does not, however, address the funding needs for the Mon/Fayette or Southern Beltway projects.

On May 30, 2014, the Commission submitted its financial plan for fiscal year 2015 (the Financial Plan). The Financial Plan incorporates the Commission's Capital Plan for fiscal year 2015 (the Proposed Capital Plan), which provides for \$6.7 billion in capital spending over the period from fiscal year 2015 through the fiscal year 2024. The Proposed Capital Plan allows the Commission to accelerate a number of capital improvements and to pursue new initiatives to maintain and improve the Turnpike System. The Financial Plan indicates that in fiscal year 2014 it was able to meet all of its financial covenants and Act 44 and Act 89 obligations and was able to progress with its Capital Plan. Given the slow recovery of the economy, the Commission plans to continue the cost containment and efficiency measures it implemented within the past few years. These measures, together with future toll increases, are expected to allow the Commission to meet its financial covenants, Act 44 and Act 89 obligations, and capital needs during fiscal year 2015.

Pennsylvania Turnpike Commission
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Management's Discussion and Analysis (continued)

Events That Will Impact Financial Position (continued)

The Financial Plan concludes that the Commission will continue to meet all of its indenture covenants and all of its other obligations through fiscal year 2057. However, as a forward-looking report, the Financial Plan makes certain assumptions, including future toll increases, to reach its conclusion that the financial covenants, Act 44 and Act 89 obligations and capital needs will be met beyond fiscal year 2015. Key among these assumptions is the Commission's ability to raise all tolls throughout the Turnpike System. The Financial Plan reflects the expected full year effects of the January 2014 toll increase and the expected partial year impacts of the approved January 2015 toll increase. The Financial Plan does not assume any tolling of I-80 and assumes the \$450 million reduced level of funding obligations required by Act 44 and Act 89 through fiscal year 2022 and the \$50 million funding level from fiscal year 2023 through fiscal year 2057. No assurances can be made by the Commission with respect to the assumptions made or conclusions reached in the Financial Plan. A complete copy of the Financial Plan is available on the Commission's website.

The preceding paragraphs provide a brief overview of Act 44 and Act 89 and their requirements. Please refer to the commitments and contingencies section in the notes to the financial statements (Note 9) for additional information regarding the Commission's commitments under the Amended Funding Agreement.

Furthermore, legislation may be introduced that could affect the Commission and its obligations pursuant to Act 44 and Act 89. However, the Commission cannot predict what other legislation may be considered by the General Assembly during the 2014-2015 or future legislative sessions or if any other proposals or initiatives may lead to the adoption of legislation that may affect the Commission.

Pennsylvania Turnpike Commission
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Statements of Net Position

	May 31	
	2014	2013
Assets and deferred outflows of resources	<i>(Restated)¹</i>	
Current assets:	<i>(In Thousands)</i>	
Cash and cash equivalents	\$ 135,452	\$ 130,010
Short-term investments	43,936	47,952
Accounts receivable	43,218	39,149
Accrued interest receivable	1,273	1,663
Inventories	20,158	16,871
Restricted current assets:		
Cash and cash equivalents	712,737	528,427
Short-term investments	155,194	241,914
Accounts receivable	8,314	5,400
Accrued interest receivable	2,997	3,555
Total current assets	1,123,279	1,014,941
Noncurrent assets:		
Long-term investments:		
Long-term investments unrestricted	158,224	197,127
Long-term investments restricted	585,183	530,976
Total long-term investments	743,407	728,103
Capital assets not being depreciated:		
Land and intangibles	289,900	271,310
Assets under construction	790,396	661,613
Capital assets being depreciated:		
Buildings	905,235	893,705
Improvements other than buildings	114,009	112,632
Equipment	570,115	549,578
Infrastructure	7,345,336	7,172,878
Total capital assets before accumulated depreciation	10,014,991	9,661,716
Less accumulated depreciation	5,100,630	4,829,814
Total capital assets after accumulated depreciation	4,914,361	4,831,902
Other assets:		
Prepaid bond insurance costs	15,761	16,853
OPEB asset	79,149	58,127
Other assets	28,145	26,728
Total other assets	123,055	101,708
Total noncurrent assets	5,780,823	5,661,713
Total assets	6,904,102	6,676,654
Deferred outflows of resources from hedging derivatives	49,684	117,369
Deferred outflows of resources from refunding bonds	164,194	138,152
Total deferred outflows of resources	213,878	255,521
Total assets and deferred outflows of resources	\$ 7,117,980	\$ 6,932,175

¹ Certain 2013 amounts were restated as discussed in Notes 2 and 15.

The notes to the financial statements are an integral part of this statement.

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Statements of Net Position (continued)

	May 31	
	2014	2013
	<i>(Restated)¹</i>	
	<i>(In Thousands)</i>	
Liabilities and deferred inflows of resources		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 330,027	\$ 350,017
Current portion of debt	184,675	198,800
Unearned income	55,217	48,190
Total current liabilities	569,919	597,007
Noncurrent liabilities:		
Debt, less current portion, net of unamortized premium of \$203,526 and \$178,860 in 2014 and 2013, respectively	9,523,230	8,678,370
Other noncurrent liabilities	200,726	203,766
Total noncurrent liabilities	9,723,956	8,882,136
Total liabilities	10,293,875	9,479,143
Deferred inflows of resources from hedging derivatives	-	26,317
Deferred inflows of resources from service concession arrangements	122,994	115,123
Deferred inflows of resources from refunding bonds	1,566	-
Total deferred inflows of resources	124,560	141,440
Total liabilities and deferred inflows of resources	10,418,435	9,620,583
Net position		
Net investment in capital assets	372,750	613,422
Restricted for construction purposes	237,042	225,358
Restricted for debt service	36,801	49,655
Unrestricted	(3,947,048)	(3,576,843)
Total net position	\$ (3,300,455)	\$ (2,688,408)

¹ Certain 2013 amounts were restated as discussed in Notes 2 and 15.

The notes to the financial statements are an integral part of this statement.

Pennsylvania Turnpike Commission
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Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended May 31	
	2014	2013
	<i>(Restated)¹</i>	
	<i>(In Thousands)</i>	
Operating revenues:		
Fares – net of discounts of \$4,220 and \$10,198 for the years ended May 31, 2014 and 2013, respectively	\$ 861,846	\$ 811,542
Other	18,909	20,094
Total operating revenues	880,755	831,636
Operating expenses:		
Cost of services	438,981	412,484
Depreciation	324,010	311,735
Total operating expenses	762,991	724,219
Operating income	117,764	107,417
Nonoperating revenues (expenses):		
Investment earnings	27,570	30,048
Other nonoperating revenues	23,161	19,877
Act 44 and Act 89 payments to PennDOT	(450,000)	(450,000)
Capital assets transferred to PennDOT	(13,531)	-
Interest and bond expense	(427,047)	(394,919)
Nonoperating expenses, net	(839,847)	(794,994)
Loss before capital contributions and special item	(722,083)	(687,577)
Capital contributions	110,036	97,836
Discontinued project	-	(51,009)
Decrease in net position	(612,047)	(640,750)
Net position at beginning of year	(2,688,408)	(2,047,658)
Net position at end of year	\$ (3,300,455)	\$ (2,688,408)

¹ Certain 2013 amounts were restated as discussed in Notes 2 and 15.

The notes to the financial statements are an integral part of this statement.

Pennsylvania Turnpike Commission
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Statements of Cash Flows

	Year Ended May 31	
	2014	2013
<i>(In Thousands)</i>		
Operating activities		
Cash received from customer tolls and deposits	\$ 876,945	\$ 829,291
Cash payments for goods and services	(297,504)	(253,179)
Cash payments to employees	(153,681)	(144,292)
Cash received from other operating activities	8,741	7,706
Net cash provided by operating activities	434,501	439,526
Investing activities		
Proceeds from sales and maturities of investments	1,874,941	1,631,813
Interest received on investments	20,177	25,232
Purchases of investments	(1,819,119)	(1,466,354)
Net cash provided by investing activities	75,999	190,691
Capital and related financing activities		
Capital grants received	9,128	7,240
Cash proceeds from motor license grant	28,000	28,000
Cash proceeds from oil company franchise tax	65,089	60,285
Construction and acquisition of capital assets	(403,813)	(507,650)
Proceeds from sale of capital assets	620	1,765
Payments for bond and swap expenses	(7,335)	(1,540)
Payments for debt refundings	(771,610)	(69,525)
Payments for debt maturities	(75,205)	(41,890)
Interest paid on debt	(191,970)	(182,611)
Interest subsidy from Build America Bonds	23,008	19,181
Proceeds from debt issuances	1,252,354	473,667
Net cash used for capital and related financing activities	(71,734)	(213,078)
Noncapital financing activities		
Cash payments to PennDOT	(450,000)	(450,000)
Payments for bond and swap expenses	(2,946)	(1,032)
Payments for debt maturities	(49,495)	(15,860)
Interest paid on debt	(176,612)	(160,512)
Proceeds from debt issuances	430,039	416,314
Net cash used for noncapital financing activities	(249,014)	(211,090)
Increase in cash and cash equivalents	189,752	206,049
Cash and cash equivalents at beginning of year	658,437	452,388
Cash and cash equivalents at end of year	\$ 848,189	\$ 658,437

The notes to the financial statements are an integral part of this statement.

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Statements of Cash Flows (continued)

	Year Ended May 31	
	2014	2013
	<i>(In Thousands)</i>	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 117,764	\$ 107,417
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	324,010	311,735
Change in operating assets and liabilities:		
Accounts receivable	(3,593)	(2,370)
Inventories	(3,287)	2,705
Other assets	(19,587)	(28,061)
Accounts payable and accrued liabilities	19,157	41,810
Other noncurrent liabilities	37	6,290
Net cash provided by operating activities	\$ 434,501	\$ 439,526
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 135,452	\$ 130,010
Restricted cash and cash equivalents	712,737	528,427
Total cash and cash equivalents	\$ 848,189	\$ 658,437

The notes to the financial statements are an integral part of this statement.

Pennsylvania Turnpike Commission
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Statements of Cash Flows (continued)

Noncash Activities

The Commission recorded a net increase of \$8.5 million and \$5.5 million in the fair value of its investments for the years ended May 31, 2014 and 2013, respectively.

The Commission recorded \$9.4 million and \$8.2 million for the amortization of bond premiums for the years ended May 31, 2014 and 2013, respectively.

The Commission recorded \$23.7 million and \$21.2 million (as restated) in expenses for amortization of deferred losses on refundings and amortization of prepaid bond insurance costs for the years ended May 31, 2014 and 2013, respectively.

The Commission recorded an interest expense reduction of \$15.7 million and \$11.7 million for the years ended May 31, 2014 and 2013, respectively, related to GASB 53 entries.

The Commission recognized revenues of \$4.4 million and \$3.4 million for the fiscal years ended May 31, 2014 and 2013, respectively, for noncash capital contributions. These noncash capital contributions are the result of agreements with a food and a fuel provider to totally reconstruct the service plazas. The service plaza operators provide the capital for the reconstruction in exchange for lower rental rates. See Note 2 for further discussion on capital contributions and Note 6 for further discussion on the service plazas.

The Commission and PennDOT entered into an agreement regarding ownership of overhead bridges that carry state roads. Per the agreement, once the Commission replaces these overhead bridges, and after final inspections and supplemental agreements are signed by both parties, ownership and maintenance responsibilities of the bridges are transferred from the Commission to PennDOT. The Commission transferred assets with a net book value of \$13.5 million to PennDOT during the fiscal year ended May 31, 2014. The Commission did not transfer any assets to PennDOT during the fiscal year ended May 31, 2013.

The notes to the financial statements are an integral part of this statement.

Pennsylvania Turnpike Commission
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Notes to the Financial Statements

May 31, 2014

1. Financial Reporting Entity

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

The Pennsylvania Turnpike Commission (the 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 is considered a component unit of the Commonwealth of Pennsylvania (the Commonwealth).

Based on the application of the criteria set forth by the Governmental Accounting Standards Board (GASB), the Commission has determined that it has no component units based on its review of GASB Statements No. 14, No. 39 and No. 61.

The Commission is composed of five members, one of whom is the Secretary of Transportation. The others are appointed by the Governor with the approval of a majority of the Senate.

2. Summary of Significant Accounting Policies

The financial statements of the Pennsylvania Turnpike Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described in the following paragraphs:

Basis of Accounting

The Commission's basic financial statements are presented on the accrual basis of accounting.

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts presented in the prior period have been reclassified to conform to the current period financial statements presentation.

Cash Equivalents

For purposes of the statements of cash flows, the Commission considers all highly liquid debt investment securities that mature within three months of acquisition to be cash equivalents.

Investments

Investments are stated at fair value with the exception of certain nonparticipating contracts such as repurchase agreements and other agreements structured as repurchase agreements that are reported at cost, which does not materially differ from fair value. Fair values are based on quoted market prices.

Capital Assets

Capital assets consist of land and intangible assets (right-of-way easements), buildings, improvements, equipment, infrastructure, and assets under construction. Infrastructure assets are typically items that are immovable such as highways, bridges, and tunnels. Capital assets are stated at cost. Donated capital assets are valued at their estimated fair value on the date received. Interest is capitalized based on average construction costs and the average bond interest rate, less interest earned on invested construction funds. Acquisitions of capital assets valued at \$15,000 or greater are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Intangible assets have an indefinite life and, thus, are not depreciated. The following lives are used:

Buildings	10 – 45 years
Improvements other than buildings	15 – 20 years
Equipment	3 – 40 years
Infrastructure	10 – 50 years

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Inventories

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

Debt Premium/Discount and Prepaid Insurance Costs

Debt premium/discount and prepaid bond insurance costs (incurred through bond issuances) are being amortized using the effective interest rate method over the varying terms of the bonds issued.

Unearned Income

Unearned income is primarily related to E-ZPass customer deposits and microwave tower leases. E-ZPass customers of the Commission are required to deposit funds in advance of anticipated travel. Since this money is collected prior to the customers' travel and revenue recognition, it is recorded as unearned income. The Commission had unearned income of \$55.2 million and \$48.2 million at May 31, 2014 and 2013, respectively.

Deferred Outflows/Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The Commission has three items that qualify for reporting in these categories (deferred charges and gains on refundings, deferred outflows and inflows from its hedging derivative instruments, and deferred inflows from its service concession arrangements).

Deferred inflows from its service concession arrangements are amortized over the life of the lease agreements with its service plaza operators. The deferred outflows and inflows of resources related to hedging derivative instruments represents the cumulative change in their fair values. Deferred charges on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Position

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included.

Restricted – This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. The restrictions would be imposed by external parties including creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Operating Revenues

Revenues associated with operations of the Turnpike System are considered operating revenues. The principal operating revenues of the Commission are fare revenues from customers. Other operating revenues include: service station, restaurant, property and other rental income as well as electronic toll collection and violation enforcement fees related to the E-ZPass program. Also included is revenue from various sponsorship agreements.

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Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Operating Revenues (continued)

Fare Revenues

Fare revenues are recognized when vehicles exit the Turnpike System. As of May 31, 2014 and 2013, approximately 70.0% and 68.3%, respectively, of the fare revenues were realized through electronic toll collection; the remainder was realized through cash collection or a credit card program for military and Class 9 vehicles.

Operating Expenses

Operating expenses relate directly to operating and maintaining the Turnpike System. The principal operating expenses of the Commission are cost of services and depreciation. Other expenses are considered nonoperating expenses.

Cost of Services

Cost of services includes: wages and salaries, benefits, utilities, fuels, professional fees and services, PA State Police services, and purchased goods, including materials and supplies.

Utilization of Resources

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted resources as needed.

Nonoperating Revenues (Expenses)

Nonoperating revenues include: investment earnings and other miscellaneous revenues not associated with the operations of the Turnpike System. Nonoperating expenses include: Act 44 and Act 89 payments to PennDOT, capital assets transferred to PennDOT, interest and bond expenses, and other miscellaneous expenses not associated with the operations of the Turnpike System.

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Nonoperating Revenues (Expenses) (continued)

Act 44 and Act 89 Payments to PennDOT

The Commission and PennDOT entered into a Lease and Funding Agreement, as amended, as required under the terms of Act 44 and Act 89. See Note 9 for more information regarding Act 44 and Act 89.

Capital Assets Transferred to PennDOT

The Commission and PennDOT entered into an agreement regarding ownership of overhead bridges that carry state roads. Per the agreement, once the Commission replaces these overhead bridges, and after final inspections and supplemental agreements are signed by both parties, ownership and maintenance responsibilities of the bridges are transferred from the Commission to PennDOT. The Commission transferred assets with a net book value of \$13.5 million to PennDOT during the fiscal year ended May 31, 2014. The Commission did not transfer any of these assets to PennDOT during the fiscal year ended May 31, 2013.

Capital Contributions

Capital contributions include: Oil Company Franchise Tax revenues, Motor License Registration Fee revenues, grants from other governments for reimbursement of capital costs for various highway construction projects, capital assets received from other third parties and amortization of deferred inflows of resources for service concession agreements.

Oil Company Franchise Tax Revenues

The Commission receives 14% of the additional 55 mills of the Commonwealth's Oil Company Franchise Tax revenues pursuant to Act 26 established in 1991. The revenues totaled \$68.3 million and \$59.6 million for the fiscal years ended May 31, 2014 and 2013, respectively. These revenues are kept in a separate fund as required by the applicable bond indenture.

Motor License Registration Fee Revenues

The Commission received \$28.0 million in grants during each of the fiscal years ended May 31, 2014 and 2013 from the Commonwealth's Motor License Fund. The Commission has elected to account for this grant in a separate fund.

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Capital Contributions (continued)

Reimbursements from Other Governments

The Commission receives grants from other governments for reimbursement of costs for various highway construction projects. During the fiscal years ended May 31, 2014 and 2013, the Commission recognized \$9.3 million and \$6.8 million, respectively, as capital contributions from the Federal government.

Other Capital Contributions

The Commission entered into contracts with a food and a fuel provider to totally reconstruct the service plazas. The service plaza operators provide the capital for the reconstruction in exchange for lower rental rates. The Commission implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* in fiscal year 2013. The Commission recognized capital contribution revenues of \$4.4 million and \$3.4 million, related to these agreements for the years ended May 31, 2014 and 2013, respectively. See Note 6 for further discussion on the service plazas.

Adoption of Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The Commission adopted this statement for its fiscal year ended May 31, 2014 financial statements. The adoption of this statement had no impact on the Commission's financial statements for fiscal years ending May 31, 2014 and 2013.

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Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Adoption of Accounting Pronouncements (continued)

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Commission adopted this statement for its fiscal year ended May 31, 2014 financial statements. The accompanying fiscal year 2013 financial statements have been restated to reflect the adoption of Statement No. 65. Net position as of June 1, 2012 (the beginning of the earliest financial statement period presented) was decreased by \$69.7 million. Net position as of May 31, 2013 was decreased by \$70.8 million, this decrease was comprised of a \$39.7 million decrease in Net investment in capital assets, a \$3.4 million decrease in Net position, restricted for construction purposes and a \$27.7 million decrease in Unrestricted net position. See Note 15 for additional restated balances.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The Commission adopted this statement for its fiscal year ended May 31, 2014 financial statements. The adoption of this statement had no significant impact on the Commission's financial statements for fiscal years ending May 31, 2014 and 2013.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The Commission adopted this statement for its fiscal year ended May 31, 2014 financial statements. The adoption of this statement had no significant impact on the Commission's financial statements for fiscal years ending May 31, 2014 and 2013. See Note 7 for additional disclosures required by this statement.

Pending Changes in Accounting Principles

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The Commission is required to adopt Statement No. 67 for its fiscal year ended May 31, 2015.

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Pending Changes in Accounting Principles (continued)

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The Commission is required to adopt Statement No. 68 for its fiscal year ended May 31, 2016. The Commission is anticipating early adopting this statement during fiscal year 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The Commission is required to adopt Statement No. 69 for its fiscal year ended May 31, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The Commission is required to adopt Statement No. 71 for its fiscal year ended May 31, 2016. The Commission is anticipating early adopting this statement during fiscal year 2015.

The Commission has not yet completed the various analyses required to estimate the financial statement impact of these new pronouncements.

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

3. Indenture Requirements and Restrictions

The Commission's debt has been issued under the provisions of four separate Trust Indentures (collectively referred to as Indentures):

- A Senior Trust Indenture dated July 1, 1986 which was amended and restated as of March 1, 2001, as supplemented, between the Commission and the Trustee, U.S. Bank Corp., successor to First Union National Bank;
- An Oil Franchise Tax Trust Indenture dated August 1, 1998, as supplemented, between the Commission and the Trustee, Bank of New York Mellon Trust Company, N.A., successor to National City Bank of Pennsylvania;
- A Registration Fee Revenue Trust Indenture dated August 1, 2005 between the Commission and the Trustee, Bank of New York Mellon Trust Company, N.A., successor to Wachovia Bank, N.A.; and
- A Subordinate Trust Indenture dated April 1, 2008, as supplemented, between the Commission and the Trustee, Wells Fargo Bank, N.A., successor to Commerce Bank, N.A.

Accordingly, certain activities of the Commission are restricted by these Indentures.

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Notes to the Financial Statements (continued)

4. Cash and Investments

Following is a summary of cash and cash equivalents and investments by type:

Cash and Cash Equivalent and Investment Types	May 31	
	2014	2013
	<i>(In Thousands)</i>	
Corporate obligations	\$ 320,486	\$ 306,667
Municipal bonds	280,105	373,181
Government agency securities	188,657	183,474
U.S. Treasuries	87,580	105,795
GNMA mortgages	8,057	12,327
Total investment securities	884,885	981,444
Investment derivatives	57,652	36,525
Cash and cash equivalents	848,189	658,437
Total cash and cash equivalents and investments	\$ 1,790,726	\$ 1,676,406

Cash and Cash Equivalents

Cash and Cash Equivalents are held in various financial institutions. Cash and Cash Equivalents are comprised of demand deposits, money market funds and other highly liquid investments that mature within three months of acquisition. The Demand Deposits are secured under Pennsylvania Act 72 which secures public deposits in excess of the FDIC insurance limits. Cash Equivalents consist of permitted investments in accordance with the Indentures as noted under Cash Equivalents and Investment Securities.

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Notes to the Financial Statements (continued)

4. Cash and Investments (continued)

Cash and Cash Equivalents (continued)

The following summary presents the Commission's Cash and Cash Equivalents.

	Bank Balance	Book Balance
	<i>(In Thousands)</i>	
May 31, 2014		
Demand Deposits	\$ 13,183	\$ 18,013
Money Market Funds	665,678	665,678
Cash Equivalents	164,498	164,498
Total Cash and Cash Equivalents	\$ 843,359	\$ 848,189
May 31, 2013		
Demand Deposits	\$ 10,623	\$ 11,937
Money Market Funds	646,500	646,500
Total Cash and Cash Equivalents	\$ 657,123	\$ 658,437

Cash Equivalents and Investment Securities

The Indentures (as listed in Note 3) permit investments in obligations of, or guaranteed by, the United States of America, its agencies, and its instrumentalities (United States Government obligations); certificates of deposit issued by institutions insured by the FDIC or fully collateralized with United States Government obligations; investment agreements with certain financial institutions; commercial paper and asset-backed securities rated in the highest category by applicable rating agencies; money market funds and auction rate certificates rated in one of the two highest categories by applicable rating agencies; corporate bonds and medium term notes with a minimum rating of "AA-"; investments in long-term debt obligations of any state or political subdivision but only to the extent that the applicable rating agency has assigned a rating to such obligations, which at the time of purchase is not lower than the highest underlying rating assigned to any series of Commission bonds then outstanding; and repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York collateralized with obligations of, or guaranteed by, the United States of America.

Debt insurers have placed additional restrictions on construction funds. For these funds, corporate bonds, auction rate certificates, asset-backed securities, and medium term notes are not allowed.

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

4. Cash and Investments (continued)

Cash Equivalents and Investment Securities (continued)

The Commission has an investment policy that defines guidelines and operational factors governing the investment of financial assets. The policy generally has the same restrictions regarding permitted investments as the Indentures. Permitted investments include:

- U.S. Treasury Bills, Notes, Bonds, Strips;
- Time Deposits issued by a banking association organized and doing business under the laws of the United States of America or of any state that may have a combined capital and surplus of at least \$50,000,000;
- Certificates of Deposit that are fully collateralized and issued by a bank, savings and loan or trust company organized under the laws of the United States or any state thereof;
- Investment Agreements with a bank, a bank holding company or a financial institution that has outstanding long-term indebtedness rated “AA” or better by Moody’s and S&P;
- Obligations of any federal agencies which obligations are backed by the full faith and credit of the United States of America;
- Senior debt obligations rated a minimum “AA” by S&P and “Aa2” by Moody’s and issued by government-sponsored enterprises which include Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation; and Federal National Mortgage Association;
- Mortgage-backed securities issued by an approved Federal agency and collateralized mortgage obligations so long as such securities are rated a minimum of “Aa2” by Moody’s and “AA” by S&P;
- Debt obligations of any state or local government entity with securities rated in the “Aa/AA” category;
- Commercial paper rated not less than “A-1/P-1/F-1”, corporate bonds rated “Aa3/AA-” or better, and asset-backed securities rated “AAA”;
- Repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York, collateralized by investments with a minimum 102% valuation in securities of U.S. Treasury bills, notes, bonds, strips, or obligations of any of federal agencies or senior debt obligations described above; and
- Share or Certificates in any short-term investment fund investing not less than 90% of its assets in obligations of U.S. treasury bills, notes, bonds, strips or time deposits.

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

4. Cash and Investments (continued)

Cash Equivalents and Investment Securities (continued)

All investment ratings shall be based on security ratings at the time of purchase. The portfolio's average credit quality should be rated "Aa3/AA-" or better by Moody's/S&P. Investments are generally purchased with the intent of holding to maturity with flexibility to restructure and rebalance portfolio holdings to manage risk and benefit from market opportunities.

The investment policy imposes the following additional limitations:

- Investments in any single Federal agency, not carrying the full faith and credit of the U.S. Government, are limited to 35% of the portfolio.
- Investments in certificates of deposit and investment agreements are limited to 30% of the portfolio.
- Combined exposure to commercial paper, corporate bonds, and asset-backed securities, in aggregate, is limited to 35% of the total portfolio.
- Investments in any single issuer, excluding U.S. Treasury and Federal Agencies, are limited to 5% of the portfolio.

The Commission's investment policy also limits investments to those issues expected to mature within five years, taking into consideration call, prepayment, or other features that may impact maturity. At May 31, 2014, the Commission held three securities totaling \$21.6 million. Each of these securities had a maturity greater than five years. All of these securities were purchased prior to the Commission's adoption of an Investment Policy.

The Commission's exposure to credit risk for investment securities as of May 31, 2014 is as follows:

Investment Type	Quality Rating					Total
	AAA	AA	A	A-1	Below A	
<i>(In Thousands)</i>						
Corporate obligations	\$ 56,537	\$ 215,038	\$ 6,028	\$ 42,099	\$ 784	\$ 320,486
Municipal bonds	72,195	155,397	30,004	22,509	-	280,105
Government agency securities	188,657	-	-	-	-	188,657
	<u>\$ 317,389</u>	<u>\$ 370,435</u>	<u>\$ 36,032</u>	<u>\$ 64,608</u>	<u>\$ 784</u>	<u>\$ 789,248</u>

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

4. Cash and Investments (continued)

Concentration of Credit Risk

Investments guaranteed by the full faith of the U.S. Government, such as U.S. Treasuries and GNMA mortgages, are not considered to have credit risk and do not require disclosure of credit quality.

As of May 31, 2014, the Commission had investments of more than 5% of its consolidated portfolio with the following issuer:

Issuer	Total Market Value <i>(in Thousands)</i>	Percentage of Total Portfolio
Federal National Mortgage Association	\$110,567	6.45%

Interest Rate Risk

On May 31, 2014, the effective duration of the Commission's investments, by type, was as follows:

Investment Type	Fair Value <i>(In Thousands)</i>	Effective Duration <i>(In Years)</i>
Corporate obligations	\$ 320,486	1.7475
Municipal bonds	280,105	1.3380
Government agency securities	188,657	2.5783
U.S. Treasuries	87,580	3.0196
GNMA mortgages	8,057	2.7722
Total investment securities	<u>\$ 884,885</u>	

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

4. Cash and Investments (continued)

Investment Derivatives

Following is a summary of the Commission's investment derivatives at May 31, 2014:

	Notional Amount (Thousands)	Weighted Avg. Mat. (Years)	Effective Date	Maturity Date	Terms	Fair Value (Thousands)	Counterparty	Credit Ratings Moody's/ S&P's/Fitch
	\$ 107,784				Pay 67% of 1-month LIBOR	\$ 5,174	JPMorgan Chase Bank	Aa3/A+/A+
	107,784				receive 60.08% of the 10 year	5,875	Merrill Lynch CS*	Baa2/A-/A
	107,784				maturity of the USD-ISDA	5,040	PNC Bank	A2/A/A+
	134,733				Swap Rate	7,460	Bank of New York Mellon	Aa2/AA-/AA-
A	458,085	7.4	7/1/2007	12/1/2030		23,549		
	112,000				Pay SIFMA, receive 63% of 1-	(7,376)	JPMorgan Chase Bank	Aa3/A+/A+
	48,000				month LIBOR + 20 bps	(3,163)	Bank of New York Mellon	Aa2/AA-/AA-
B	160,000	15.1	8/14/2003	12/1/2032		(10,539)		
	80,000				Pay 67% of 1-month LIBOR	5,118	JPMorgan Chase Bank	Aa3/A+/A+
	80,000				receive 60.15% of the 10 year	5,118	Royal Bank of Canada	Aa3/AA-/AA
C	160,000	15.0	9/19/2006	11/15/2032	maturity of the USD-ISDA Swap Rate	10,236		
D	142,410	15.2	6/1/2010	6/1/2039	Pay SIFMA, receive 99.68% of 3-month LIBOR	7,372	Goldman Sachs MMDP	Aa2/AAA/NR
E	142,410	15.2	6/1/2010	6/1/2039	Pay SIFMA, receive 99.80% of 3-month LIBOR	7,434	Deutsche Bank	A2/A/A+
F	107,784	0.6	1/1/2011	1/1/2015	Pay 60.08% of 10 year maturity of the USD-ISDA Swap Rate, receive 67% of 1-month LIBOR	(1,670)	Deutsche Bank	A2/A/A+
G	134,733	0.6	1/1/2011	1/1/2015	Pay 60.08% of 10 year maturity of the USD-ISDA Swap Rate, receive 67% of 1-month LIBOR	(2,087)	Deutsche Bank	A2/A/A+
H	118,015	10.6	6/9/2006	12/1/2026	Receive 4.186%, pay SIFMA	23,357	Bank of New York Mellon	Aa2/AA-/AA-
						<u>\$ 57,652</u>		

1-month LIBOR was 0.151% at May 31, 2014

3-month LIBOR was 0.2274% at May 31, 2014

10-year maturity of the USD-ISDA swap rate was 2.576% at May 31, 2014

SIFMA was 0.06% at May 31, 2014

* On November 15, 2012, the Commission executed an amendment to the swap agreements to include Merrill Lynch Derivative Products as guarantor. Merrill Lynch Derivative Products credit ratings were Aa3/A+/NR (Moody's/S&P/Fitch) as of May 31, 2014.

See Note 9 for additional disclosures regarding derivative instruments.

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Notes to the Financial Statements (continued)

5. Capital Assets

Summaries of changes to capital assets for the years ended May 31, 2014 and 2013 are as follows:

	Balance May 31, 2013	Additions	Transfers	Reductions	Balance May 31, 2014
<i>(In Thousands)</i>					
Capital assets not being depreciated (cost)					
Land and intangibles	\$ 271,310	\$ 18,717	\$ -	\$ 127	\$ 289,900
Assets under construction	661,613	369,940	(241,157)	-	790,396
Total capital assets not being depreciated	932,923	388,657	(241,157)	127	1,080,296
Capital assets being depreciated (cost)					
Buildings	893,705	7,701	6,303	2,474	905,235
Improvements other than buildings	112,632	3,186	1,652	3,461	114,009
Equipment	549,578	10,420	12,163	2,046	570,115
Infrastructure	7,172,878	10,502	221,039	59,083	7,345,336
Total capital assets being depreciated	8,728,793	31,809	241,157	67,064	8,934,695
Less accumulated depreciation for:					
Buildings	312,159	22,265	-	2,452	331,972
Improvements other than buildings	66,252	5,131	-	3,461	67,922
Equipment	392,113	30,163	-	1,729	420,547
Infrastructure	4,059,290	266,451	-	45,552	4,280,189
Total accumulated depreciation	4,829,814	324,010	-	53,194	5,100,630
Total capital assets being depreciated, net	3,898,979	(292,201)	241,157	13,870	3,834,065
Total capital assets	\$ 4,831,902	\$ 96,456	\$ -	\$ 13,997	\$ 4,914,361

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

5. Capital Assets (continued)

	May 31, 2012	Additions	Transfers	Reductions	May 31, 2013
<i>(In Thousands)</i>					
Capital assets not being depreciated (cost)					
Land and intangibles	\$ 256,175	\$ 15,287	\$ -	\$ 152	\$ 271,310
Assets under construction	864,474	399,036	(550,888)	51,009	661,613
Total capital assets not being depreciated	1,120,649	414,323	(550,888)	51,161	932,923
Capital assets being depreciated (cost)					
Buildings	832,592	27,576	38,502	4,965	893,705
Improvements other than buildings	95,198	13,492	3,942	-	112,632
Equipment	531,210	11,270	13,971	6,873	549,578
Infrastructure	6,704,803	12,444	494,473	38,842	7,172,878
Total capital assets being depreciated	8,163,803	64,782	550,888	50,680	8,728,793
Less accumulated depreciation for:					
Buildings	294,378	22,746	-	4,965	312,159
Improvements other than buildings	61,774	4,478	-	-	66,252
Equipment	369,478	29,244	-	6,609	392,113
Infrastructure	3,842,865	255,267	-	38,842	4,059,290
Total accumulated depreciation	4,568,495	311,735	-	50,416	4,829,814
Total capital assets being depreciated, net	3,595,308	(246,953)	550,888	264	3,898,979
Total capital assets	\$ 4,715,957	\$ 167,370	\$ -	\$ 51,425	\$ 4,831,902

The Commission incurred interest costs of \$10.7 million and \$11.1 million for the fiscal years ended May 31, 2014 and 2013, respectively, which qualified for capitalization. For fiscal year 2014, there was a \$0.2 million interest income offset; therefore, \$10.5 million was capitalized. For fiscal year 2013, there was a \$0.1 million interest income offset; therefore, \$11.0 million was capitalized.

For the fiscal year ended May 31, 2013, the Commission recorded an expense of \$51.0 million for the write-down of assets under construction related to design costs for the west leg of the PA Route 51 to Interstate Route 376 project. Due to the magnitude of the estimated costs of construction, the Commission believes it is unlikely to be economically feasible to complete this leg of the project. This expense was recorded as a special item in the statements of revenues, expenses, and changes in net position.

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Notes to the Financial Statements (continued)

6. Service Concession Arrangements

There are 17 service plazas along the Turnpike System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. The Commission has entered into long term service plaza redevelopment agreements with HMSHost Restaurants, LLC and Sunoco, Inc. to design, reconstruct, finance, operate and maintain all of the service plazas. The Commission has no responsibility for maintaining the service plazas under the agreements. The Commission maintains the ability to approve and/or modify the services that the operators can provide and the rates that can be charged. The service plaza operators are compensated by the users of the services and share a portion of that revenue with the Commission as rental payments. Upon completion of construction, the reconstructed assets are recognized by the Commission. The current contracts with HMSHost Restaurants, LLC and Sunoco, Inc. expire on August 25, 2036 and January 31, 2022, respectively. Sunoco, Inc.'s lease may be extended for three additional five-year periods. The first extension shall be at the discretion of Sunoco, Inc., and the second and third extensions shall be mutually agreed to by both parties.

As of May 31, 2014, the Commission had capitalized \$108.1 million in assets representing 14 service plazas that had fully completed construction and recognized deferred inflows of resources of \$94.9 million related to these assets in accordance with GASB Statement No. 60. Also, as of May 31, 2014 and in accordance with GASB Statement No. 60, the Commission recognized a receivable and deferred inflow of resources in the amount of \$28.1 million for the present value of guaranteed minimum rent payments scheduled to begin upon completion of all construction.

As of May 31, 2013, the Commission had capitalized \$97.2 million in assets representing twelve service plazas that had fully completed construction and recognized deferred inflows of resources of \$88.4 million related to these assets in accordance with GASB Statement No. 60. Also, as of May 31, 2013 and in accordance with GASB Statement No. 60, the Commission recognized a receivable and deferred inflow of resources in the amount of \$26.7 million for the present value of guaranteed minimum rent payments scheduled to begin upon completion of all construction.

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Notes to the Financial Statements (continued)

7. Debt

Following is a summary of debt outstanding:

	May 31	
	2014	2013
	<i>(In Thousands)</i>	
Mainline Senior Debt		
2001 Series T: Issued \$86,660 in September 2001 at 4.13% to 5.50%, due in varying installments through December 1, 2013. Interest paid each June 1 and December 1.	\$ -	\$ 27,005
2004 Series A: Issued \$269,245 in June 2004 at 5.00% to 5.50%, due in varying installments through December 1, 2034. Interest paid each June 1 and December 1.	269,245	269,245
2006 Series A: Issued \$118,015 in June 2006 at 5.00%, due in varying installments through December 1, 2026. Interest paid each June 1 and December 1.	118,015	118,015
2008 Series B Multi-Modal: Issued \$402,000 in May 2008 at a variable rate (based on SIFMA, reset weekly, paid the 1 st of each month), due in varying installments through December 1, 2038. Series B-2 through B-6 refunded in May 2011. Series B-1 refunded in May 2014.	-	100,000
2008 Series C Multi-Modal Revenue: Issued \$50,000 in August 2008 at a variable rate (based on SIFMA, reset weekly, paid the 1 st of each month), due in varying installments through June 1, 2038. Refunded in May 2014.	-	50,000
2009 Series A Build America Bonds: Issued \$275,000 in July 2009 at 6.105%, due in varying installments through June 1, 2039. Interest paid each June 1 and December 1.	275,000	275,000
2009 Series B: Issued \$375,010 in December 2009 at 3% to 5%, due in varying installments through December 1, 2025. Interest paid each June 1 and December 1.	375,010	375,010
2009 Series C: Issued \$208,280 in December 2009 at a variable rate (based on SIFMA + 0.52% to 1.05%, paid the 1 st of each month), due in varying installments through December 1, 2014. Partially refunded in November 2012 and July 2013.	52,070	104,140
2010 Series A: Issued \$209,230 in July 2010 at a variable rate (based on SIFMA, reset weekly, paid the 1 st of each month), due in varying installments through December 1, 2036. Refunded in July 2013.	-	194,370
2010 Series B Build America Bonds: Issued \$600,000 in September 2010 at 5.5%, due in varying installments through December 1, 2049. Interest paid each June 1 and December 1.	600,000	600,000
2011 Series A: Issued \$68,660 in April 2011 at 4% to 5%, due in varying installments through December 1, 2023. Interest paid each June 1 and December 1.	68,660	68,660
2011 Series B: Issued \$92,035 in April 2011 at a variable rate (based on SIFMA, reset weekly, paid the 1 st of each month), due in varying installments through June 1, 2015.	47,040	69,860
2011 Series C: Issued \$298,330 in May 2011 at a variable rate (based on SIFMA, reset weekly, paid the 1 st of each month), due in varying installments through December 1, 2038. Refunded in May 2014.	-	294,355
2011 Series D: Issued \$52,365 in November 2011 at a variable rate (based on SIFMA +0.05% to 0.55%, reset weekly, paid the 1 st of each month), due in equal installments through December 1, 2014. Partially refunded in November 2012 and July 2013.	17,455	34,910
2011 Series E: Issued \$110,080 in November 2011 at 3.63% to 5%, due in varying installments through December 1, 2030. Interest paid each June 1 and December 1.	110,080	110,080
2012 Series A: Issued \$200,215 in July 2012 at 3% to 5%, due in varying installments through December 2042. Interest paid each June 1 and December 1.	200,215	200,215

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Notes to the Financial Statements (continued)

7. Debt (continued)

	May 31	
	2014	2013
	<i>(In Thousands)</i>	
Mainline Senior Debt (continued)		
2012 Series B: Issued \$70,060 in November 2012 at a variable rate (based on SIFMA +.55%, reset weekly, paid the 1st of each month). Due at December 1, 2016.	\$ 70,060	\$ 70,060
2013 Series A: Issued \$176,075 in January 2013 at a variable rate (based on SIFMA +.60% and .68%, reset weekly, paid the 1st of each month). Due in varying installments through December 1, 2018	176,075	176,075
2013 Series B: Issued \$265,155 in July 2013 at a variable rate (based on SIFMA +.40% to 1.27%, reset weekly, paid the 1 st of each month). Due in varying installments through December 1, 2020.	265,155	-
2013 Series C: Issued \$222,935 in August 2013 at 3.00% to 5.50%, due in varying installments through December 1, 2043. Interest paid each June 1 and December 1.	222,935	-
2014 Series A: Issued \$236,115 in April 2014 at 4.00% to 5.00%, due in varying installments through December 1, 2044. Interest paid each June 1 and December 1.	236,115	-
2014 Series B-1: Issued \$444,280 in May 2014 at a variable rate (based on SIFMA +.05% to .98%, reset weekly, paid the 1 st of each month). Due in varying installments through December 1, 2021.	444,280	-
Total Mainline Senior Debt Payable	3,547,410	3,137,000
Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt)		
<i>Mainline Subordinate Revenue Debt</i>		
2008 Sub-Series A-1 Subordinate Revenue: Issued \$176,565 in April 2008 at 4.125% to 5.00%, due in varying installments through June 1, 2038. Interest paid each June 1 and December 1.	176,565	176,565
2008 Sub-Series A-2 Subordinate Revenue (Federally Taxable): Issued \$68,290 in April 2008 at 3.74% to 6.41%, due in varying installments through June 1, 2022. Interest paid each June 1 and December 1.	49,695	53,975
2008 Sub-Series B-1, B-2 Subordinate Revenue (B-2 Federally Taxable): Issued \$233,905 in July 2008 at 5.00% to 7.47%, due in varying installments through June 1, 2036. Interest paid each June 1 and December 1.	233,905	233,905
2008 Sub-Series C-1, C-3, C-4 Subordinate Revenue (C-4 Federally Taxable): Issued \$411,110 in October 2008 at 4.00% to 6.25%, due in varying installments through June 1, 2038. Interest paid each June 1 and December 1. Sub-Series C-3 refunded July 2009 and Sub-Series C-4 refunded June 2010.	218,030	221,585
2009 Series A Subordinate Revenue: Issued \$308,035 in January 2009 at 3.00% to 5.00%, due in varying installments through June 1, 2039. Interest paid each June 1 and December 1.	287,315	292,730
2009 Series B Subordinate Revenue: Issued \$856,735 in July 2009 at 3.00% to 5.75%, due in varying installments through June 1, 2039. Interest paid each June 1 and December 1.	831,035	856,735
2009 Series C Subordinate Revenue: Issued \$99,998 in July 2009 at 6.25%, due in varying installments through June 1, 2033. Interest to be compounded semi-annually from July 2009 until June 1, 2016, thereafter paid each June 1 and December 1. Series C issued as Capital Appreciation Bonds (CABs). Compounded interest to be paid at maturity or earlier redemption.	134,709	126,670
2009 Series D Subordinate Revenue: Issued \$324,745 in October 2009 at 4.00% to 5.50%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1.	324,745	324,745
2009 Series E Subordinate Revenue: Issued \$200,005 in October 2009 at 6.00% to 6.375%, due in varying installments through December 1, 2038. Interest to be compounded semi-annually from October 2009 to December 1, 2017, thereafter paid each June 1 and December 1. Series E issued as CABs. The compounded interest to be paid at maturity or earlier redemption.	265,737	249,798

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Notes to the Financial Statements (continued)

7. Debt (continued)

	May 31	
	2014	2013
	<i>(In Thousands)</i>	
Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt) (continued)		
<i>Mainline Subordinate Revenue Debt (continued)</i>		
2010 Sub-Series B-1, B-2 Subordinate Revenue: Issued \$273,526 in July 2010 at 5.00%. Sub-Series B-1 due in varying installments through December 1, 2037. Sub-Series B-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compounded interest paid at maturity or earlier redemption.	\$ 315,188	\$ 303,442
2010 Sub-Series C-1, C-2, C-3 Subordinate Revenue: Issued \$138,916 in October 2010 at 4.25% to 5.45%. Sub-Series C-1 due in varying installments through December 1, 2040. Sub-Series C-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series C-3 issued as CABs with interest paid at maturity or earlier redemption.	156,511	151,276
2011 Series A Subordinate Revenue: Issued \$135,655 in April 2011 at 5.00% to 6.50%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1.	135,655	135,655
2011 Series B Subordinate Revenue: Issued \$126,740 in October 2011 at 2.00% to 5.25%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1.	120,095	123,635
2012 Series A Subordinate Revenue: Issued \$123,545 in April 2012 at 3.00% to 5.00%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1.	120,105	123,545
2012 Series B Subordinate Revenue: Issued \$121,065 in October 2012 at 2% to 5%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1.	117,985	121,065
2013 Series A Subordinate Revenue: Issued \$71,702 in April, 2013 at 3.125% to 5%, due in varying installments through December 1, 2043. Sub-Series A-1 Serial bond interest paid each June 1 and December 1. Sub-Series A-1 Term bond interest paid each June 1 and December 1. Sub-Series A-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2018, thereafter paid each June 1 and December 1.	73,650	71,870
2013 Sub-Series B-1, B-2, B-3 Subordinate Revenue: Issued \$108,708 in October 2013 at 2.00% to 6.10%, due in varying installments through December 1, 2043. Sub-Series B-1 interest paid each June 1 and December 1. Sub-Series B-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2028, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 interest paid each June 1 and December 1.	109,698	-
2014 Sub-Series A-1, A-2, A-3 Subordinate Revenue: Issued \$148,300 in April 2014 at 2.00% to 5.44%, due in varying installments through December 1, 2043. Sub-Series A-1 interest paid each June 1 and December 1. Sub-Series A-2 issued as convertible CABs. Interest compounded semi-annually until June 1, 2024, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 issued as CABs with interest paid at maturity or earlier redemption.	148,485	-
Total Mainline Subordinate Revenue Debt Payable	3,819,108	3,567,196

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Notes to the Financial Statements (continued)

7. Debt (continued)

	May 31	
	2014	2013
	<i>(In Thousands)</i>	
Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt) (continued)		
<i>Motor License Fund-Enhanced Subordinate Special Revenue Debt</i>		
2010 Sub-Series A-1, A-2, A-3 Subordinate Motor License Fund-Enhanced Special Revenue: Issued \$187,816 in July 2010 at 4.50% to 5.50%. Sub-Series A-1 due in varying installments through December 1, 2038. Interest paid each June 1 and December 1. Sub-Series A-2 issued as convertible CABs. Interest will compound semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series A-3 issued as CABs. Compounded interest to be paid at maturity or earlier redemption.	\$ 209,593	\$ 203,486
2010 Sub-Series B-1, B-2, B-3 Subordinate Motor License Fund-Enhanced Special Revenue: Issued \$105,299 in October 2010 at 3.95% to 5.125%, due in varying installments through December 1, 2040. Sub-Series B-1 interest paid each June 1 and December 1. Sub-Series B-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 issued as CABs with interest paid at maturity or earlier redemption.	117,156	113,645
2011 Series A Subordinate Motor License Fund-Enhanced Special Revenue: Issued \$102,620 in April 2011 at 5.00% to 6.00%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1.	102,620	102,620
2011 Series B Subordinate Motor License Fund-Enhanced Special Revenue: Issued \$98,910 in October 2011 at 3.00% to 5.00%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1.	98,635	98,910
2012 Series A Subordinate Motor License Fund-Enhanced Special Revenue: Issued \$94,935 in April 2012 at 2.00% to 5.00%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1.	94,725	94,935
2012 Series B Subordinate Motor License Fund-Enhanced Special Revenue: Issued \$92,780 in October 2012 at 3% to 5%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1.	92,780	92,780
2013 Series A Subordinate Motor License Fund-Enhanced Special Revenue: Issued \$92,465 in April 2013 at 3% to 5%, due in varying installments through December 1, 2043. Interest paid each June 1 and December 1.	92,465	92,465
2013 Sub-Series B-1, B-2, B-3 Subordinate Motor License Fund-Enhanced Special Revenue: Issued \$101,731 in October 2013 at 2.00% to 5.875%, due in varying installments through December 1, 2043. Sub-Series B-1 interest paid each June 1 and December 1. Sub-Series B-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2028, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 interest paid each June 1 and December 1.	102,542	-
2014 Series A Subordinate Motor License Fund-Enhanced Special Revenue: Issued \$59,740 in April 2014 at 4.50% to 4.90%. Series A issued as convertible CABs. Interest will compound semi-annually until December 1, 2021, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption.	59,987	-
<i>Motor License Fund-Enhanced Subordinate Special Revenue Debt</i>	970,503	798,841
Total Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt)	4,789,611	4,366,037
Total Mainline Senior and Subordinate Debt Payable	8,337,021	7,503,037

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Notes to the Financial Statements (continued)

7. Debt (continued)

	May 31	
	2014	2013
	<i>(In Thousands)</i>	
Oil Company Franchise Tax Senior Debt		
2003 Series A Oil Company Franchise Tax Revenue: Issued \$124,730 in August 2003 at 2.50% to 5.25%, due in varying installments through December 1, 2024. Interest paid each June 1 and December 1. Partially defeased in November 2006. The remaining balance refunded in October 2013.	\$ -	\$ 35,770
2003 Series C Oil Company Franchise Tax Multi-Modal Revenue: Issued \$160,000 in August 2003 at a variable rate, converted to a fixed rate of 5.00% in May 2008, due in varying installments through December 1, 2032. Interest paid each June 1 and December 1.	160,000	160,000
2006 Series A Oil Company Franchise Tax Revenue Refunding: Issued \$98,705 in November 2006 at 5.00%, due in varying installments through December 1, 2023. Interest paid each June 1 and December 1.	87,595	90,665
2009 Series A, B, C Oil Company Franchise Tax Revenue: Issued \$164,181 in October 2009. Series A issued at 2.00% to 5.85%, due in varying installments through December 1, 2023. Series B (Build America Bonds, Issuer Subsidy, Federally Taxable) issued at 5.85%, due in varying installments through December 1, 2037. Interest paid each June 1 and December 1. Series C issued as CABs at 5.30%. Interest on the CABs is deferred until maturity on December 1, 2039.	162,893	163,233
2013 Series A Oil Company Franchise Tax Revenue Refunding: Issued \$27,785 in October 2013 at 2.50% to 5.00%, due in varying installments through December 1, 2024. Interest paid each June 1 and December 1.	27,785	-
Total Oil Company Franchise Tax Senior Debt Payable	438,273	449,668
Oil Company Franchise Tax Subordinate Debt		
2003 Series B Subordinate Oil Company Franchise Tax Revenue: Issued \$197,955 in August 2003 at 2.38% to 5.50%, due in varying installments through December 1, 2032. Interest paid each June 1 and December 1. Partially defeased in November 2006 and partially refunded in October 2013.	16,440	55,185
2006 Series B Subordinate Oil Company Franchise Tax Revenue Refunding: Issued \$141,970 in November 2006 at 3.75% to 5.00%, due in varying installments through December 1, 2031. Interest paid each June 1 and December 1.	134,130	136,375
2009 Series D, E Subordinate Oil Company Franchise Tax Revenue: Issued \$134,065 in October 2009. Series D issued at 2.00% to 5.00%, due in varying installments through December 1, 2027. Series E (Build America Bonds, Issuer Subsidy, Federally Taxable) issued at 6.378%, due in varying installments through December 1, 2037.	129,550	130,395
2013 Series B Subordinate Oil Company Franchise Tax Revenue: Issued \$32,035 in October 2013 at 2.00% and 5.00%, due in varying installments through December 1, 2025. Interest paid each June 1 and December 1.	32,035	-
Total Oil Company Franchise Tax Subordinate Debt Payable	312,155	321,955
Total Oil Company Franchise Tax Senior and Subordinate Debt Payable	750,428	771,623

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Notes to the Financial Statements (continued)

7. Debt (continued)

	May 31	
	2014	2013
	<i>(In Thousands)</i>	
Motor License Registration Fee Debt		
2005 Series A: Issued \$234,135 in August 2005 at 3.25% to 5.25%, due in varying installments through July 15, 2030. Interest paid each January 15 and July 15.	\$ 185,505	\$ 192,225
2005 Series B, C, D: Issued \$231,425 in August 2005 at a variable rate (based on SIFMA, reset weekly, paid the 15 th of each month), due in varying installments through July 15, 2041.	231,425	231,425
Total Motor License Registration Fee Debt Payable	416,930	423,650
Total Debt Payable	9,504,379	8,698,310
Unamortized premium/discount	203,526	178,860
Total debt, net of unamortized premium/discount ¹	9,707,905	8,877,170
Less current portion	184,675	198,800
Debt, noncurrent portion ¹	\$ 9,523,230	\$ 8,678,370

SIFMA was 0.06% on May 31, 2014

¹ May 31, 2013 amounts were restated due to the implementation of GASB Statement No. 65. See Notes 2 and 15 for further discussion.

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

7. Debt (continued)

Changes in debt are as follows:

	Balance at June 1, 2013	Additions	Reductions	Balance at May 31, 2014	Due Within One Year
	<i>(In Thousands)</i>				
Mainline debt	\$ 7,503,037	\$ 1,641,554	\$ 807,570	\$ 8,337,021	\$ 161,280
Oil Company Franchise Tax debt	771,623	60,825	82,020	750,428	16,345
Motor License Registration Fee debt	423,650	-	6,720	416,930	7,050
	<u>8,698,310</u>	<u>1,702,379</u>	<u>896,310</u>	<u>9,504,379</u>	<u>184,675</u>
Premium (discount), net	178,860	35,607	10,941	203,526	-
Totals	<u>\$ 8,877,170</u>	<u>\$ 1,737,986</u>	<u>\$ 907,251</u>	<u>\$ 9,707,905</u>	<u>\$ 184,675</u>

	Balance at June 1, 2012	Additions	Reductions	Balance at May 31, 2013	Due Within One Year
	<i>(In Thousands)</i>				
Mainline debt	\$ 6,735,805	\$ 872,262	\$ 105,030	\$ 7,503,037	\$ 175,530
Oil Company Franchise Tax debt	786,521	952	15,850	771,623	16,550
Motor License Registration Fee debt	430,045	-	6,395	423,650	6,720
	<u>7,952,371</u>	<u>873,214</u>	<u>127,275</u>	<u>8,698,310</u>	<u>198,800</u>
Premium (discount), net	117,577	69,467	8,184	178,860	-
Totals ¹	<u>\$ 8,069,948</u>	<u>\$ 942,681</u>	<u>\$ 135,459</u>	<u>\$ 8,877,170</u>	<u>\$ 198,800</u>

¹ Amounts for fiscal year 2013 were restated due to the implementation of GASB Stmt No. 65. See Notes 2 and 15 for further discussion.

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Notes to the Financial Statements (continued)

7. Debt (continued)

Debt service requirements subsequent to May 31, 2014 related to all sections of debt are as follows:

Year Ending May 31	Principal Maturities	Interest	Total
	<i>(In Thousands)</i>		
2015	\$ 184,675	\$ 369,849	\$ 554,524
2016	203,230	370,562	573,792
2017	227,740	396,877	624,617
2018	266,500	395,127	661,627
2019	284,425	408,506	692,931
2020-2024	1,484,129	1,926,515	3,410,644
2025-2029	1,276,384	1,675,859	2,952,243
2030-2034	1,661,295	1,382,711	3,044,006
2035-2039	2,102,098	971,981	3,074,079
2040-2044	1,400,990	421,491	1,822,481
2045-2049	342,728	76,249	418,977
2050 and thereafter	70,185	3,903	74,088
	\$ 9,504,379	\$ 8,399,630	\$ 17,904,009

The issuance of new debt is conducted in accordance with the terms of the applicable Trust Indenture and approval of the Commissioners.

Mainline Debt Requirements and Recent Activity

The Amended and Restated Trust Indenture of 2001 requires that tolls be adequate to provide funds to cover current expenses and (1) provide 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. If any deficiencies occur, the Commission is authorized to raise tolls accordingly.

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Notes to the Financial Statements (continued)

7. Debt (continued)

Mainline Debt Requirements and Recent Activity (continued)

As disclosed in Note 3, the Commission's Trust Indentures impose certain restrictions and requirements. The Commission's Trust Indenture for the Series 2008 A Turnpike Subordinate Revenue Bonds imposes that the Commission establish and maintain schedules of tolls for traffic over the Turnpike System as required by the Senior Indenture, and in addition, the amount paid into the General Reserve Fund of the Senior Indenture in each fiscal year and for each Commission Payment, will be at least sufficient to provide funds in an amount not less than: (1) 115% of the Annual Debt Service for each fiscal year on account of all outstanding Revenue Bonds and Revenue Bonds Parity Obligations; (2) 100% of the Annual Debt Service for such fiscal year on account of all Outstanding Guaranteed Bonds, Guaranteed Bonds Parity Obligations and Subordinated Indebtedness; and (3) any payment by the Commission required by the Subordinate Indenture for restoring a deficiency in the Debt Service Fund within an eighteen (18) month period.

The Commission entered into a loan agreement to borrow up to \$200 million in four tranches of up to \$50 million each through the Immigrant Investor Program (known as the EB-5 visa program) administered by the U.S. Citizenship and Immigration Services. The Commission anticipates borrowing this money periodically through 2017 to fund a portion of the I-95 Interchange Project. Such debt would be issued under the Senior Indenture on parity with the Turnpike Revenue Bonds. As of May 31, 2014, the Commission has not borrowed any money under this agreement.

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Notes to the Financial Statements (continued)

7. Debt (continued)

Mainline Debt Requirements and Recent Activity (continued)

Under the Commonwealth of Pennsylvania's Act 44 of 2007 (Act 44), the Commission may issue up to \$5 billion of Special Revenue Bonds guaranteed by the Commonwealth of Pennsylvania's Motor License Fund. The Special Revenue Bonds authorized by Act 44 are subject to various limitations, including, among others, the following: the aggregate amount of such Special Revenue Bonds is limited to \$5 billion; no more than \$600,000,000 of Special Revenue Bonds may be issued in any calendar year; debt service on the Special Revenue Bonds shall be payable from any available funds of the Commission, but are additionally secured by amounts payable from the Commonwealth of Pennsylvania's Motor License Fund which is required to pay any debt service shortfall. All Special Revenue Bond debt service payments are subordinate obligations of the Commission payable solely from certain money in, or periodically released from, the General Reserve Fund after meeting all other Commission requirements pursuant to any financial documents, financial covenants, insurance policies, liquidity policies or agreements in effect at the Commission. Pursuant to the Commonwealth of Pennsylvania's Act 89 of 2013, Special Revenue Bonds may not be issued by the Commission to fund any portion of its annual payment obligation to PennDOT after July 1, 2014, although Special Revenue Refunding Bonds may be issued. Through fiscal year ended May 31, 2014, the Commission issued \$936.3 million of Special Revenue Bonds with an accreted value of \$970.5 million. The commitment of the Commonwealth of Pennsylvania's Motor License Fund to provide additional security to pay any special Revenue Bond debt service shortfall shall continue until the retirement or defeasance of any Special Revenue Bonds or until October 13, 2057, whichever is sooner. To date, the Commission has made all required Special Revenue Bond debt service payments. No funds have been drawn or requested from the Commonwealth's Motor License Fund for Special Revenue Bond debt service during the current reporting period or any prior reporting periods. In the event that the Commonwealth's Motor License Fund would be required to make a Special Revenue Bond debt service payment, a provision of the Amended Lease and Funding Agreement, executed between the Commission and PennDOT, requires the Commission to reimburse the Motor License Fund for any Special Revenue Bond debt service payments plus interest accruing to the date of the Commission's failure to pay the debt service. The obligation of the Commission to reimburse the Motor License Fund for any Special Revenue Bond debt service payment is a subordinate obligation of the Commission and is payable only from amounts, if any, in the Commission's General Reserve Fund as permitted by any Commission financing documents, financial covenants, insurance policies, liquidity policies or agreements in effect at the Commission.

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (continued)

7. Debt (continued)

Mainline Debt Requirements and Recent Activity (continued)

In July 2012, the Commission issued \$200,215,000 2012 Series A Turnpike Revenue Bonds at a fixed rate with a maturity date of December 1, 2042. The 2012 A Bonds were issued for the purpose of financing the costs of various capital expenditures set forth in the Commission's ten-year plan including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or the rehabilitation of certain interchanges and for issuing the 2012 A Bonds.

In October 2012, the Commission issued \$121,065,000 2012 Series B Subordinate Bonds at a fixed rate with a maturity date of December 1, 2042. The 2012 B Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2012 B Subordinate Bonds.

In October 2012, the Commission issued \$92,780,000 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds at a fixed rate with a maturity date of December 1, 2042. The 2012 B Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2012 B Motor License Fund Enhanced Subordinate Special Revenue Bonds.

In November 2012, the Commission issued \$70,060,000 2012 Series B Senior Bonds at a variable rate with a maturity date of December 1, 2016. The 2012 B Senior Bonds were issued primarily for the current refunding of the \$52,070,000 December 1, 2012 maturity of the Commission's Variable Rate Turnpike Revenue Bonds, Series C of 2009 and the \$17,455,000 December 1, 2012 maturity of the Commission's Variable Rate Turnpike Revenue Bonds, Series D of 2011 and for payment of the costs of issuance of the 2012 Series B Senior Bonds.

In January 2013, the Commission issued \$176,075,000 2013 Series A Senior Bonds at a variable rate with a maturity date of December 1, 2018. The 2013 A Senior Bonds were issued primarily to finance the cost of various capital expenditures set forth in the Commission's current ten-year capital plan including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or the rehabilitation of certain interchanges and for issuing the 2013 A Bonds.

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Notes to the Financial Statements (continued)

7. Debt (continued)

Mainline Debt Requirements and Recent Activity (continued)

In April 2013, the Commission issued \$71,702,000 2013 Series A Subordinate Bonds at a fixed rate with a maturity date of December 1, 2043. The 2013 A Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2013 A Subordinate Bonds.

In April 2013, the Commission issued \$92,465,000 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds at a fixed rate with a maturity date of December 1, 2043. The 2013 A Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2013 A Motor License Fund Enhanced Subordinate Special Revenue Bonds.

In July 2013, the Commission issued \$265,155,000 2013 Series B Senior Bonds at a variable rate with a maturity date of December 1, 2020. The 2013 B Senior Bonds were issued primarily for the current refunding of the Commission's 2009 Series C Variable Rate Turnpike Revenue Bonds (\$52,070,000) and the Commission's 2011 Series D Variable Rate Turnpike Revenue Bonds (\$17,455,000), both with maturity dates of December 1, 2013; the Commission's 2010 Series A-1 Multi-Modal Revenue Refunding Bonds (\$97,230,000) and the Commission's 2010 Series A-2 Multi-Modal Revenue Refunding Bonds (\$97,140,000), both with a mandatory redemption date of July 2013; and for the payment of the costs of issuance of the 2013 Series B Senior Bonds.

In August 2013, the Commission issued \$222,935,000 2013 Series C Senior Bonds at a fixed rate with a maturity date of December 1, 2043. The 2013 C Senior Bonds were issued primarily to finance the cost of various capital expenditures set forth in the Commission's ten-year capital plan including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or the rehabilitation of certain interchanges and for issuing the 2013 C Bonds.

In October 2013, the Commission issued \$108,708,000 2013 Series B Subordinate Bonds at a fixed rate with a maturity date of December 1, 2043. The 2013 B Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2013 B Subordinate Bonds.

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Notes to the Financial Statements (continued)

7. Debt (continued)

Mainline Debt Requirements and Recent Activity (continued)

In October 2013, the Commission issued \$101,731,000 2013 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds at a fixed rate with a maturity date of December 1, 2043. The 2013 B Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and for issuing the 2013 B Motor License Fund Enhanced Subordinate Special Revenue Bonds.

In April 2014, the Commission issued \$236,115,000 2014 Series A Senior Bonds at a fixed rate with a maturity date of December 1, 2044. The 2014 A Senior Bonds were issued primarily to finance the cost of various capital expenditures set forth in the Commission's ten-year capital plan including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or the rehabilitation of certain interchanges and for issuing the 2014 A Bonds.

In April 2014, the Commission issued \$148,300,000 2014 Series A Subordinate Bonds at a fixed rate with a maturity December 1, 2043. The 2014 A Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and Act 89 as well as for issuing the 2014 A Subordinate Bonds.

In April 2014, the Commission issued \$59,740,000 2014 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds as capital appreciation bonds with a maturity date of December 1, 2044. The 2014 A Subordinate Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and Act 89 as well as for issuing the 2014 A Motor License Fund Enhanced Subordinate Special Revenue Bonds.

In May 2014, the Commission issued \$444,280,000 2014 Series B-1 Senior Bonds at a variable rate with a maturity date of December 1, 2021. The 2014 B-1 Senior Bonds were issued primarily for the current refunding of existing variable rate debt which included the Commission's 2008 Series B-1 Multi-Modal Revenue Bonds (\$100,000,000), the Commission's 2008 Series C Multi-Modal Revenue Bonds (\$50,000,000), the Commission's 2011 Series C-1 Multi-Modal Revenue Bonds (\$230,745,000), and the Commission's 2011 Series C-2 Multi-Modal Revenue Bonds (\$61,500,000), all with a mandatory redemption date of May 2014. The bonds were also issued for payment of the costs of issuance for the 2014 Series B-1 Senior Bonds.

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Notes to the Financial Statements (continued)

7. Debt (continued)

Mainline Debt Requirements and Recent Activity (continued)

Debt service requirements subsequent to May 31, 2014 related to the Mainline debt are as follows:

Year Ending May 31	Principal Maturities	Interest	Total
	<i>(In Thousands)</i>		
2015	\$ 161,280	\$ 322,225	\$ 483,505
2016	178,195	323,808	502,003
2017	201,080	351,319	552,399
2018	238,530	350,842	589,372
2019	255,030	365,632	620,662
2020-2024	1,315,824	1,735,477	3,051,301
2025-2029	1,059,429	1,532,249	2,591,678
2030-2034	1,382,340	1,297,178	2,679,518
2035-2039	1,811,870	922,527	2,734,397
2040-2044	1,320,530	398,410	1,718,940
2045-2049	342,728	76,249	418,977
2050 and thereafter	70,185	3,903	74,088
	<u>\$ 8,337,021</u>	<u>\$ 7,679,819</u>	<u>\$ 16,016,840</u>

Oil Company Franchise Tax Debt Requirements and Recent Activity

The Oil Company 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 Company 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, as supplemented; 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.

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Notes to the Financial Statements (continued)

7. Debt (continued)

Oil Company Franchise Tax Debt Requirements and Recent Activity (continued)

In October 2013, the Commission issued \$27,785,000 2013 Series A Senior Oil Franchise Tax Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2024. The 2013 A Senior Oil Franchise Tax Revenue Refunding Bonds were issued primarily for the current refunding of the \$30,775,000 December 1, 2024 maturity of the Commission's Oil Franchise Tax Senior Revenue Bonds, Series A of 2003 and for the payment of the costs of issuance of the 2013 A Senior Oil Franchise Tax Revenue Refunding Bonds. The refunding of the 2003 A Senior Oil Franchise Tax Bonds allowed the Commission to reduce its debt service by approximately \$4.76 million. The transaction resulted in an economic gain of approximately \$3.48 million.

In October 2013, the Commission issued \$32,035,000 2013 Series B Subordinate Oil Franchise Tax Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2025. The 2013 B Subordinate Oil Franchise Tax Revenue Refunding Bonds were issued primarily to partially refund the \$34,695,000 December 1, 2025 maturity of the Commission's 2003 B Oil Franchise Tax Subordinate Revenue Bonds and for the payment of the costs of issuance of the 2013 B Subordinate Oil Franchise Tax Revenue Refunding Bonds. The partial refunding of the 2003 B Subordinate Oil Franchise Tax Bonds allowed the Commission to reduce its debt service by approximately \$4.22 million. The transaction resulted in an economic gain of approximately \$2.99 million.

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Notes to the Financial Statements (continued)

7. Debt (continued)

Oil Company Franchise Tax Debt Requirements and Recent Activity (continued)

Debt service requirements subsequent to May 31, 2014 related to Oil Company Franchise Tax are as follows:

Year Ending May 31	Principal Maturities	Interest	Total
<i>(In Thousands)</i>			
2015	\$ 16,345	\$ 37,927	\$ 54,272
2016	17,625	37,419	55,044
2017	18,885	36,613	55,498
2018	19,785	35,759	55,544
2019	20,780	34,788	55,568
2020-2024	117,945	158,081	276,026
2025-2029	151,900	125,722	277,622
2030-2034	195,350	83,106	278,456
2035-2039	185,833	49,015	234,848
2040-2044	5,980	23,020	29,000
	\$ 750,428	\$ 621,450	\$ 1,371,878

Motor License Registration Fee Debt Requirements and Recent Activity

Pursuant to Section 20 of Act 3, the Commonwealth appropriates \$28.0 million of Act 3 revenues to the Commission annually. The \$28.0 million is payable to the Commission in the amount of \$2.3 million per month. The Registration Fee Revenue Bonds are secured by a pledge and assignment by the Commission to the Trustee of any receipts, revenues and other moneys received by the Trustee on or after the date of the Indenture from the Commission's allocation of Act 3 revenues and any income earned on any fund or account established pursuant to the Indenture.

No Motor License Registration Fee debt has been issued during the fiscal years presented in these statements.

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Notes to the Financial Statements (continued)

7. Debt (continued)

Motor License Registration Fee Debt Requirements and Recent Activity (continued)

Debt service requirements subsequent to May 31, 2014 related to Motor License Registration Fee debt are as follows:

Year Ending May 31	Principal Maturities	Interest	Total
<i>(In Thousands)</i>			
2015	\$ 7,050	\$ 9,697	\$ 16,747
2016	7,410	9,335	16,745
2017	7,775	8,945	16,720
2018	8,185	8,526	16,711
2019	8,615	8,086	16,701
2020-2024	50,360	32,957	83,317
2025-2029	65,055	17,888	82,943
2030-2034	83,605	2,427	86,032
2035-2039	104,395	439	104,834
2040-2044	74,480	61	74,541
	\$ 416,930	\$ 98,361	\$ 515,291

Defeased Bonds

In prior years, the Commission defeased certain revenue bonds by placing funds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds were not included in the Commission's financial statements. At May 31, 2014 and 2013, the Commission had \$249.9 million and \$415.0 million, respectively, of defeased bonds outstanding.

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Notes to the Financial Statements (continued)

7. Debt (continued)

Swap Payments and Associated Debt

Net swap payments and related debt service requirements related to all sections subsequent to May 31, 2014, assuming current interest rates remain the same for the term of the agreements, are as follows:

Year Ending May 31	Principal Maturities	Interest	Hedging Derivative	Total
<i>(In Thousands)</i>				
2015	\$ 69,525	\$ 7,353	\$ 30,692	\$ 107,570
2016	80,235	6,852	30,692	117,779
2017	105,110	6,417	30,693	142,220
2018	40,000	6,038	30,692	76,730
2019	65,000	5,722	30,692	101,414
2020-2024	489,150	8,907	153,460	651,517
2025-2029	-	849	141,078	141,927
2030-2034	52,550	776	96,755	150,081
2035-2039	104,395	439	44,287	149,121
2040-2044	74,480	61	3,688	78,229
	<u>\$ 1,080,445</u>	<u>\$ 43,414</u>	<u>\$ 592,729</u>	<u>\$ 1,716,588</u>

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

7. Debt (continued)

Swap Payments and Associated Debt (continued)

Mainline net swap payments and related debt service requirements for the 2009 Series C Senior, 2011 Series D Senior, 2012 Series B Senior, 2013 Series B Senior and the 2014 Series B-1 Senior bond issues are as follows:

Year Ending May 31	Principal Maturities	Interest	Hedging Derivative	Total
<i>(In Thousands)</i>				
2015	\$ 69,525	\$ 7,183	\$ 21,108	\$ 97,816
2016	80,235	6,682	21,108	108,025
2017	105,110	6,247	21,108	132,465
2018	40,000	5,869	21,107	66,976
2019	65,000	5,552	21,108	91,660
2020-2024	489,150	8,059	105,538	602,747
2025-2029	-	-	93,155	93,155
2030-2034	-	-	52,759	52,759
2035-2039	-	-	19,120	19,120
	<u>\$ 849,020</u>	<u>\$ 39,592</u>	<u>\$ 376,111</u>	<u>\$ 1,264,723</u>

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

7. Debt (continued)

Swap Payments and Associated Debt (continued)

Motor License net swap payments and related debt service requirements for the 2005 Series B, C, and D bond issues are as follows:

Year Ending May 31	Principal Maturities	Interest	Hedging Derivative	Total
<i>(In Thousands)</i>				
2015	\$ -	\$ 170	\$ 9,584	\$ 9,754
2016	-	170	9,584	9,754
2017	-	170	9,585	9,755
2018	-	169	9,585	9,754
2019	-	170	9,584	9,754
2020-2024	-	848	47,922	48,770
2025-2029	-	849	47,923	48,772
2030-2034	52,550	776	43,996	97,322
2035-2039	104,395	439	25,167	130,001
2040-2044	74,480	61	3,688	78,229
	<u>\$ 231,425</u>	<u>\$ 3,822</u>	<u>\$ 216,618</u>	<u>\$ 451,865</u>

As rates vary, variable rate bond interest payments and net swap payments will vary.

8. Retirement Benefits

Substantially all employees of the Commission participate in the Commonwealth of Pennsylvania State Employees' Retirement System (SERS), a cost-sharing multiple-employer public employee retirement system that was established under the provisions of Public Law 858, No. 331. It is a defined benefit plan that is funded through a combination of employee contributions, employer contributions and investment earnings. Membership in SERS is mandatory for most Commission employees, which provides retirement, death, and disability benefits.

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Notes to the Financial Statements (continued)

8. Retirement Benefits (continued)

Article II of the Pennsylvania Constitution provides the General Assembly the authority to establish or amend benefit provisions. Act 2001-9, signed into law on May 17, 2001, established Class AA membership whereby, generally, annual full retirement benefits for electing active members is 2.5% of the member's highest three-year average salary (final average salary) multiplied by years of service. Commission employees hired after June 30, 2001, but before January 1, 2011, are Class AA members. Members hired on or before June 30, 2001 had the option, but were not required, to elect Class AA membership.

Those members not electing Class AA membership are considered Class A. The general annual benefit for full retirement for Class A members is 2% of the member's final average salary multiplied by years of service. Retirement benefits for Class A and AA employees vest after five years of credited service. Class A and AA employees who retire at age 60 with three years of service or with 35 years of service if under age 60 are entitled to an unreduced annual retirement benefit.

Act 120, signed into law on November 23, 2010, established Class A-3 and Class A-4 memberships. Effective January 1, 2011, all new members to SERS must elect one of these new membership classes. New members who elect Class A-3 will accrue benefits at 2% of their final average salary multiplied by years of service. Those members choosing Class A-4 will accrue benefits at 2.5% of their final average salary multiplied by years of service. Under Act 120, retirement benefits for Class A-3 and A-4 vest after ten years of credited service. Class A-3 and A-4 members who retire at age 65 with three years of service or when the member's age (last birthday) plus his/her completed years of credit service total at least 92 (Rule of 92) are entitled to an unreduced annual retirement benefit.

Covered Class A, Class AA, Class A-3 and A-4 employees are required by statute to contribute to SERS at a rate of 5%, 6.25%, 6.25% and 9.3% respectively, of their gross pay. Employees' contributions are recorded in individually identified accounts, which are 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.

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Notes to the Financial Statements (continued)

8. Retirement Benefits (continued)

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 SERS with assets sufficient to meet the benefits to be paid to SERS members. The Commission's retirement contribution, as a percentage of covered payroll, by class is as follows:

Year Ended June 30	Class A	Class AA	Class A-3	Class A-4
2014	12.10%	15.12%	10.46%	10.46%
2013	8.43%	10.51%	7.29%	7.29%
2012	5.59%	6.99%	4.83%	4.83%

The Commission's required contributions and percentage contributed are as follows:

Year Ended May 31	Commission Required Contribution <i>(In Millions)</i>	% Contributed
2014	\$17.4	100%
2013	\$12.0	100%
2012	\$ 7.9	100%

A copy of SERS's annual financial statements can be obtained by writing to: State Employees' Retirement System, 30 North Third Street, Suite 150, Harrisburg, Pennsylvania 17101. Additional information about SERS, including its CAFR and actuarial valuation reports, are available at www.sers.state.pa.us.

9. 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.

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Notes to the Financial Statements (continued)

9. Commitments and Contingencies (continued)

Open Purchase Order Commitments

The Commission had open purchase order commitments of approximately \$999.3 million and \$681.1 million at May 31, 2014 and 2013, respectively.

Act 44 and Act 89

On July 18, 2007, Act 44 was enacted, creating a “public-public partnership” between the Commission and PennDOT to provide funding for roads, bridges and transit throughout the Commonwealth. Subsequently, in order to effectuate the provisions of Act 44 requiring the Commission to make substantial annual payments to PennDOT, the Commission and PennDOT entered into a Lease and Funding Agreement (the Funding Agreement), incorporating many of the terms of Act 44. The term of the Funding Agreement is fifty (50) years from October 14, 2007, its effective date.

The Funding Agreement requires the Commission to make scheduled annual payments to PennDOT, payable in equal quarterly installments, to be used to provide funding for roads, bridges and transit in the Commonwealth. The Commission’s obligation to pay the annual debt service on any Special Revenue Bonds on a timely basis is part of its payment obligation under the Funding Agreement. The Funding Agreement also granted the Commission the option to lease the portion of Interstate 80 (I-80) located in the Commonwealth from PennDOT upon the approval of the Federal Highway Administration (FHWA) of the conversion of such portion into a toll road (the Conversion). The Funding Agreement granted the unilateral option to the Commission to effectuate the Conversion at any time before the third anniversary of the Funding Agreement (the Conversion Period), with the option to extend the Conversion Period for up to three one-year periods.

On October 13, 2007, the Commission and PennDOT submitted a joint application to the FHWA for approval of the Conversion. The FHWA ultimately denied the application on April 6, 2010. Neither the Commission nor PennDOT appealed the FHWA’s decision, nor did the Commission extend the Conversion Period during the notice period under the Funding Agreement or give notice of Conversion. Therefore, the Conversion Period lapsed on October 14, 2010 without the Commission effectuating Conversion or having the ability to do so in the future. The Funding Agreement provides that the Commission’s aggregate annual payments to PennDOT are limited to \$450 million annually upon lapse of the Conversion option and such payment amount commenced with fiscal year 2011. Under existing law, all legal, financial and operational responsibility for I-80 remains with PennDOT.

Pennsylvania Turnpike Commission
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Notes to the Financial Statements (continued)

9. Commitments and Contingencies (continued)

Act 44 and Act 89 (continued)

On November 25, 2013, Act 89 was enacted providing substantial revisions to the Commission's transportation funding obligations under Act 44 and authorized the Commission and PennDOT to immediately amend the Funding Agreement to reflect the statutory provisions of Act 89. On April 4, 2014, the Commission and PennDOT executed Amendment Number One to the Lease and Funding Agreement (the *Act 89 Amendment* and together with the Act 44 Funding Agreement, the *Amended Funding Agreement*). In accordance with Act 89 and the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT for fiscal year 2014 through fiscal year 2022 remains at \$450 million and at least \$30 million of the payment must be made from current revenues. Commencing in fiscal year 2023 through the term of the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT is \$50 million, which must be paid from current revenues.

The Commission made payments of \$450 million (recorded as nonoperating expense) in both fiscal years reported in these statements.

The Commission is required by the terms of the Amended Funding Agreement and Act 44 to fix and adjust tolls at levels that will generate revenues (together with other available moneys) sufficient to pay, among other things, amounts to PennDOT pursuant to the Amended Funding Agreement when due and other obligations of the Commission, and the Commission has covenanted in the Subordinate Indenture to set tolls at a level sufficient to meet its coverage obligations taking into account any additional debt incurred in order to make such payments. The Commission believes that Turnpike System revenues should enable it to satisfy its reduced payment obligations as set forth in the Amended Funding Agreement.

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Notes to the Financial Statements (continued)

9. Commitments and Contingencies (continued)

Act 44 and Act 89 (continued)

Due to the significance of the quarterly payments under Act 44 and Act 89, the Commission currently does not have excess cash from operations to finance its required payments to PennDOT. Therefore, the Commission plans to continue to increase toll rates annually and to issue debt for the foreseeable future to finance the majority of these payments. There can be no assurance that the Commission will be able to continue to issue debt on terms that are acceptable, or at all, to finance these obligations. The sole and exclusive remedy for the failure to make the required payments to PennDOT under the Amended Funding Agreement is that all actions of the Commission taken by a vote of the Commissioners thereafter must be approved by a unanimous vote of all Commissioners until such time as the payment is made. However, a unanimous vote is not required if it would prevent the Commission from complying with covenants with “current bondholders, debt holders or creditors having such status as of the Effective Date,” which under the Amended Funding Agreement is defined as October 14, 2007. These voting procedures have not become effective as the Commission has not missed any payments under the Amended Funding Agreement.

Act 44 and Act 89 provide that all required payments under the Amended Funding Agreement or as required by Act 44 or Act 89 shall be subordinate obligations of the Commission payable solely from the General Reserve Fund after meeting all other Commission requirements pursuant to any financial documents, financial covenants, liquidity policies or agreements in effect at the Commission.

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Notes to the Financial Statements (continued)

9. Commitments and Contingencies (continued)

Interest Rate Swaps

The fair value and notional amount of derivative instruments outstanding at May 31, 2014 and May 31, 2013, classified by type and the changes in fair value of such derivative instruments for the years then ended as reported in the fiscal year 2014 and fiscal year 2013 financial statements are as follows:

	<u>May 31, 2013</u>	<u>Changes in fair value</u>		<u>Fair Value at May 31, 2014</u>		<u>Notional</u>
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<i>(In Thousands)</i>						
Cash flow hedges:						
Pay-fixed interest rate swap	\$ (117,369)	Deferred outflows	\$ 67,685	Noncurrent liabilities	\$ (49,684)	\$ 685,455
Fair value hedges:						
Receive-fixed rate swap	26,317	Deferred inflows	(26,317)	Noncurrent liabilities	-	-
Investment derivative instruments:						
Basis and fair value swaps	<u>36,525</u>	Investment earnings	<u>21,127</u>	Long-term investments	<u>57,652</u>	1,423,437
Total PTC	<u>\$ (54,527)</u>		<u>\$ 62,495</u>		<u>\$ 7,968</u>	

	<u>May 31, 2012</u>	<u>Changes in fair value</u>		<u>Fair Value at May 31, 2013</u>		<u>Notional</u>
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<i>(In Thousands)</i>						
Cash flow hedges:						
Pay-fixed interest rate swap	\$ (198,518)	Deferred outflows	\$ 81,149	Noncurrent liabilities	\$ (117,369)	\$ 685,455
Fair value hedges:						
Receive-fixed rate swap	33,229	Deferred inflows	(6,912)	Noncurrent liabilities	26,317	118,015
Investment derivative instruments:						
Basis swaps	<u>22,569</u>	Investment earnings	<u>13,956</u>	Long-term investments	<u>36,525</u>	1,310,732
Total PTC	<u>\$ (142,720)</u>		<u>\$ 88,193</u>		<u>\$ (54,527)</u>	

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Notes to the Financial Statements (continued)

9. Commitments and Contingencies (continued)

Interest Rate Swaps (continued)

Fair Values

Fair values of the Commission's derivative instruments were estimated using the zero-coupon discounting method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bonds due on the date of each future net settlement payment on the swaps.

Recent Activity

In November 2012, the Commission issued 2012 Series B Senior Bonds primarily to partially refund the 2009 Series C Senior Bonds and the 2011 Series D Senior Bonds. Concurrently, \$38,495,000 of the 2009 Series C Senior Bonds related swaps and \$12,832,000 of the 2011 Series D Senior Bonds related swaps were deemed terminated and are now associated with the 2012 Series B Senior Bonds. The fair value of these swaps at the time of the deemed termination was a negative \$7,428,000. This amount is being amortized over the two year period ending December 1, 2014, which is the final maturity for both the 2009 Series C Senior Bonds and the 2011 Series D Senior Bonds.

In June 2013, three of the Commission's swaps with UBS AG (a Mainline hedging derivative with a notional amount of \$38,520,000, a Mainline investment derivative with a notional amount of \$134,733,000, and an Oil Franchise investment derivative with a notional amount of 48,000,000) were novated to Bank of New York Mellon, with the Commission as the remaining party in the trades. Since the novations were not done in response to a default or termination event by UBS, the hedging relationship on the Mainline swap was terminated. A new hedging relationship was established using the on-market portion of the swap at the time of the novation. The accumulated changes in its fair value that were reported as deferred outflows of \$1,329,000 at May 31, 2013 netted with an increase in fair value of the swap in fiscal year 2014 until the time of novation of \$952,000, are reported in the amount of \$377,000 as a decrease in earnings within the investment earnings classification. The change in fair value of the swap, subsequent to the novation, in the amount of \$1,056,000 is reported as deferred outflows at May 31, 2014.

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Notes to the Financial Statements (continued)

9. Commitments and Contingencies (continued)

Interest Rate Swaps (continued)

Recent Activity (continued)

In July 2013, the Commission issued 2013 Series B Senior Bonds primarily to partially refund the 2009 Series C Senior Bonds and the 2011 Series D Senior Bonds. Concurrently, \$38,520,000 of the 2009 Series C Senior Bonds related swaps and \$12,832,000 of the 2011 Series D Senior Bonds related swaps were deemed terminated and are now associated with the 2013 Series B Senior Bonds. The fair value of these swaps at the time of the deemed termination was a negative \$1,847,000. This amount is being amortized over the 16 month period ending December 1, 2014, which is the final maturity for both the 2009 Series C Senior Bonds and the 2011 Series D Senior Bonds.

In December 2013, two of the Commission's swaps with Citibank (a former Mainline hedging derivative with a notional amount of \$118,015,000 and a Motor Vehicle Registration Fee hedging derivative with a notional amount of \$57,860,000) were novated to Bank of New York Mellon, with the Commission as the remaining party in the trades. Since the novations were not done in response to a default or termination event by Citibank, the hedging relationships are terminated.

The Mainline derivative no longer meets the criteria for effectiveness and, thus, was reclassified as an investment derivative instrument. Accordingly, the accumulated changes in its fair value, that were reported as deferred inflows of \$26,317,000 at May 31, 2013, netted with the decrease in fair value of the swap in fiscal year 2014 of \$2,960,000, are reported in the amount of \$23,357,000 within the investment earnings classification for the year ended May 31, 2014.

For the Motor Vehicle Registration Fee hedging derivative, a new hedging relationship was established using the on-market portion of the swap at the time of the novation. The accumulated changes in fair value, that were reported as a deferred outflow of \$14,238,000 at May 31, 2013 netted with an increase in fair value of the swap in fiscal year 2014 until the time of novation of \$6,363,000, are reported in the amount of \$7,875,000 as a decrease in earnings within the investment earnings classification. The change in fair value of the swap, subsequent to the novation, in the amount of \$4,928,000 is reported as deferred outflows at May 31, 2014.

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Notes to the Financial Statements (continued)

9. Commitments and Contingencies (continued)

Interest Rate Swaps (continued)

Recent Activity (continued)

In May 2014, the Commission issued 2014 Series B-1 Senior Bonds primarily to partially refund the 2008 Series B-1 Senior Bonds and the 2011 Series C Senior Bonds. Concurrently, \$100,000,000 of the 2008 Series B-1 Senior Bonds related swaps and \$200,000,000 of the 2011 Series C Senior Bonds related swaps were deemed terminated and are now associated with the 2014 Series B-1 Senior Bonds. The fair value of these swaps at the time of the deemed termination was a negative \$46,725,000. This amount is being amortized over the eight year period ending May 31, 2022, which is the final maturity for both the 2008 Series B-1 Senior Bonds and the 2011 Series C Senior Bonds.

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Notes to the Financial Statements (continued)

9. Commitments and Contingencies (continued)

Interest Rate Swaps (continued)

Following is a summary of the hedging derivatives in place as of May 31, 2014. These hedging derivatives contain certain risks and collateral requirements as described below (in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty	Moody's/ S&P/Fitch	Full Value	
								Book Fair Value	(to) from Counterparty
Pay fixed Interest Rate Swap	Hedge of changes of cash flows of 2014 Series B-1 Bonds (formerly 2008 Series B-1 & 2011 Series C Bonds)	\$ 100,000 100,000 <u>100,000</u> \$ 300,000	5/20/2014 5/20/2014 5/20/2014	12/1/2038 12/1/2038 12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP Merrill Lynch CS* Morgan Stanley CS	Aa2/AAA/NR Baa2/A-/A Baa2/A-/A	\$ (921) (928) (917) \$ (2,766)	\$ (32,551) (32,541) (32,545) \$ (97,637)
Pay fixed Interest Rate Swap	Hedge of changes of cash flows of 2013 Series B Bonds (formerly 2009 Series C & 2011 Series D Bonds)	\$ 12,842 25,667 12,842 \$ 51,351	7/23/2013 7/23/2013 7/23/2013	12/1/2030 12/1/2030 12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America* JPMorgan Chase Bank Bank of New York Mellon	A2/A/A Aa3/A+/A+ Aa2/AA-/AA-	\$ (299) (599) (299) \$ (1,197)	\$ (3,838) (7,671) (3,838) \$ (15,347)
Pay fixed Interest Rate Swap	Hedge of changes of cash flows of 2012 Series B Bonds (formerly 2009 Series C and 2011 Series D Bonds)	\$ 12,836 25,655 12,836 \$ 51,327	11/30/2012 11/30/2012 6/27/2013	12/1/2030 12/1/2030 12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America* JPMorgan Chase Bank Bank of New York Mellon	A2/A/A Aa3/A+/A+ Aa2/AA-/AA-	\$ 708 1,414 (528) \$ 1,594	\$ (3,836) (7,667) (3,836) \$ (15,339)
Pay fixed Interest Rate Swap	Hedge of changes of cash flows of 2011 Series D Bonds (formerly 2009 Series C Bonds)	\$ 3,209 6,414 3,209 \$ 12,832	12/1/2011 12/1/2011 6/27/2013	12/1/2030 12/1/2030 12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America* JPMorgan Chase Bank Bank of New York Mellon	A2/A/A Aa3/A+/A+ Aa2/AA-/AA-	\$ 50 99 (132) \$ 17	\$ (959) (1,917) (959) \$ (3,835)
Pay fixed Interest Rate Swap	Hedge of changes of cash flows of the 2009 Series C Bonds (formerly 2002 Series A Bonds)	\$ 9,633 19,254 9,633 \$ 38,520	12/4/2009 12/4/2009 6/27/2013	12/1/2030 12/1/2030 12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America* JPMorgan Chase Bank Bank of New York Mellon	A2/A/A Aa3/A+/A+ Aa2/AA-/AA-	\$ (946) (1,892) (396) \$ (3,234)	\$ (2,879) (5,754) (2,879) \$ (11,512)
Pay fixed Interest Rate Swap	Hedge of changes of cash flow on the 2005 Series B, C, D Bonds	\$ 57,860 57,845 57,860 57,860 \$ 231,425	12/20/2013 8/17/2005 8/17/2005 8/17/2005	7/15/2041 7/15/2041 7/15/2041 7/15/2041	Pay 4.2015%, receive SIFMA	Bank of New York Mellon JPMorgan Chase Bank Merrill Lynch CS* Morgan Stanley CS	Aa2/AA-/AA- Aa3/A+/A+ Baa2/A-/A Baa2/A-/A	\$ (4,928) (13,058) (13,056) (13,056) \$ (44,098)	\$ (13,056) (13,058) (13,056) (13,056) \$ (52,226)
Total pay fixed interest rate swaps		\$ 685,455						\$ (49,684)	\$ (195,896)

1-month LIBOR was 0.151% at May 31, 2014.
SIFMA was 0.06% at May 31, 2014.

* On November 15, 2012, the Commission executed an amendment to the swap agreements to include Merrill Lynch Derivative Products as guarantor. Merrill Lynch Derivative Products credit ratings were Aa3/A+/NR (Moody's/S&P/Fitch).

The full value (to) from Counterparty listed is the mid-market value at May 31, 2014. The difference between full value and book fair value is related to the value of the swaps at the time the related bonds were refunded and/or the swap was novated.

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Notes to the Financial Statements (continued)

9. Commitments and Contingencies (continued)

Interest Rate Swaps (continued)

- **Credit Risk** – The Commission is at risk that a counterparty will not fulfill their obligations under the agreement. Specifically, the Commission is exposed to credit risk for hedging derivatives that have positive full values from the counterparty and investment derivatives (see Note 4) that have positive fair values. At May 31, 2014, the Commission is exposed to credit risk with respect to the (A), (C), (D), (E) and (H) investment derivatives listed in Note 4. However, should interest rates change and the fair values of the other swaps become positive, the Commission would have additional credit risk exposure.

To mitigate the exposure to credit risk, the swap agreements include collateral provisions in the event of downgrades to the swap counterparties' credit ratings along with the fair values of the swaps exceeding certain thresholds specified in the swap agreement. The Commission's derivative agreements contain netting provisions, under which transactions executed with a single counterparty within a credit are netted to determine collateral amounts. Collateral would be posted with a third-party custodian and would be in the form of cash, U.S. Treasury Obligations, or U.S. Government Agency Securities. At May 31, 2014, the Commission had net credit risk exposure to four counterparties pursuant to the provisions of the respective derivative agreements. The Commission has the right to call the collateral posting with two of these counterparties.

- **Interest Rate Risk** – The Commission is exposed to variable interest rates with respect to the fixed-to-variable swap agreement associated with the 2006 Series A Senior Bonds. Additionally, the Commission will be exposed to variable interest rates if the swap provider for a variable-to-fixed swap agreement defaults or if a variable-to-fixed swap is terminated.

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Notes to the Financial Statements (continued)

9. Commitments and Contingencies (continued)

Interest Rate Swaps (continued)

- **Basis Risk** – The Commission is exposed to basis risk on its basis swaps because the variable-rate payments received by the Commission on these derivative instruments are based on rates other than the interest rates the Commission pays on these derivative instruments. See the investment derivative schedule in Note 4 for the terms of the interest rate swap agreements. The Commission’s exposure to basis risk for the swaps listed in Note 4 is as follows:
 - (A) – To the extent 67% of 1-month LIBOR exceeds 60.08% of the 10-year maturity of the USD-ISDA Swap Rate
 - (B) – To the extent SIFMA exceeds 63% of 1-month LIBOR + 20 basis points
 - (C) – To the extent 67% of 1-month LIBOR exceeds 60.15% of the 10-year maturity of the USD-ISDA Swap Rate
 - (D) – To the extent SIFMA exceeds 99.68% of 3-month LIBOR
 - (E) – To the extent SIFMA exceeds 99.80% of 3-month LIBOR
 - (F) – To the extent 60.08% of the 10-year maturity of the USD-ISDA Swap Rate exceeds 67% of 1-month LIBOR
 - (G) – To the extent 60.08% of the 10-year maturity of the USD-ISDA Swap Rate exceeds 67% of 1-month LIBOR
- **Termination Risk** – The swap agreements may be terminated due to a number of circumstances and the Commission retains the option to terminate the swaps at any time. If a swap agreement is terminated (by either party), the respective variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if at the time of termination, the swap had a negative fair value, the Commission would be liable to the swap counterparty for a liability equal to the swap’s full value. It is generally the Commission’s intent at the time of swap execution to maintain the swap transactions for the life of the financing.

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Notes to the Financial Statements (continued)

9. Commitments and Contingencies (continued)

Interest Rate Swaps (continued)

- ***Collateral Requirements*** – The Commission’s derivative instruments related to its Mainline Turnpike Revenue Bonds require the Commission to post collateral in the form of eligible securities or cash if its senior credit rating falls below specified thresholds. These thresholds vary from agreement to agreement, with most in the “A3” (Moody’s Investors Service) and “A-” (Standard & Poor’s and Fitch Rating Service) levels. The Commission’s Mainline senior bond rating was “A1” from Moody’s and “A+” from both Standard & Poor’s and Fitch at May 31, 2014. Based on May 31, 2014 full values, the Commission could be required to post \$113.7 million in collateral for its derivative instruments if its ratings fall below the agreement thresholds.

The Commission’s derivative instruments related to its Oil Company Franchise Tax Revenue Bonds require the Commission to post collateral in the form of eligible securities or cash if its credit rating falls below specified thresholds. These thresholds vary from agreement to agreement, with most in the “A3” (Moody’s Investors Service) and A- (Standard & Poor’s and Fitch Rating Service) levels. The Commission’s Oil Company Franchise Tax senior bond rating is currently “Aa3” from Moody’s and “AA” from Standard & Poor’s. Based on May 31, 2014 full values, the Commission could be required to post \$5.4 million in collateral for its derivative instruments if its ratings fall below the agreement thresholds.

The Commission’s derivative instruments related to its Motor Vehicle Registration Fee Revenue Bonds require the Commission to post collateral in the form of eligible securities or cash if its credit rating falls below specified thresholds and/or in the event of certain uncured insurer events of default. These thresholds vary from agreement to agreement. The Commission’s Motor Vehicle Registration Fee Revenue bond rating was “Aa3” from Moody’s, “AA” from Standard & Poor’s and “AA-” from Fitch at May 31, 2014. Based on May 31, 2014 full values, the Commission could be required to post \$52.2 million in collateral for its derivative instruments if its ratings fall below the agreement thresholds.

10. Related Party Transactions

The Commission incurred costs of \$41.4 million and \$38.2 million for the fiscal years ended May 31, 2014 and 2013 respectively, related to its use of the Commonwealth’s State Police in patrolling the Turnpike System.

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Notes to the Financial Statements (continued)

11. Postemployment Benefits

Plan Description

The Commission maintains a welfare plan program (the Plan), for the purpose of providing benefits to eligible retirees and their dependents. The Plan is a single employer, defined benefit plan. The Commission established the Pennsylvania Turnpike Commission Retiree Medical Trust (the Trust) on May 30, 2008 as an irrevocable trust, tax-exempt under the Internal Revenue Code, to provide funding of the Plan's other post-employment benefits (OPEB).

The Trust is administered by the Trustees. PNC Bank serves as custodian of the assets of the Trust. Payments from the Trust are made by the custodian at the direction of the Trustees. The Trust's financial statements are not included in the financial statements of a public employee retirement system. The Trust issues a stand-alone financial report, which can be obtained by contacting the Commission's Accounting & Financial Reporting Department.

Plan benefit provisions and retiree and dependent contribution rates are established and may be amended by the Commission.

Management and Supervisory Union Employees/Retirees

The benefits funded by the Trust include certain post-employment medical, prescription drug, dental and vision benefits to management and supervisory union employees who have reached 20 years of service and are under age 60; and benefit eligibility changes from 20 to 10 years for retirees 60 years of age or older. The same coverage is provided to surviving spouses or domestic partners and dependents of management and supervisory union retirees who retired on or after March 1, 2001. Surviving spouses or domestic partners of retirees who retired prior to March 1, 2001 are required to contribute the full cost of the coverage and dependents are offered coverage under COBRA. Medicare Part B premiums are paid by the retiree, spouse or dependent if age 65 or over, or under age 65 and disabled.

Non-Supervisory Union Employees/Retirees

The benefits also include certain post-employment medical and prescription drug benefits to non-supervisory union employees who have satisfied the eligibility requirements.

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Notes to the Financial Statements (continued)

11. Postemployment Benefits (continued)

Plan Description (continued)

Non-Supervisory Union Employees/Retirees (continued)

For Local 30 Professional and other non-supervisory union employees/retirees who were hired prior to January 1, 2011, the earlier of completion of 20 years of service or the later of attainment of age 60 and completion of ten years of service satisfies the eligibility requirements. The last five years of service must be with the Commission.

For Local 30 Professionals who were hired on or after January 1, 2011, the earlier of completion of 30 years of service or the later of attainment of age 60 and completion of 25 years of service satisfies the eligibility requirements. The last ten years of service must be with the Commission.

The same coverage is provided to spouses or domestic partners and dependents of eligible non-supervisory union retirees until the death of the retiree. Surviving spouses or domestic partners are required to contribute the full cost of coverage and dependents are offered coverage under COBRA.

Funding Policy

The Commission has adopted a Retiree Medical Trust Funding Policy, effective September 17, 2008, whereby the Commission anticipates approving an annual contribution to the Trust in the amount of the Annual Required Contribution (ARC) as determined by the Commission's actuary during the approval of its annual operating budget.

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Notes to the Financial Statements (continued)

11. Postemployment Benefits (continued)

Annual OPEB Cost and Net OPEB Asset

The following chart summarizes the components of the Commission’s annual OPEB cost, actual contributions, percentage of annual OPEB cost contributed, increase in the net OPEB asset and the net OPEB asset at the end of the fiscal year.

	Year ended May 31		
	2014	2013	2012
	<i>(Dollar Amounts in Thousands)</i>		
Normal cost	\$ 9,470	\$ 9,019	\$ 7,356
Trust expense assumption	150	150	-
Amortization	7,825	13,095	20,377
Interest	908	1,159	1,088
Annual required contribution (ARC)	18,353	23,423	28,821
Interest on net OPEB asset	(4,069)	(2,021)	(283)
Adjustment to ARC	8,922	4,110	527
Annual OPEB cost	23,206	25,512	29,065
Employer contributions	44,228	54,768	54,397
Percentage of annual OPEB cost contributed	190.6%	214.7%	187.2%
Increase in net OPEB asset	21,022	29,256	25,332
Net OPEB asset – beginning of year	58,127	28,871	3,539
Net OPEB asset – end of year	\$ 79,149	\$ 58,127	\$ 28,871

The ARC and its components (normal cost, trust expense assumption, Unfunded Actuarial Accrued Liability (“UAAL”) amortization, and mid-year contribution interest) in the table above were obtained from the actuarial valuations, prepared by an independent actuary. The fiscal year 2014 ARC and Annual OPEB cost amounts were obtained from a March 1, 2013 interim valuation. The fiscal year 2013 and 2012 ARC and Annual OPEB cost amounts were obtained from a March 1, 2012 valuation.

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Notes to the Financial Statements (continued)

11. Postemployment Benefits (continued)

Annual OPEB Cost and Net OPEB Asset (continued)

Retiree and spouse contribution rates at May 31, 2014 are as follows:

- Management employees and union employees who retired prior to July 1, 1998 and October 1, 1997, respectively—the retiree/spouse contributes the full cost of coverage less the Commission’s monthly subsidy of \$19.28 once the retiree turns 65.
- Union employees who retired on October 1, 1997 or later—the retiree/spouse contributes the full cost of coverage less the Commission’s monthly subsidy of \$73.50 when the retiree or spouse reach age 65.
- Surviving spouses and domestic partners are paying 100% of the premiums, except for surviving spouses of Management employees who retired after March 1, 2001.

Funding Status and Funding Progress

The actuarial value of assets, AAL, and UAAL amounts for the fiscal year ended May 31, 2014 and 2012 in the chart below were obtained from actuarial valuations, prepared by independent actuaries, as of January 1, 2014 and March 1, 2012, respectively.

Fiscal Year Ended May 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<i>(Dollar Amounts in Thousands)</i>						
2014	\$ 271,265	\$ 283,133	\$ 11,868	95.8%	\$ 126,699	9.4%
2012	152,341	250,750	98,409	60.8%	124,241	79.2%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information depicting the change in the actuarial value of Plan assets over time relative to the actuarial accrued liability for benefits.

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Notes to the Financial Statements (continued)

11. Postemployment Benefits (continued)

Actuarial Methods and Assumptions

The valuation measurements in the charts on the previous pages are, in part, the result of estimates of the value of reported amounts and assumptions about the probability of events in the long term. Such actuarially determined estimates are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Also, the valuation measurements are based, in part, on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the Commission and the Plan members through the respective valuation dates. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of the actuarial methods and assumptions used in the January 1, 2014 valuation is as follows:

Actuarial cost method	Projected Unit Credit
Discount rate	7%
Rate of return on assets	7%
Amortization method	Level dollar
Amortization period:	
• UAAL as of March 1, 2012	10 years (closed)
• Subsequent changes	10 years (open)
Asset valuation method	Fair value
Benefit Assumption – increases/decreases	No changes

Health Cost Trend: The healthcare trend assumption for medical and pharmacy benefits and premiums is based on the Society of Actuaries-Getzen Model version 12.2 utilizing the baseline assumptions included in the model, except real GDP growth is assumed to be 1.8% per year, for fiscal years 2016 and later. Further adjustments are made for aging, percentage of costs associated with administrative expenses, inflation on administrative costs, and potential excise tax due to Healthcare Reform.

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Notes to the Financial Statements (continued)

11. Postemployment Benefits (continued)

Actuarial Methods and Assumptions (continued)

The health cost trend assumption for medical and pharmacy benefits at sample years is as follows:

Valuation Year	Pre-65 Trend	Post-65 Trend
2014	6.0%	6.3%
2015	5.6%	5.8%
2016	5.3%	5.6%
2017	5.6%	5.6%
2018	5.6%	5.6%
2023	5.6%	5.5%
2028	6.8%	5.4%
2033	6.7%	5.4%
2038	6.2%	5.2%
2043	5.8%	5.0%
2048	5.6%	5.6%
2053	5.5%	5.5%

The health cost trend assumptions for dental and vision benefits and premiums are assumed to be 4.0% per year.

Salary increases were not considered as OPEB benefits are not based upon pay.

12. Self-Insurance

The Commission is exposed to various risks of losses such as 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.

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Notes to the Financial Statements (continued)

12. Self-Insurance (continued)

The Commission recorded a liability of \$38.0 million and \$37.6 million for loss and loss adjustment expenses on claims relating to self-insurance that have been incurred but not reported as of May 31, 2014 and 2013, 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 for automobile and general tort was not discounted. The liability for workers' compensation was discounted using a rate of 3.25% and 3.25% for each of the fiscal years ended May 31, 2014 and 2013. 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, 2014 and 2013. 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.

The self-insurance liabilities are \$38.0 million and \$37.6 million for fiscal years ended May 31, 2014 and 2013, respectively. The self-insurance liabilities recorded as accounts payable and accrued liabilities are \$2.9 million and \$2.7 million for the fiscal years ended May 31, 2014 and 2013, respectively. The self-insurance liabilities recorded as other noncurrent liabilities are \$35.1 million and \$34.9 million for the fiscal years ended May 31, 2014 and 2013, respectively.

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Notes to the Financial Statements (continued)

12. Self-Insurance (continued)

The following summaries provide aggregated information on self-insurance liabilities:

	June 1, 2013 Liability	Effects of Discount as of June 1, 2013	Inurred Claims		Paid Claims		Effects of Discount as of May 31, 2014	May 31, 2014 Liability
			Current Year	Prior Years	Current Year	Prior Years		
<i>(In Thousands)</i>								
Year ended May 31, 2014								
Workers' compensation	\$ 6,662	\$ 1,675	\$ 1,545	\$ 2,412	\$ (753)	\$ (2,652)	\$ (1,743)	\$ 7,146
Automobile/general tort	30,919	-	772	(301)	(44)	(480)	-	30,866
	<u>\$ 37,581</u>	<u>\$ 1,675</u>	<u>\$ 2,317</u>	<u>\$ 2,111</u>	<u>\$ (797)</u>	<u>\$ (3,132)</u>	<u>\$ (1,743)</u>	<u>\$ 38,012</u>
	June 1, 2012 Liability	Effects of Discount as of June 1, 2012	Current Year	Prior Years	Current Year	Prior Years	Effects of Discount as of May 31, 2013	May 31, 2013 Liability
<i>(In Thousands)</i>								
Year ended May 31, 2013								
Workers' compensation	\$ 6,278	\$ 2,056	\$ 1,558	\$ 1,504	\$ (568)	\$ (2,491)	\$ (1,675)	\$ 6,662
Automobile/general tort	25,586	-	5,897	(416)	(54)	(94)	-	30,919
	<u>\$ 31,864</u>	<u>\$ 2,056</u>	<u>\$ 7,455</u>	<u>\$ 1,088</u>	<u>\$ (622)</u>	<u>\$ (2,585)</u>	<u>\$ (1,675)</u>	<u>\$ 37,581</u>

The foregoing reflects an adjustment for a deficiency of \$2.1 million and \$1.1 million for the fiscal years ended May 31, 2014 and 2013, respectively, for prior years' incurred claims that resulted from a change in estimate as more information became available.

13. Compensated Absences

Sick leave is earned at a rate of 3.08 hours every two weeks, or ten days per year. Unused sick leave may be carried over from year to year up to a maximum of 18 days. In November of each year, employees are reimbursed for all accumulated unused sick leave above the maximum. Sick leave payouts were \$1.9 and \$1.9 million in November 2013 and 2012 respectively.

Vacation leave is earned at varying rates, depending on years of service. Management and supervisory union employees earn between 4.62 and 8.93 hours every two weeks. Non-supervisory union employees earn between 3.08 and 8.93 hours every two weeks.

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Notes to the Financial Statements (continued)

13. Compensated Absences (continued)

Upon termination of employment, all unused sick and vacation leave is paid to the employee. The compensated absences liabilities are \$16.6 million and \$16.7 million for fiscal years ended May 31, 2014 and 2013, respectively. The compensated absences liabilities recorded as accounts payable and accrued liabilities are \$9.1 million and \$9.2 million for the fiscal years ended May 31, 2014 and 2013, respectively. The compensated absences liabilities recorded as other noncurrent liabilities are \$7.5 million and \$7.5 million for the fiscal years ended May 31, 2014 and 2013, respectively.

A summary of changes to compensated absences for the years ended May 31, 2014 and 2013 is as follows:

Fiscal Year Ended May 31	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
	<i>(In Thousands)</i>				
2014	\$ 16,730	\$ 12,291	\$ 12,438	\$ 16,583	\$ 9,121
2013	16,146	12,771	12,187	16,730	9,202

14. Letters of Credit

The Commission has outstanding letters of credit with several banks as described in the following paragraphs:

Supplemental Trust Indenture No. 13 dated as of May 1, 2008, amendment and restatement of the Amended and Restated Indenture of Trust dated as of March 1, 2011, between the Commission and U.S. Bank National Association required a Letter of Credit to be established for the 2008 Series B-1 Turnpike Multi-Modal Revenue Bonds. The Commission entered into a Letter of Credit with Barclays Bank PLC in the amount of up to \$102,137,000 for purposes of paying debt service obligations on the bonds. The Commission draws against this letter of credit each month to fund the related debt service payments. The Commission makes monthly reimbursements for these draws against the letter of credit. During fiscal year 2014, the Commission made draws against the Letter of Credit and reimbursements to Barclays in the amount of \$67,000 and \$67,000, respectively. There were no outstanding draws against the Letter of Credit at May 31, 2014. The stated expiration date on this letter of credit was May 25, 2014 which was not extended.

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Notes to the Financial Statements (continued)

14. Letters of Credit (continued)

Supplemental Trust Indenture No. 14 dated as of August 1, 2008, amendment and restatement of the Amended and Restated Indenture of Trust dated as of March 1, 2011, between the Commission and U.S. Bank National Association required a Letter of Credit to be established for the 2008 Series C Turnpike Multi-Modal Revenue Bonds. The Commission entered into a Letter of Credit with Barclays Bank PLC in the amount of up to \$50,855,000 for purposes of paying debt service obligations on the bonds. The Commission draws against this letter of credit each month to fund the related debt service payments. The Commission makes monthly reimbursements for these draws against the letter of credit. During fiscal year 2014, the Commission made draws against the Letter of Credit and reimbursements to Barclays in the amount of \$33,000 and \$33,000, respectively. There were no outstanding draws against the Letter of Credit at May 31, 2014. The stated expiration date on this letter of credit was May 25, 2014 which was not extended.

Pennsylvania insurance law requires a Letter of Credit, Surety Bond, or Escrow from entities that self-insure their Workers Compensation. Therefore, the Commission has four (4) Standby Letters of Credit to satisfy the PA Turnpike's collateral requirement under the expired Owner Controlled Insurance Program (OCIP) with Zurich American Insurance. As of May 31, 2014, there have been no draws against these Letters of Credit. The Letters of Credit are as follows:

- \$170,000 Letter of Credit with PNC Bank, N.A. for beneficiary Zurich American Insurance for the Allegheny River Bridge OCIP.
- \$461,000 Letter of Credit with PNC Bank, N.A. for beneficiary Zurich American Insurance for the Uniontown to Brownsville Phase I OCIP.
- \$1,300,000 Letter of Credit with Wells Fargo Bank, N.A. for beneficiary Zurich American Insurance for the Uniontown to Brownsville Phase II OCIP.
- \$255,000 Letter of Credit with Wells Fargo Bank, N.A. for beneficiary Zurich American Insurance for the Susquehanna River Bridge and Valley Forge to Norristown Widening OCIPs.

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Notes to the Financial Statements (continued)

15. Restatement

The Commission adopted GASB Statement No. 65 in the current year (as discussed in Note 2); the effect on fiscal year 2013 is as follows:

Description	Amount as Previously Reported	Adjustment for GASB No. 65	Amount as Restated
		<i>(in Thousands)</i>	
		<i>[Debits / (Credits)]</i>	
Statement of Net Position			
Prepaid bond insurance costs (formerly presented as Deferred issuance costs)	\$ 73,616	\$ (56,763)	\$ 16,853
Deferred outflows of resources from refunding bonds	-	138,152	138,152
Debt, less current portion, net of unamortized premium (former presentation included “net of unamortized refunding loss”)	(8,526,198)	(152,172)	(8,678,370)
Net position at end of year	2,617,625	70,783	2,688,408
Statement of Revenues, Expenses, and Changes in Net Position			
Net position at beginning of year	\$ 1,977,972	\$ 69,686	\$ 2,047,658
Interest and bond expense	393,822	1,097	394,919
Net position at end of year	2,617,625	70,783	2,688,408

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Notes to the Financial Statements (continued)

16. Subsequent Events

On June 2, 2014, the Commission issued \$69,870,000 2014 Series B-2 Senior Revenue Bonds at a variable rate with a final maturity date of December 1, 2016. The 2014 B-2 Bonds were issued primarily to refund the 2009 Series C Bonds and the 2011 Series D Bonds.

On June 17, 2014, the Commission executed a partial reversal of one of the Mainline Constant Maturity Swaps associated with the Commission's 2012 Series B, 2013 Series B and 2014 Series B-1 Bonds. JPMorgan Chase Bank was the winning bidder with an offer of \$4,068,000 which was received by the Commission. This payment was in lieu of interest payments that may have been received by the Commission through July 2, 2018, which is the reversal maturity date.

On July 2, 2014, the Commission executed a partial reversal of one of the Mainline Constant Maturity Swaps associated with the Commission's 2012 Series B, 2013 Series B and 2014 Series B-1 Bonds. PNC was the winning bidder with an offer of \$4,179,000 which was received by the Commission. This payment was in lieu of interest payments that may have been received by the Commission through July 2, 2018, which is the reversal maturity date.

On July 22, 2014 the Commission executed a partial reversal of one of the Constant Maturity Swaps associated with the Commission's Oil Franchise Tax 2003 Series C Bonds. This reversal was executed at a level of \$3,270,000 which Royal Bank of Canada paid to the Commission. This payment was in lieu of interest payments that may have been received by the Commission through May 15, 2018, which is the reversal maturity date.

On August 26, 2014, the Commission executed a partial reversal of one of the Constant Maturity Swaps associated with the Commission's Oil Franchise Tax 2003 Series C Bonds. This reversal was executed at a level of \$3,292,000 which Wells Fargo will pay to the Commission. This payment is in lieu of interest payments that may have been received by the Commission from JP Morgan through November 15, 2018, which is the reversal maturity date.

Required Supplementary Information

Pennsylvania Turnpike Commission
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Required Supplementary Information

Schedule of Funding Progress – Postemployment Healthcare Benefits
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2014	\$ 271,265	\$ 283,133	\$ 11,868	95.8%	\$ 126,699	9.4%
March 1, 2012	152,341	250,750	98,409	60.8%	124,241	79.2%
March 1, 2010	66,436	263,398	196,962	25.2%	123,754	159.2%

Following is a listing of changes in assumptions used in the January 1, 2014 valuation compared with previous valuations.

- Per capita claims costs were updated based on recent experience of Commission retirees and the healthcare trend was updated.
- Assumed health plan elections for members attaining age 65 were modified from 2/3rd electing Signature 65 and 1/3rd electing Freedom Blue (without Rx) to 60% electing Signature 65 and 40% electing Freedom Blue (without Rx).
- The assumed percentage of eligible female members covering a spouse decreased from 50% to 40%.

Other Supplementary Information

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Other Supplementary Information

Section Information

For accounting purposes, the Pennsylvania Turnpike Commission maintains its records in three sections: Mainline, Oil Franchise, and Motor License. These sections are based on the types of revenues and the associated bond issues.

The Mainline section consists of income and expenses directly associated with the operations of the Turnpike System. In addition, all bonds pledged against this revenue source are included in this section.

The Oil Company Franchise section consists of revenues received from the Commission's allocation of the Commonwealth's Oil Company Franchise Tax. This revenue is pledged against the Oil Company Franchise Tax Debt as listed in Note 7.

The Motor License section consists of an annual income of \$28 million which has been provided to the Commission pursuant to Section 20 of Act 3 of the Commonwealth of Pennsylvania. This income is pledged against the Motor License Registration Fee Debt as listed in Note 7.

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Other Supplementary Information (continued)

Section Information (continued)

Schedule of Net Position

	May 31, 2014			Total
	Mainline	Oil Franchise	Motor License	
<i>(In Thousands)</i>				
Assets and deferred outflows of resources				
Current assets:				
Cash and cash equivalents	\$ 135,452	\$ -	\$ -	\$ 135,452
Short-term investments	43,936	-	-	43,936
Accounts receivable	43,218	-	-	43,218
Accrued interest receivable	1,273	-	-	1,273
Inventories	20,158	-	-	20,158
Restricted current assets:				
Cash and cash equivalents	635,332	55,780	21,625	712,737
Short-term investments	154,081	-	1,113	155,194
Accounts receivable	836	7,478	-	8,314
Accrued interest receivable	1,990	911	96	2,997
Total current assets	<u>1,036,276</u>	<u>64,169</u>	<u>22,834</u>	<u>1,123,279</u>
Noncurrent assets:				
Long-term investments:				
Long-term investments unrestricted	158,224	-	-	158,224
Long-term investments restricted	391,877	163,773	29,533	585,183
Total long-term investments	<u>550,101</u>	<u>163,773</u>	<u>29,533</u>	<u>743,407</u>
Capital assets not being depreciated:				
Land and intangibles	289,900	-	-	289,900
Assets under construction	790,396	-	-	790,396
Capital assets being depreciated:				
Buildings	905,235	-	-	905,235
Improvements other than buildings	114,009	-	-	114,009
Equipment	570,115	-	-	570,115
Infrastructure	7,345,336	-	-	7,345,336
Total capital assets before accumulated depreciation	<u>10,014,991</u>	<u>-</u>	<u>-</u>	<u>10,014,991</u>
Less accumulated depreciation	<u>5,100,630</u>	<u>-</u>	<u>-</u>	<u>5,100,630</u>
Total capital assets after accumulated depreciation	<u>4,914,361</u>	<u>-</u>	<u>-</u>	<u>4,914,361</u>
Other assets:				
Prepaid bond insurance costs	12,665	1,448	1,648	15,761
OPEB Asset	79,149	-	-	79,149
Other assets	28,145	-	-	28,145
Total other assets	<u>119,959</u>	<u>1,448</u>	<u>1,648</u>	<u>123,055</u>
Total noncurrent assets	<u>5,584,421</u>	<u>165,221</u>	<u>31,181</u>	<u>5,780,823</u>
Total assets	<u>6,620,697</u>	<u>229,390</u>	<u>54,015</u>	<u>6,904,102</u>
Deferred outflows of resources from hedging derivatives	5,586	-	44,098	49,684
Deferred outflows of resources from refunding bonds	136,086	6,575	21,533	164,194
Deferred outflows of resources	<u>141,672</u>	<u>6,575</u>	<u>65,631</u>	<u>213,878</u>
Total assets and deferred outflows of resources	<u>\$ 6,762,369</u>	<u>\$ 235,965</u>	<u>\$ 119,646</u>	<u>\$ 7,117,980</u>

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Other Supplementary Information (continued)

Section Information (continued)

Schedule of Net Position (continued)

	May 31, 2014			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In Thousands)</i>			
Liabilities and deferred inflows of resources				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 304,848	\$ 21,118	\$ 4,061	\$ 330,027
Current portion of debt	161,280	16,345	7,050	184,675
Unearned income	55,217	-	-	55,217
Total current liabilities	<u>521,345</u>	<u>37,463</u>	<u>11,111</u>	<u>569,919</u>
Noncurrent liabilities:				
Debt, less current portion, net of unamortized premium	8,341,420	752,387	429,423	9,523,230
Other noncurrent liabilities	148,840	-	51,886	200,726
Total noncurrent liabilities	<u>8,490,260</u>	<u>752,387</u>	<u>481,309</u>	<u>9,723,956</u>
Total liabilities	<u>9,011,605</u>	<u>789,850</u>	<u>492,420</u>	<u>10,293,875</u>
Deferred inflows of resources from service concession arrangements				
	122,994	-	-	122,994
Deferred inflows of resources from refunding bonds	-	1,566	-	1,566
Total deferred inflows of resources	<u>122,994</u>	<u>1,566</u>	<u>-</u>	<u>124,560</u>
Total liabilities and deferred inflows of resources	<u>9,134,599</u>	<u>791,416</u>	<u>492,420</u>	<u>10,418,435</u>
Net position				
Net investment in capital assets	1,546,260	(752,431)	(421,079)	372,750
Restricted for construction purposes	-	188,737	48,305	237,042
Restricted for debt service	28,558	8,243	-	36,801
Unrestricted	(3,947,048)	-	-	(3,947,048)
Total net position	<u>\$(2,372,230)</u>	<u>\$ (555,451)</u>	<u>\$ (372,774)</u>	<u>\$(3,300,455)</u>

Pennsylvania Turnpike Commission
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Other Supplementary Information (continued)

Section Information (continued)

Schedule of Revenues, Expenses, and Changes in Net Position

	May 31, 2014			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In Thousands)</i>			
Operating revenues:				
Net fares	\$ 861,846	\$ -	\$ -	\$ 861,846
Other	18,909	-	-	18,909
Total operating revenues	<u>880,755</u>	-	-	<u>880,755</u>
Operating expenses:				
Cost of services	437,999	951	31	438,981
Depreciation	324,010	-	-	324,010
Total operating expenses	<u>762,009</u>	<u>951</u>	<u>31</u>	<u>762,991</u>
Operating income (loss)	118,746	(951)	(31)	117,764
Nonoperating revenues (expenses):				
Investment earnings	32,671	2,384	(7,485)	27,570
Other nonoperating revenues	16,389	6,772	-	23,161
Act 44 and Act 89 payments to PennDOT	(450,000)	-	-	(450,000)
Capital assets transferred to PennDOT	(13,531)	-	-	(13,531)
Interest and bond expense	(373,223)	(34,653)	(19,171)	(427,047)
Nonoperating expenses, net	<u>(787,694)</u>	<u>(25,497)</u>	<u>(26,656)</u>	<u>(839,847)</u>
Loss before capital contributions	(668,948)	(26,448)	(26,687)	(722,083)
Capital contributions	13,759	68,277	28,000	110,036
(Decrease) Increase in net position	<u>(655,189)</u>	<u>41,829</u>	<u>1,313</u>	<u>(612,047)</u>
Net position at beginning of year	(1,732,011)	(583,177)	(373,220)	(2,688,408)
Intersection transfers	14,970	(14,103)	(867)	-
Net position at end of year	<u><u>\$(2,372,230)</u></u>	<u><u>\$ (555,451)</u></u>	<u><u>\$ (372,774)</u></u>	<u><u>\$(3,300,455)</u></u>

Pennsylvania Turnpike Commission
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Other Supplementary Information (continued)

Section Information (continued)

Schedule of Cash Flows

	May 31, 2014			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In Thousands)</i>			
Operating activities				
Cash received from customer tolls and deposits	\$ 876,945	\$ -	\$ -	\$ 876,945
Cash payments for goods and services	(296,993)	(485)	(26)	(297,504)
Cash payments to employees	(153,091)	(590)	-	(153,681)
Cash received from other operating activities	8,741	-	-	8,741
Net cash provided by (used for) operating activities	435,602	(1,075)	(26)	434,501
Investing activities				
Proceeds from sales and maturities of investments	1,774,007	82,841	18,093	1,874,941
Interest received on investments	15,929	3,621	627	20,177
Purchases of investments	(1,706,159)	(94,847)	(18,113)	(1,819,119)
Net cash provided by (used for) investing activities	83,777	(8,385)	607	75,999
Capital and related financing activities				
Capital grants received	9,128	-	-	9,128
Cash proceeds from motor license grant	-	-	28,000	28,000
Cash proceeds from oil company franchise tax	-	65,089	-	65,089
Construction and acquisition of capital assets	(393,831)	(9,982)	-	(403,813)
Proceeds from sale of capital assets	620	-	-	620
Payments for bond and swap expenses	(6,089)	(521)	(725)	(7,335)
Payments for debt refundings	(706,140)	(65,470)	-	(771,610)
Payments for debt maturities	(51,935)	(16,550)	(6,720)	(75,205)
Interest paid on debt	(132,977)	(39,198)	(19,795)	(191,970)
Interest subsidy from Build America Bonds	16,236	6,772	-	23,008
Proceeds from debt issuances	1,185,820	66,534	-	1,252,354
Net cash (used for) provided by capital and related financing activities	(79,168)	6,674	760	(71,734)
Noncapital financing activities				
Cash payments to PennDOT	(450,000)	-	-	(450,000)
Payments for bond and swap expenses	(2,946)	-	-	(2,946)
Payments for debt maturities	(49,495)	-	-	(49,495)
Interest paid on debt	(176,612)	-	-	(176,612)
Proceeds from debt issuances	430,039	-	-	430,039
Net cash used for noncapital financing activities	(249,014)	-	-	(249,014)
Increase (Decrease) in cash and cash equivalents	191,197	(2,786)	1,341	189,752
Cash and cash equivalents at beginning of year	579,587	58,566	20,284	658,437
Cash and cash equivalents at end of year	\$ 770,784	\$ 55,780	\$ 21,625	\$ 848,189

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Other Supplementary Information (continued)

Section Information (continued)

Schedule of Cash Flows (continued)

	Year Ended May 31, 2014			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In Thousands)</i>			
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 118,746	\$ (951)	\$ (31)	\$ 117,764
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	324,010	-	-	324,010
Change in operating assets and liabilities:				
Accounts receivable	(3,593)	-	-	(3,593)
Inventories	(3,287)	-	-	(3,287)
Other assets	(19,587)	-	-	(19,587)
Accounts payable and accrued liabilities	19,276	(124)	5	19,157
Other noncurrent liabilities	37	-	-	37
Net cash provided by (used for) operating activities	<u>\$ 435,602</u>	<u>\$ (1,075)</u>	<u>\$ (26)</u>	<u>\$ 434,501</u>
Reconciliation of cash and cash equivalents to the statements of net position:				
Cash and cash equivalents	\$ 135,452	\$ -	\$ -	\$ 135,452
Restricted cash and cash equivalents	635,332	55,780	21,625	712,737
Total cash and cash equivalents	<u>\$ 770,784</u>	<u>\$ 55,780</u>	<u>\$ 21,625</u>	<u>\$ 848,189</u>

Pennsylvania Turnpike Commission
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Other Supplementary Information (continued)

Section Information (continued)

Schedule of Cash Flows (continued)

Noncash activities

The Commission recorded a net increase of \$8.5 million in the fair value of its investments for the year ended May 31, 2014. Increases (Decreases) by section were: Mainline, \$17.5 million; Oil Franchise, \$(1.0) million and Motor License, \$(8.0) million.

The Commission recorded \$9.4 million for the amortization of bond premium for the year ended May 31, 2014. Amortization by section was: Mainline, \$7.3 million; Oil Franchise, \$1.4 million and Motor License, \$0.7 million.

The Commission recorded \$23.7 million for the amortization of deferred losses on refundings and amortization of prepaid bond insurance costs for the year ended May 31, 2014. Amortization by section was: Mainline, \$22.0 million; Oil Franchise, \$0.9 million and Motor License, \$0.8 million.

The Commission recorded an interest expense reduction of \$15.6 million in the Mainline section and \$0.1 in the Motor License section for the year ended May 31, 2014 related to GASB 53 entries.

The Commission recognized revenues of \$4.4 million for the fiscal year ended May 31, 2014 for noncash capital contributions. This noncash capital contribution revenue is the result of agreements with a food and a fuel provider to totally reconstruct the service plazas. The service plaza operators provide the capital for the reconstruction in exchange for lower rental rates.

The Commission and PennDOT entered into an agreement regarding ownership of overhead bridges that carry state roads. Per the agreement, once the Commission replaces these overhead bridges, and after final inspections and supplemental agreements are signed by both parties, ownership and maintenance responsibilities of the bridges are transferred from the Commission to PennDOT. The Commission transferred assets with a net book value of \$13.5 million from its Mainline section to PennDOT during the fiscal year ended May 31, 2014.

Pennsylvania Turnpike Commission
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Other Supplementary Information (continued)

Section Information (continued)

Schedule of Cash Flows (continued)

Noncash activities (continued)

The Commission records intersection activity related to revenue, expense, asset and liability transfer between its sections. Some of the intersection entries are related to cash transfers; others are noncash transfers as required. Net intersection transfers for the year ended May 31, 2014 were: to Mainline, \$15.0 million; from Oil Franchise, \$14.1 million; and from Motor License, \$0.9 million.

Pennsylvania Turnpike Commission
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Other Supplementary Information (continued)

Section Information (continued)

Schedule of Net Position (Restated)¹

	May 31, 2013			
Assets and deferred outflows of resources	Mainline	Oil Franchise	Motor License	Total
Current assets:	<i>(In Thousands)</i>			
Cash and cash equivalents	\$ 130,010	\$ -	\$ -	\$ 130,010
Short-term investments	47,952	-	-	47,952
Accounts receivable	39,149	-	-	39,149
Accrued interest receivable	1,663	-	-	1,663
Inventories	16,871	-	-	16,871
Restricted current assets:				
Cash and cash equivalents	449,577	58,566	20,284	528,427
Short-term investments	214,369	21,448	6,097	241,914
Accounts receivable	1,110	4,290	-	5,400
Accrued interest receivable	2,283	1,135	137	3,555
Total current assets	902,984	85,439	26,518	1,014,941
Noncurrent assets:				
Long-term investments:				
Long-term investments unrestricted	197,127	-	-	197,127
Long-term investments restricted	372,599	133,653	24,724	530,976
Total long-term investments	569,726	133,653	24,724	728,103
Capital assets not being depreciated:				
Land and intangibles	271,310	-	-	271,310
Assets under construction	661,613	-	-	661,613
Capital assets being depreciated:				
Buildings	893,705	-	-	893,705
Improvements other than buildings	112,632	-	-	112,632
Equipment	549,578	-	-	549,578
Infrastructure	7,172,878	-	-	7,172,878
Total capital assets before accumulated depreciation	9,661,716	-	-	9,661,716
Less accumulated depreciation	4,829,814	-	-	4,829,814
Total capital assets after accumulated depreciation	4,831,902	-	-	4,831,902
Other assets:				
Prepaid bond insurance costs	13,166	1,978	1,709	16,853
OPEB asset	58,127	-	-	58,127
Other assets	26,728	-	-	26,728
Total other assets	98,021	1,978	1,709	101,708
Total noncurrent assets	5,499,649	135,631	26,433	5,661,713
Total assets	6,402,633	221,070	52,951	6,676,654
Deferred outflows of resources from hedging derivatives	60,435	-	56,934	117,369
Deferred outflows of resources from refunding bonds	108,776	7,051	22,325	138,152
Total deferred outflows of resources	169,211	7,051	79,259	255,521
Total assets and deferred outflows of resources	\$ 6,571,844	\$ 228,121	\$ 132,210	\$ 6,932,175

¹ Certain 2013 amounts were restated as discussed in Notes 2 and 15.

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Other Supplementary Information (continued)

Section Information (continued)

Schedule of Net Position (Restated)¹ (continued)

	May 31, 2013			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In Thousands)</i>			
Liabilities and deferred inflows of resources				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 320,773	\$ 24,660	\$ 4,584	\$ 350,017
Current portion of debt	175,530	16,550	6,720	198,800
Unearned income	48,190	-	-	48,190
Total current liabilities	544,493	41,210	11,304	597,007
Noncurrent liabilities:				
Debt, less current portion, net of unamortized premium	7,471,504	769,674	437,192	8,678,370
Other noncurrent liabilities	146,418	414	56,934	203,766
Total noncurrent liabilities	7,617,922	770,088	494,126	8,882,136
Total liabilities	8,162,415	811,298	505,430	9,479,143
Deferred inflows of resources from hedging derivatives	26,317	-	-	26,317
Deferred inflows of resources from service concession arrangements	115,123	-	-	115,123
Total deferred inflows of resources	141,440	-	-	141,440
Total liabilities and deferred inflows of resources	8,303,855	811,298	505,430	9,620,583
Net position				
Net investment in capital assets	1,803,506	(770,206)	(419,878)	613,422
Restricted for construction purposes	-	178,700	46,658	225,358
Restricted for debt service	41,326	8,329	-	49,655
Unrestricted	(3,576,843)	-	-	(3,576,843)
Total net position	\$(1,732,011)	\$ (583,177)	\$ (373,220)	\$(2,688,408)

¹ Certain 2013 amounts were restated as discussed in Notes 2 and 15.

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Other Supplementary Information (continued)

Section Information (continued)

Schedule of Revenues, Expenses, and Changes in Net Position (Restated)¹

	May 31, 2013			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In Thousands)</i>			
Operating revenues:				
Net fares	\$ 811,542	\$ -	\$ -	\$ 811,542
Other	20,094	-	-	20,094
Total operating revenues	831,636	-	-	831,636
Operating expenses:				
Cost of services	411,572	894	18	412,484
Depreciation	311,735	-	-	311,735
Total operating expenses	723,307	894	18	724,219
Operating income (loss)	108,329	(894)	(18)	107,417
Nonoperating revenues (expenses):				
Investment earnings	27,624	2,106	318	30,048
Other nonoperating revenues	17,431	2,446	-	19,877
Act 44 payments to PennDOT	(450,000)	-	-	(450,000)
Interest and bond expense	(339,912)	(35,667)	(19,340)	(394,919)
Nonoperating expenses, net	(744,857)	(31,115)	(19,022)	(794,994)
Loss before capital contributions and special item	(636,528)	(32,009)	(19,040)	(687,577)
Capital contributions	10,274	59,562	28,000	97,836
Discontinued project	-	(51,009)	-	(51,009)
(Decrease) Increase in net position	(626,254)	(23,456)	8,960	(640,750)
Net position at beginning of year	(1,072,621)	(593,246)	(381,791)	(2,047,658)
Intersection transfers	(33,136)	33,525	(389)	-
Net position at end of year	<u>\$ (1,732,011)</u>	<u>\$ (583,177)</u>	<u>\$ (373,220)</u>	<u>\$ (2,688,408)</u>

¹ Certain 2013 amounts were restated as discussed in Notes 2 and 15.

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Other Supplementary Information (continued)

Section Information (continued)

Schedule of Cash Flows

May 31, 2013

	Mainline	Oil Franchise	Motor License	Total
	<i>(In Thousands)</i>			
Operating activities				
Cash received from customer tolls and deposits	\$ 829,291	\$ -	\$ -	\$ 829,291
Cash payments for goods and services	(252,275)	(886)	(18)	(253,179)
Cash payments to employees	(143,900)	(392)	-	(144,292)
Cash received from other operating activities	7,706	-	-	7,706
Net cash provided by (used for) operating activities	440,822	(1,278)	(18)	439,526
Investing activities				
Proceeds from sales and maturities of investments	1,371,376	233,566	26,871	1,631,813
Interest received on investments	20,639	3,932	661	25,232
Purchases of investments	(1,214,333)	(218,159)	(33,862)	(1,466,354)
Net cash provided by (used for) investing activities	177,682	19,339	(6,330)	190,691
Capital and related financing activities				
Capital grants received	7,240	-	-	7,240
Cash proceeds from motor license grant	-	-	28,000	28,000
Cash proceeds from oil company franchise tax	-	60,285	-	60,285
Construction and acquisition of capital assets	(484,489)	(23,161)	-	(507,650)
Proceeds from sale of capital assets	1,765	-	-	1,765
Payments for bond and swap expenses	(1,202)	-	(338)	(1,540)
Payments for debt refundings	(69,525)	-	-	(69,525)
Payments for debt maturities	(19,645)	(15,850)	(6,395)	(41,890)
Interest paid on debt	(122,848)	(39,514)	(20,249)	(182,611)
Interest subsidy from Build America Bonds	16,735	2,446	-	19,181
Proceeds from debt issuances	473,667	-	-	473,667
Net cash (used for) provided by capital and related financing activities	(198,302)	(15,794)	1,018	(213,078)
Noncapital financing activities				
Cash payments to PennDOT	(450,000)	-	-	(450,000)
Payments for bond and swap expenses	(1,032)	-	-	(1,032)
Payments for debt maturities	(15,860)	-	-	(15,860)
Interest paid on debt	(160,512)	-	-	(160,512)
Proceeds from debt issuances	416,314	-	-	416,314
Net cash used for noncapital financing activities	(211,090)	-	-	(211,090)
Increase (Decrease) in cash and cash equivalents	209,112	2,267	(5,330)	206,049
Cash and cash equivalents at beginning of year	370,475	56,299	25,614	452,388
Cash and cash equivalents at end of year	\$ 579,587	\$ 58,566	\$ 20,284	\$ 658,437

Pennsylvania Turnpike Commission
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Other Supplementary Information (continued)

Section Information (continued)

Schedule of Cash Flows (continued)

	Year Ended May 31, 2013			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In Thousands)</i>			
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 108,329	\$ (894)	\$ (18)	\$ 107,417
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	311,735	-	-	311,735
Change in operating assets and liabilities:				
Accounts receivable	(2,370)	-	-	(2,370)
Inventories	2,705	-	-	2,705
Other assets	(28,061)	-	-	(28,061)
Accounts payable and accrued liabilities	42,194	(384)	-	41,810
Other noncurrent liabilities	6,290	-	-	6,290
Net cash provided by (used for) operating activities	<u>\$ 440,822</u>	<u>\$ (1,278)</u>	<u>\$ (18)</u>	<u>\$ 439,526</u>
Reconciliation of cash and cash equivalents to the statements of net position:				
Cash and cash equivalents	\$ 130,010	\$ -	\$ -	\$ 130,010
Restricted cash and cash equivalents	449,577	58,566	20,284	528,427
Total cash and cash equivalents	<u>\$ 579,587</u>	<u>\$ 58,566</u>	<u>\$ 20,284</u>	<u>\$ 658,437</u>

Pennsylvania Turnpike Commission
A Component Unit of the Commonwealth of Pennsylvania

Other Supplementary Information (continued)

Section Information (continued)

Schedule of Cash Flows (continued)

Noncash activities

The Commission recorded a net increase of \$ 5.5 million in the fair value of its investments for the year ended May 31, 2013. Increases (decreases) by section were: Mainline, \$8.0 million; Oil Franchise, \$(2.1) million and Motor License, \$(0.4) million.

The Commission recorded \$8.2 million for the amortization of bond premium for the year ended May 31, 2013. Amortization by section was: Mainline, \$6.4 million; Oil Franchise, \$1.1 million and Motor License, \$0.7 million.

The Commission recorded \$21.2 million (as restated) for the amortization of deferred losses on refundings and amortization of prepaid bond insurance costs for the year ended May 31, 2013. Amortization by section was: Mainline, \$19.7 million; Oil Franchise, \$0.6 million and Motor License, \$0.9 million.

The Commission recorded an interest expense reduction of \$11.7 million in the Mainline section for the year ended May 31, 2013 related to GASB 53 entries.

The Commission recognized \$3.4 million in revenues for the fiscal year ended May 31, 2013 for noncash capital contributions. This noncash capital contribution revenue is the result of agreements with a food and a fuel provider to totally reconstruct the service plazas. The service plaza operators provide the capital for the reconstruction in exchange for lower rental rates.

The Commission and PennDOT entered into an agreement regarding ownership of overhead bridges that carry state roads. Per the agreement, once the Commission replaces these overhead bridges, and after final inspections and supplemental agreements are signed by both parties, ownership and maintenance responsibilities of the bridges are transferred from the Commission to PennDOT. The Commission did not transfer any assets to PennDOT during the fiscal year ended May 31, 2013.

Pennsylvania Turnpike Commission
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Other Supplementary Information (continued)

Section Information (continued)

Schedule of Cash Flows (continued)

Noncash activities (continued)

The Commission records intersection activity related to revenue, expense, asset and liability transfer between its sections. Some of the intersection entries are related to cash transfers; others are noncash transfers as required. Net intersection transfers for the year ended May 31, 2013 were: from Mainline, \$33.1 million; to Oil Franchise, \$33.5 million; and from Motor License, \$0.4 million.

Pennsylvania Turnpike Commission
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Other Supplementary Information (continued)

Schedules of Cost of Services Detail

The following tables provide additional detail for the costs of services reported in the statements of revenues, expenses, and changes in net position.

Fiscal Year Ended May 31, 2014

	Mainline Operating	Mainline Capital	Total Mainline	Oil Franchise	Motor License	Total
General & administrative	\$ 40,958	\$ 88,718	\$ 129,676	\$ 730	\$ 31	\$ 130,437
Traffic engineering and operations	3,966	-	3,966	-	-	3,966
Service centers	22,448	-	22,448	-	-	22,448
Employee benefits	83,810	7,503	91,313	221	-	91,534
Fare collection	58,164	-	58,164	-	-	58,164
Maintenance	74,789	808	75,597	-	-	75,597
Facilities and energy mgmt. operations	9,850	7,112	16,962	-	-	16,962
Turnpike patrol	39,818	55	39,873	-	-	39,873
Total cost of services	\$ 333,803	\$ 104,196	\$ 437,999	\$ 951	\$ 31	\$ 438,981

Fiscal Year Ended May 31, 2013

	Mainline Operating	Mainline Capital	Total Mainline	Oil Franchise	Motor License	Total
General & administrative	\$ 42,542	\$ 72,659	\$ 115,201	\$ 681	\$ 18	\$ 115,900
Traffic engineering and operations	4,455	-	4,455	-	-	4,455
Service centers	24,480	-	24,480	-	-	24,480
Employee benefits	80,670	6,634	87,304	213	-	87,517
Fare collection	59,952	-	59,952	-	-	59,952
Maintenance	65,924	988	66,912	-	-	66,912
Facilities and energy mgmt. operations	8,903	8,194	17,097	-	-	17,097
Turnpike patrol	36,171	-	36,171	-	-	36,171
Total cost of services	\$ 323,097	\$ 88,475	\$ 411,572	\$ 894	\$ 18	\$ 412,484

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF AND DEFINED TERMS IN THE SUBORDINATE INDENTURE AND SUPPLEMENTAL INDENTURE NO. 18

The following sets forth the definitions derived from the Subordinate Indenture and the Supplemental Indenture No. 18 concerning the Subordinate Indenture Bonds and the 2015A Bonds and the operation of the Subordinate Indenture and the Supplemental Indenture No. 18. This summary of such terms does not purport to be complete or definitive and is subject to all of the terms and provisions of the Subordinate Indenture and the Supplemental Indenture No. 18, copies of which will be available at the corporate trust office of Wells Fargo Bank, N.A., as trustee.

DEFINITIONS OF CERTAIN TERMS

In addition to words and terms elsewhere defined in this Official Statement, the following words and terms used in this Official Statement and this Appendix C and the Subordinate Indenture and Supplemental Indenture No. 18 shall have the following meanings unless the context clearly indicates otherwise:

"Additional Subordinate Indenture Bonds" -- Subordinate Indenture Bonds of any Series, other than the Original Subordinate Indenture Bonds, authorized to be issued under the Subordinate Indenture.

"Administrative Expenses" -- costs and fees in connection with the Subordinate Indenture Bonds and Parity Obligations including, without limitation, costs and fees of the Trustee, Consultants, Counsel, Bond Counsel and the Commission.

"Annual Debt Service" -- (a) The amount of principal and interest paid or payable with respect to Subordinate Indenture Bonds in a Fiscal Year plus (b) 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 (c) Approved Swap Agreement payments paid or payable by the Commission in such Fiscal Year, minus (d) 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 (c) and (d) 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 Subordinate Indenture 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 Subordinate 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 judgment, the Commission will be able to refinance such Balloon Indebtedness, in which event the Balloon Indebtedness shall be amortized over the term of the Indebtedness expected to refinance such Balloon 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; and

(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 Subordinate Indenture Bonds, Additional Subordinate Indenture Bonds and Parity Obligations.

"Approved Swap Agreement" -- shall have the meaning set forth under "Approved and Parity Swap Obligations" of this Appendix C.

"Assumed Variable Rate" -- in the case of (a) Outstanding Variable Rate Indebtedness, the average interest rate on such Indebtedness for the most recently completed 12-month period; and (b) proposed Variable Rate Indebtedness, (1) 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 Security Industry and Financial Markets Association Municipal Swap Index as the successor to the Bond Market Association Swap Index ("SIFMA Index") for the 12 months ending 7 days preceding the date of calculation plus 100 basis points, or (2) in the case of Subordinate Indenture Bonds not described in clause (1), 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 SIFMA 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.

"Authorized Denominations" -- with respect to any Additional Subordinate Indenture Bonds issued under a Supplemental Indenture, those denominations specified in such Supplemental Indenture; with respect to the 2015A-1 Subordinate Bonds, \$5,000 and any integral multiple thereof and with respect to the 2015A-2 Subordinate Bonds, as defined in Appendix A to Supplemental Indenture No. 18.

"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 Subordinate Indenture Bonds, each Person (other than a Bond Insurer or PennDOT) 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 Subordinate Indenture 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 Subordinate Indenture Bond which is held by a nominee.

"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 Subordinate Indenture Bonds, the Person undertaking to insure such Subordinate Indenture Bonds as designated in a Supplemental Indenture providing for the issuance of such Subordinate Indenture Bonds.

"Book-Entry-Only System" -- a system similar to the system described in the Subordinate Indenture pursuant to which bonds are registered in book-entry form.

"Business Day" -- a day other than (i) a Saturday and Sunday, (ii) a day on which the Trustee or banks and trust companies in New York, New York are authorized or required to remain closed, or (iii) a day on which the New York Stock Exchange is closed.

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

"Class" -- the Revenue Bonds or their Holders, collectively, or the Special Revenue Bonds or their Holders, collectively, or any future type of Subordinate Indenture Bond, unique in its security or purposes in relation to other Subordinate Indenture Bonds, or its Holders, collectively.

"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.

"Commission Payments" -- the covenant by the Commission and the payments made by the Commission, all as set forth in the section "Commission Payments," with respect to payments to be made to the Trustee.

"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.

"Counsel" -- an attorney or law firm (who may, without limitation, be counsel for the Commission, the Commonwealth or other governmental entity or agency of the Commonwealth) not unsatisfactory to the Trustee.

"Credit Facility" -- any letter of credit, line of credit, standby letter of credit, DSRF Security, 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 Subordinate Indenture Bonds pursuant to the provisions of a Supplemental Indenture under which such Subordinate Indenture 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 Subordinate Indenture Bonds directly rather than through a financial or insurance institution.

"Debt Service Reserve Fund Bonds" -- shall mean the Long-Term Indebtedness specified by the Commission in the Subordinate Indenture or any Supplemental Indenture that is secured by the Debt Service Reserve Fund, as such fund is described in the forepart of this Official Statement under the caption "SECURITY OR THE 2015A BONDS -- Debt Service Reserve Fund."

"Debt Service Reserve Requirement" -- the amount equal to the lesser of (1) Maximum Annual Debt Service on account of all the Debt Service Reserve Fund Bonds, (2) 10% of the

aggregate Outstanding principal amount of all the Debt Service Reserve Fund Bonds, and (3) 125% of average Annual Debt Service for all Debt Service Reserve Fund Bonds for each Fiscal Year for the remaining life of such Bonds, provided in any such case that such amount does not exceed what is permitted by the Code.

"Defaulted Interest" -- interest on any 2015A Subordinate Bonds which is payable but not paid on the date due.

"DSRF Security" -- shall have the meaning set forth in the section of this Official Statement "Debt Service Reserve Fund."

"Enabling Acts" -- shall mean Act 44, Act 89, and various Acts of the General Assembly approved on several dates, including the Act of May 21, 1937, P.L. 774, Act 211; the Act of May 24, 1945, P.L. 972; the Act of February 26, 1947, P.L. 17; the Act of May 23, 1951, P.L. 335; the Act of August 14, 1951, P.L. 1232; and the Act of September 30, 1985, P.L. 240, No. 61 to the extent not repealed by Act 44.

"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.

"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 in the Subordinate Indenture and who is retained by the Commission as a Financial Consultant for the purposes of the Subordinate 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.

"Fixed Rate Bonds" -- Subordinate Indenture Bonds issued at a fixed interest rate.

"Funding Agreement" -- the Lease and Funding Agreement dated as of October 14, 2007, as it may be amended, including Amendment Number One to Lease and Funding Agreement dated April 4, 2014 between the Commission and PennDOT.

"Funding Agreement Rental Payments" -- payments to PennDot required by the Funding Agreement.

"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 U.S.,

(b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the U.S., the payment of the principal of and interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the U.S. (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 U.S.),

(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 U.S. 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 Agency in its highest rating category.

"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 the 2015A-1 Subordinate Bonds, each June 1 and December 1, commencing December 1, 2015 and with respect to the 2015A-2 Subordinate Bonds, as set forth in Appendix A to Subordinate Indenture No. 18.

"Issuance Cost" -- costs incurred by or on behalf of the Commission in connection with the issuance of Subordinate Indenture 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 Subordinate Indenture 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 Subordinate Indenture Bonds, the initial or acceptance fee of the Trustee, and all other fees, charges and expenses incurred in connection with the issuance of the Subordinate Indenture Bonds and the preparation of the Subordinate 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 paid or payable in the then current or any future Fiscal Year.

"Moody's" -- Moody's Investors Service, Inc., 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.

"Motor License Fund" -- the Commonwealth Motor License Fund.

"Original Subordinate Indenture Bonds" -- the Commission's Subordinated Turnpike Revenue Bonds, Series 2008A, issued in an aggregate principal amount of \$244,855,000.

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

(a) Subordinate Indenture Bonds theretofore cancelled or delivered to the Trustee for cancellation under the Subordinate Indenture;

(b) Subordinate Indenture Bonds which are deemed to be no longer Outstanding in accordance with the section "Defeasance; Deposit of Funds for Payment of Subordinate Indenture Bonds"; and

(c) Subordinate Indenture Bonds in substitution for which other Subordinate Indenture Bonds have been authenticated and delivered pursuant to the Subordinate Indenture.

"Parity Obligations" -- Revenue Bonds Parity Obligations and Special Revenue Bonds Parity Obligations as separately secured in accordance with the Subordinate Indenture.

"Parity Swap Agreement" -- shall have the meaning set forth in this Appendix C in the section entitled "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 Subordinate Indenture Bonds, that Person appointed pursuant to the Subordinate Indenture to make payments to Subordinate Indenture Bondholders of interest and/or principal pursuant to the terms of the Subordinate Indenture, which initially shall be the Trustee.

"Payments" -- Funding Agreement, grant or other payments made to PennDOT pursuant to the provisions of Act 44 or the Funding Agreement.

"PennDOT" -- Pennsylvania Department of Transportation.

"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 (f) 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 Subordinate Indenture 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 Subordinate Indenture 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;

(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) Corporate bonds and medium term notes rated at least "AA-" by Moody's and S&P;

(p) Asset-backed securities rated in the highest rating category by Moody's and S&P; or

(q) 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 the Subordinate Indenture Bonds.

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

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

"Project" or "Cost"-- any financing which is 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 Long-Term Indebtedness then Outstanding and on any Long-Term Indebtedness proposed to be issued.

"Projected Debt Service Coverage Ratio" -- for the immediately two following Fiscal Years, the ratio determined by dividing the projected amounts to be paid into the General Reserve Fund for each of such years by the Projected Annual Debt Service for each of such years.

"Rate Covenant" -- the requirement to establish and maintain a schedule of Tolls sufficient to provide the funds required, as more fully described in the forepart of this Official Statement under the caption "SECURITY FOR THE 2015A BONDS -- Rate Covenant."

"Rating Agency" -- Fitch, Moody's, S&P and 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."

"Record Date" -- unless otherwise provided with respect to any series of Subordinate Indenture Bonds in a Supplemental Indenture: (a) for Subordinate Indenture Bonds on which interest is payable on the first day of a month, the fifteenth day of the immediately preceding month; or (b) for Subordinate Indenture 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; with respect to the 2015 A-2 Subordinate Bonds, as provided in Appendix A to Supplemental Indenture No. 18.

"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 Subordinate Indenture 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.

"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 Bonds" -- bonds issued pursuant to the Subordinate Indenture for the purpose of making Payments to PennDOT to finance transit programs and other purposes pursuant to Act 44, as amended by Act 89, and which are not secured by Commonwealth Motor License Fund Payments, but have a senior claim on Commission Payments.

"Revenue Bonds Parity Obligations" -- Revenue Bonds and all other obligations agreed by the Commission to be on a parity therewith.

"S&P" -- Standard & Poor's Ratings Services, a unit of The McGraw-Hill Companies, 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 Subordinate Indenture Bondholder of any Subordinate Indenture Bonds, each Parity Swap Agreement Counterparty providing a Parity Swap Agreement, each Bank providing a Credit Facility, each Bond Insurer providing a Bond insurance policy with respect to a Parity Obligation, each provider of a DSRF Security and holders of other Parity Obligations.

"Senior Indenture" -- the Amended and Restated Trust Indenture originally dated as of July 1, 1986 and amended and restated as of March 1, 2001 between the Commission and U.S. Bank National Association, as successor trustee, as it may be amended, supplemented or replaced, in connection with the Commission's main line toll revenue bonds.

"Senior Indenture Trustee" -- the legal Person that is the trustee under the Senior Indenture whether by contract or operation of law.

"Series" or "Sub-Series" means any series or sub-series of bonds issued pursuant to the Subordinate Indenture or any Supplemental Indenture. With respect to the 2015A Bonds, it means each of the 2015 A-1 and the 2015 A-2 Subordinate Revenue Bonds.

"Short-Term Indebtedness" -- all Indebtedness which matures in less than 365 days and is designated as Short-Term Indebtedness pursuant to the Subordinate Indenture. 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" -- with respect to the 2015A Bonds, the date fixed by the Trustee for payment of Defaulted Interest.

"Special Revenue Bonds" – bonds issued pursuant to the Subordinate Indenture and authorized pursuant to Section 9511.4 of Act 44 which are secured by Commonwealth Motor License Fund payments but are subordinate to Revenue Bonds with respect to their claim on Commission Payments.

"Special Revenue Bonds Parity Obligations" -- Special Revenue Bonds and all other obligations agreed by the Commission to be on a parity therewith with respect to their claim on Commission Payments.

"Special Revenue Bond Payments" -- payments received from the Commonwealth's Motor License Fund pursuant to Act 44 for the purpose of paying debt service on Special Revenue Bonds.

"Subordinate Indenture" -- the Subordinate Trust Indenture dated as of April 1, 2008 by and between the Commission and the Trustee, as supplemented and amended through the dated date of the Supplemental Indenture No. 18, and as further supplemented and amended by Supplemental Indenture No. 18, and as it may be further supplemented and amended from time to time.

"Subordinate Indenture Bond" or "Subordinate Indenture Bonds" -- Original Subordinate Indenture Bonds and all other indebtedness of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, issued as Additional Subordinate Indenture Bonds under the Subordinate Indenture, other than Additional Subordinate Indenture Bonds issued as Subordinated Indebtedness.

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

"Subordinated Indebtedness" -- Indebtedness that is subordinated and junior in all respects to payment of all or any Series of Subordinate Indenture Bonds and other Parity Obligations incurred under the Subordinate Indenture, provided certain prior conditions imposed by the Subordinate Indenture are met.

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

"System" -- what are commonly referred to as the "Main Line" and the "Northeast Extension" of the Commission 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 Subordinate Indenture. Notwithstanding the foregoing, no portion of Interstate 80 shall be deemed to be a portion of the "System" unless the Commission affirmatively makes such election in a writing to the Trustee.

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

(a) the terms of which include (1) 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 (2) 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 (1) one of the two highest long-term Rating Categories by the Rating Agency or (2) 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.

"Trustee" -- Wells Fargo Bank, N.A. (successor to TD Bank, National Association), a national banking association organized and existing under the laws of the United States of America, and its successors and any entity resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee hereunder.

"Trust Estate" -- has the meaning provided in the forepart of this Official Statement under the caption "SECURITY FOR THE 2015A BONDS – 2015A Bonds – General".

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

"Variable Rate Bonds" — Subordinate Indenture Bonds issued as Variable Rate Indebtedness.

"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 (1) 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 (2) 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.

SUBORDINATE INDENTURE

Subordinate Indenture Bonds

All Subordinate Indenture Bonds shall be issued substantially and shall contain such maturities, payment terms, interest rate provisions, redemption or prepayments features and other provisions as shall be set forth in the Supplemental Indenture providing for their issuance. Subordinate Indenture Bonds include Revenue Bonds, Special Revenue Bonds and such other related bonds as the Commission may determine.

Subordinate Turnpike Revenue Bonds.

Revenue Bonds shall be issued under the Subordinate Indenture for the purpose of making Payments to PennDOT to finance transit programs and other purposes pursuant to Act 44 and Act 89. The Revenue Bonds shall be senior in right of payment to the Special Revenue Bonds.

Subordinate Special Revenue Turnpike Revenue Bonds

Subordinate Special Revenue Turnpike Revenue Bonds have been issued under the Subordinate Indenture for the purpose of making Funding Agreement Rental Payments to PennDOT for the purposes of financing highway and bridge construction and paying other Costs of the Department (as defined in Act 44). The payment of debt service on the Special Revenue Bonds shall be junior in right of payment to the payment of debt service on the Revenue Bonds and the restoration of any deficiency in the Debt Service Reserve Fund for the Revenue Bonds pursuant to the Subordinate Indenture.

Limited Obligations

The Subordinate Indenture Bonds shall be limited obligations of the Commission, payable solely from the Trust Estate. The Subordinate Indenture Bonds shall constitute a valid claim of the respective owners thereof against the Trust Estate to the extent provided in the Subordinate Indenture, which is pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Subordinate Indenture Bonds as provided in the Subordinate Indenture, and which shall be utilized for no other purpose, except as expressly authorized in the Subordinate Indenture. The Subordinate Indenture Bonds shall not constitute general obligations of the Commission and under no circumstances shall the Subordinate Indenture 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 in the Subordinate Indenture as security for the payment of the Subordinate Indenture Bonds.

Additional Subordinate Indenture Bonds

The Commission will not issue or incur any other Indebtedness having a parity lien on the Trust Estate except for Additional Subordinate Indenture Bonds issued pursuant to this Section and other Parity Obligations. Additional Subordinate Indenture Bonds may be issued

and the Trustee shall authenticate and deliver such Additional Subordinate Indenture 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 Subordinate Indenture Bonds, and (2) the issuance, sale, execution and delivery of the Additional Subordinate Indenture 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 Subordinate Indenture Bonds is permitted under the Subordinate Indenture, (2) each of the Supplemental Indenture and the Additional Subordinate Indenture 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 Subordinate Indenture 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 Subordinate Indenture 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 sum);

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

(f) A certificate of the Commission, signed by a Commission Official, specifying the amount of each Class of Subordinate Indenture Bonds Outstanding after issuance of the Additional Subordinate Indenture Bonds, identifying the Additional Subordinate Indenture Bonds as Revenue Bonds or Special Revenue Bonds, Short-Term Indebtedness, Long-Term Indebtedness or Subordinated Indebtedness and demonstrating with reasonable detail that the provisions of the Senior Indenture and of the Subordinate Indenture with respect to the incurrence of additional indebtedness have been met for the issuance of such Additional Subordinate Indenture Bonds; and

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

Anything in the Subordinate Indenture to the contrary notwithstanding, Additional Subordinate Indenture Bonds may bear interest which is included in gross income for federal income tax purposes under the Code, in which event provisions in the Subordinate Indenture requiring or referencing the exclusion of interest on Subordinate Indenture Bonds from 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 Subordinate 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 Subordinate Indenture Bonds (or any other Commission bonds to which such Swap Agreement relates) for federal income tax purposes; provided that if the Swap Agreement relates to Subordinate Indenture Bonds being issued and the Swap Agreement is entered into prior to the issuance of such Subordinate Indenture Bonds, the portion of the opinion of Bond Counsel referring to tax-exempt status of the Subordinate Indenture Bonds need not be delivered until such Subordinate Indenture Bonds are issued;
- (d) A certificate of the Commission, signed by a Commission Official, that the Commission is not under default under the Subordinate 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 Subordinate Indenture Bonds by the Rating Agency;

(f) Evidence that the relevant provisions of the Subordinate Indenture have been met with respect to additional indebtedness as applicable to Swap Agreements; 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 any or all of its obligations thereunder be on parity with certain other Subordinate Indenture Bonds and certain 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 for the related Series of Subordinate Indenture Bonds 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 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 Subordinate Indenture Bonds by meeting the requirements set forth in the Subordinate Indenture (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).

Commission Payments

The Commission has covenanted to make the Commission Payments as described under "SECURITY FOR THE 2015A BONDS — Commission Payments" in the forepart of this Official Statement.

In the event of any failure by the Commission to make any of the payments required to be deposited in the Interest Sub-Account or Principal Sub-Account for any outstanding Special Revenue Bonds, the Trustee shall promptly, after utilizing any available funds in the Residual

Fund or the applicable Account of the Debt Service Reserve Fund, transfer to such Sub-Accounts from any balances in the Interest Sub-Account or Principal Sub-Account for the Subordinated Special Revenue Bonds such amounts as are necessary to correct such deficiencies. Notwithstanding the foregoing, any funds on deposit in the Special Revenue Bonds Receipts Account or the Special Revenue Bonds Funded Debt Service Sub-Account, or transferred from either account to the Special Revenue Bonds Interest Sub-Account or Principal Sub-Account for the payment of debt service on Special Revenue Bonds pursuant to the Subordinate Indenture, may only be used for the payment of debt service on Special Revenue Bonds and may not be used for the payment of debt service on Revenue Bonds or for any other purpose.

In the event of any failure by PennDOT or the Treasurer of the Commonwealth to deposit funds transferred from the Motor License Fund into the Special Revenue Bonds Receipts Account as required in the preceding paragraph for the payment of any interest or principal due on Special Revenue Bonds, then the Trustee shall withdraw such amounts from the Special Revenue Bonds Funded Debt Service Sub-Account and transfer the monies to the Special Revenue Bonds Interest Sub-Account or the Principal Sub-Account, as appropriate, on the applicable Interest Payment Date, principal payment date or mandatory sinking fund installment date. If monies are received from the Motor License Fund subsequent to payments being made pursuant to this Section, then such Motor License Fund monies shall be transferred from the Special Revenue Bonds Receipts Account to the Special Revenue Bonds Funded Debt Service Sub-Account.

The 2015A Bonds do not constitute Special Revenue Bonds.

Rate Covenant

The Commission covenants that it will establish and maintain schedules of Tolls for traffic over the System as required by the Subordinate and Senior Indentures as described under "SECURITY FOR THE 2015A BONDS — Rate Covenant" in the forepart of this Official Statement.

Creation of Funds

In addition to any funds created by any Supplemental Indenture, the Subordinate Indenture creates the following funds: Commission Payments Fund, Administrative Expenses Fund, Debt Service Fund, Debt Service Reserve Fund, Motor License Fund Repayment Fund, Rebate Fund, and Residual Fund. Amounts deposited in such funds shall be held in trust by the Trustee until applied as directed under the Subordinate Indenture. Such funds are further described in the forepart of this Official Statement under each respective fund name under the overall caption "SECURITY FOR THE 2015A BONDS".

Rebate Fund

The Commission covenants to calculate and to pay directly to the government of the U.S. all amounts due for payment of "arbitrage rebate" under Section 148(f) of the Code with respect to any Subordinate Indenture 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 hereunder for any or all Series of Subordinate Indenture 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 U.S. 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 Commission Payments Fund.

Moneys Set Aside for Principal and Interest Held in Trust

All moneys which the Trustee shall have set aside (or deposited with any paying agent) for the purpose of paying any of the Subordinate Indenture Bonds, either at the maturity thereof or upon call for redemption, shall be held in trust for the respective holders of the applicable Series of such Subordinate Indenture Bonds. However, any moneys which shall be so held or deposited by the Trustee, and which shall remain unclaimed by the holders of such Subordinate Indenture Bonds for the period of five years after the date on which such Subordinate Indenture Bonds shall have become payable, shall be paid to the Commission upon its written request or to such officer, board or body as may then be entitled by law to receive the same; thereafter the holders of such Subordinate Indenture Bonds shall look only to the Commission or to such officer, board or body, as the case may be, for payment and then only to the extent of the amounts so received without any interest thereon, and the Trustee shall have no responsibility with respect to such moneys.

Additional Security

Except as otherwise provided or permitted in the Subordinate Indenture, the Trust Estate securing Subordinate Indenture Bonds issued under the terms of the Subordinate Indenture shall be shared on a parity with other Parity Obligations as provided in the Subordinate Indenture. 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 Subordinate Indenture Bonds for federal income tax purposes will not be adversely affected thereby. Moreover, the Commission may provide in a Supplemental Indenture that Subordinate Indenture Bonds issued thereunder are not secured, or are secured only in part or only under certain circumstances, by the Trust Estate.

Investment of Moneys

Moneys held in any of the funds or accounts under the Subordinate Indenture may be retained uninvested, if deemed necessary by the Commission, as trust funds and secured as provided in the Subordinate Indenture 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 must be subject to withdrawal or must 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 Subordinate 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 for interest or income received on investments credited to the 2015A Subordinate Bonds Project Fund, which amounts shall be transferred to the 2015A Subordinate Bonds Interest Sub-Account of the Debt Service Fund as directed under Supplemental Indenture No. 18.

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 Subordinate 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 and account held under the Subordinate Indenture shall be valued by the Trustee at least once annually within thirty days after the end of each Fiscal Year.

Payment of Principal, Interest and Premium

The Commission covenants that it will promptly pay, by disbursement to the Trustee which is authorized to make the required payments, the principal of, premium, if any, and the interest on every Subordinate Indenture Bond and other Parity Obligations issued or agreed by the Commission to be parity under the provisions of the Subordinate Indenture at the places, on the dates and in the manner provided in the Subordinate Indenture and in said Subordinate Indenture Bonds and other Parity Obligations and will promptly pay all Administrative Expenses and any payments required to be made by the Commission to the Commonwealth's Motor License Fund. Except as otherwise provided in the Subordinate Indenture, all such monies are payable solely from Commission Payments, which Commission Payments are pledged to the payment thereof in the manner and to the extent provided in the Subordinate 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 obligations described in the Subordinate Indenture.

Limitations on Issuance of Additional Subordinate Indenture Bonds and Execution of Approved Swap Agreements

(a) Long-Term Indebtedness.

(1) The Commission agrees that it will not issue any Additional Subordinate Indenture Bonds constituting Long-Term Indebtedness unless prior to or contemporaneously with the incurrence thereof, the relevant provisions of the Senior Indenture and the Subordinate Indenture are met after taking into account as part of the calculations the issuance of such Additional Subordinate Indenture Bonds under the Subordinate Indenture and there are delivered to the Trustee:

(i) a certificate of a Commission Official certifying that the amount paid into the General Reserve Fund under the Senior Indenture for the most recent Fiscal Year preceding the delivery of such certificate for which audited financial statements are available divided by the Annual Debt Service on Outstanding Revenue Bonds including any Revenue Bonds to be issued at that time, and on Outstanding Revenue Bonds Parity Obligations, including Revenue Bonds Parity Obligations to be issued at that time, was not less than 1.15; and

(ii) a certificate of a Commission Official certifying that the amount paid into the General Reserve Fund under the Senior Indenture for the most recent Fiscal Year preceding the delivery of such certificate for which audited financial statements are available divided by the Annual Debt Service on Outstanding Special Revenue Bonds including any Special Revenue Bonds to be issued at that time, and on Outstanding Special Revenue Bonds Parity Obligations, including Special Revenue Bonds to be issued at that time, was not less than 1.00; or

(iii) a report of a Consultant to the effect that the Projected Debt Service Coverage Ratio is not less than 1.10 for the Outstanding Bonds, including any Bonds to be issued at that time, and Parity Obligations.

(2) 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.

(3) If the Long-Term Indebtedness being incurred consists of Special Revenue Bonds, a certificate provided by or on behalf of the Commission certifying that the balance in the Motor License Fund at the end of the fiscal year immediately preceding the issuance of the Special Revenue Bonds is equal to at least three times the Maximum Annual Debt Service on all Outstanding Special Revenue Bonds after the issuance of the proposed Special Revenue Bonds.

(4) If the additional Series of Subordinate Indenture Bonds are refunding Subordinate Indenture Bonds issued to refund other Subordinate Indenture Bonds, the following shall be delivered:

(i) Evidence satisfactory to the Trustee that the Commission has made provision as required by the Subordinate Indenture for the payment or redemption of all Subordinate Indenture Bonds to be refunded;

(ii) A written determination by the Trustee or by a firm of certified independent public accountants or other qualified firm acceptable to the Commission and the Trustee that the proceeds (excluding accrued interest) of the refunding Subordinate Indenture Bonds, together with any other money to be deposited for such purpose with the Trustee, or in escrow for the benefit of the Trustee, upon the issuance of the refunding Bonds and the investment income to be earned on funds held by, or in escrow for the benefit of, the Trustee for the payment or redemption of other Subordinate Indenture Bonds will be sufficient without reinvestment to pay, whether upon redemption or at maturity, the principal of and premium, if any, and interest on the Subordinate Indenture Bonds to be refunded and the estimated expenses incident to the refunding; and

(iii) Either a written determination by the Trustee or by a firm of certified independent public accountants or other qualified firm acceptable to the Commission and the Trustee that after the issuance of the refunding Subordinate Indenture Bonds and the provision for payment or redemption of all Subordinate Indenture Bonds to be refunded, Debt Service for each Fiscal Year in which there will be Outstanding Subordinate Indenture Bonds (not including Subordinate Indebtedness) of any Series not to be refunded will not be more than Debt Service for the Fiscal Year would have been respectively in each case on all Outstanding Revenue Bonds and on all Outstanding Special Revenue Bonds (in each case not including Subordinate Indebtedness) immediately before the issuance of the refunding Bonds, including the Subordinate Indenture Bonds, to be refunded.

(b) 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 or any Series of Subordinate Indenture Bonds and other Parity Obligations incurred under the Subordinate Indenture so that the same is payable as to principal and interest once all other payments have been made under the Subordinate Indenture from the amounts on deposit to the credit of the Commission Payments 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 the Subordinate Indenture for incurring Additional Subordinate Indenture Bonds (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 Subordinate Indenture Bonds or any Series thereof on the Commission Payments or (b) prior to, on a parity with or subordinate to, the Subordinate Indenture Bonds or any Series thereof on Other Revenues, in which event the Commission and the Trustee may establish such other accounts under the Subordinate Indenture as they deem necessary or appropriate.

(c) **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 of the Subordinate Indenture 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.

Covenant as to Funding Agreement

The Commission covenants it will not agree to any amendments or supplements to the Funding Agreement or waivers thereunder which adversely affect the holders of the Subordinate Indenture Bonds. The Commission covenants, as set forth in the Funding Agreement, that its obligations to pay Funding Agreement Rental Payments shall be subordinate obligations of the Commission, payable from amounts in the General Reserve Fund only as permitted by any financing documents, financial covenants, liquidity policies or agreements in effect of the Commission. The Commission agrees that Funding Agreement Rental Payments will not be made when there is an outstanding uncured Event of Default under the Senior Indenture or the Subordinate Indenture.

Tax Covenants

The Commission covenants that it will neither make nor direct the Trustee to make any investment or other use of the proceeds of any Series of tax exempt Subordinate Indenture Bonds issued under the Subordinate Indenture that would cause such Series of tax exempt Subordinate Indenture Bonds to be "arbitrage bonds", as that term is defined in Section 148(a) of the Code, and that it will comply with the requirements of the Code throughout the term of such Series of tax exempt Subordinate Indenture Bonds. The Trustee covenants that in those instances where it exercises discretion over the investment of funds, it shall not knowingly make any investment inconsistent with the foregoing covenants.

Notwithstanding the foregoing, the Commission hereby reserves the right to elect to issue one or more Series of Additional Subordinate Indenture Bonds, the interest on which is not exempt from federal income taxation. If such election is made prior to the issuance of such Additional Subordinate Indenture Bonds, then the covenants contained in this Section shall not apply to such Series of Subordinate Indenture Bonds.

The Commission covenants that it (1) will take, or use its best efforts to require to be taken, all actions that may be required of the Commission for the interest on the Subordinate Indenture Bonds to be and remain not included in gross income for federal income tax purposes

and (2) will not take or authorize to be taken any actions within its control that would adversely affect that status under the provisions of the Code.

Events of Default

Each of the following is an "Event of Default" with respect to a particular Series under the Subordinate Indenture:

(a) Default in the payment of any installment of principal, redemption premium, if any, interest or other amount due on that particular Class of Subordinate Indenture Bonds when the same becomes due and payable;

(b) Default in the payment by the Commission of any other Parity Obligation of that particular Class;

(c) With respect only to Special Revenue Bonds and subject to the provisions of the Subordinate Indenture, default in the performance or breach of the covenants contained in the Subordinate Indenture;

(d) Subject to the provisions of the Subordinate Indenture, default in the performance or breach of any other covenant, warranty or representation of the Commission contained in the Subordinate Indenture (other than a default under subsections (a) and (b) of this "Events of Default" Section);

(e) The occurrence of any Event of Default under any Supplemental Indenture with respect to that particular Class; or

(f) (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.

Remedies

(a) 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 Revenue Bonds Outstanding and subject, to the requirements of the Subordinate Indenture, shall proceed to protect and enforce its rights and the rights of the holders of the applicable Series of Subordinate Indenture Bonds under the Subordinate Indenture by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in the Subordinate Indenture or in aid of the execution of any power granted in the Subordinate Indenture, or for the enforcement of any other appropriate legal or equitable remedy, as 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 applicable Series of Subordinate Indenture Bondholders under the applicable Series of Subordinate Indenture Bonds or the Subordinate Indenture.

(b) Without limiting the generality of the foregoing, the Trustee shall at all times have the power to institute and maintain such proceedings as it may deem expedient: (1) to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Subordinate Indenture, and (2) to protect its interests and the interests of the Subordinate Indenture Bondholders in the Trust Estate and in the issues, profits, revenues and other income arising therefrom, including the power to maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order which may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair the Trust Estate or be prejudicial to the interests of the Subordinate Indenture Bondholders or the Trustee.

(c) 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 Special Revenue Bonds Outstanding, appoint a co-trustee to represent the holders of the Special Revenue Bonds in all proceedings to enforce payments from the Motor License Fund and the Special Revenue Bonds Funded Debt Service Sub-Account except as to any enforcement relating to the covenants of Act 44, which shall require the written direction of the Holders of not less than twenty-five (25%) of the principal amount of the Special Revenue Bonds then Outstanding, as set forth under the section "Covenants as to Act 44— Special Revenue Bonds" in the Subordinate Indenture.

(d) Notwithstanding anything to the contrary contained in the Subordinate Indenture, the Trustee shall proceed to protect and enforce its rights under the section "Commission Payments" and the rights of the holders of the applicable Series of Subordinate Indenture Bonds under the section "Commission Payments" by a suit or suits in equity or at law, either for the specific performance or mandamus of any covenant or agreement contained in the Subordinate Indenture in a manner that the Trustee in reliance, upon the advice of Counsel, may deem most effective to protect and enforce any of its rights under the section "Commission Payments" or the interests of the applicable Series of Subordinate Indenture Bondholders under the section "Commission Payments."

Marshaling of Assets

Upon the occurrence of an Event of Default, all moneys in all Funds (other than moneys in the Rebate Fund and the Motor License Fund Repayment Fund) shall be available to be utilized by the Trustee in accordance with the Subordinate Indenture. The rights of the Trustee under the Subordinate Indenture shall be applicable. During the continuance of any such Event of Default, all provisions of the Subordinate Indenture relating to the utilization of Funds shall be superseded by the right of the Trustee to marshal assets under the Subordinate Indenture. Subsequent to the curing or waiver of any such Event of Default, the provisions of the Subordinate Indenture relating to utilization of Funds shall be reinstated.

Trustee May File Proofs of Claim

(a) 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 Subordinate Indenture Bonds or any property of the Commission, the Trustee (whether or not the principal of the Subordinate Indenture 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 Subordinate Indenture Bonds then Outstanding or for breach of the Subordinate 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 Subordinate Indenture.

(b) No provision of the Subordinate Indenture empowers the Trustee to authorize or consent to or accept or adopt on behalf of any Subordinate Indenture Bondholders any plan of reorganization, arrangement, adjustment or composition affecting any of the Subordinate Indenture 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 subsection (a) above.

Notice and Opportunity to Cure Certain Defaults

No default under (c) and (d) of the section "Events of Default" above shall constitute an Event of Default under the Subordinate Indenture 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 applicable Series of Subordinate Indenture 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.

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 Subordinate Indenture Bond Owner pursuant to any right given or action taken under the provisions of the Subordinate Indenture, 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 Subordinate Indenture Bonds) of amounts to which they are entitled by virtue of their parity position, shall be deposited and applied as follows:

(a) first, to the payment to the persons entitled thereto of all installments of interest then due on the applicable Series of Revenue 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;

(b) second, to the payment to the persons entitled thereto of the unpaid principal of any of the applicable Series of Revenue Bonds which shall have become due with interest on such Revenue 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 Revenue Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal (or Compounded Amount) and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege;

(c) third, to the payment to the persons entitled thereto of all installments of interest then due on the applicable Series of Special Revenue 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;

(d) fourth, to the payment to the persons entitled thereto of the unpaid principal of any of the applicable Series of Special Revenue Bonds which shall have become due with interest on such Special Revenue 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 Special Revenue Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal (or Compounded Amount) and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege; and

(e) fifth, to the payment of any other amounts then owing under the Subordinate 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 Subordinate Indenture.

(f) notwithstanding anything in the foregoing to the contrary, any funds on deposit in the Special Revenue Bonds Receipt Account or the Special Revenue Bonds Funded Debt Service Sub-Account may only be used for the payment of debt service on Special Revenue Bonds and may not be used for the payment of debt service on Revenue Bonds or for any other purpose and shall be applied to the payment ratably of interest and principal, according to the amount of principal (or Compounded Amount) and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the foregoing provisions, 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 Subordinate Indenture Bonds with respect to which the Event of Default occurred and shall not be required to make payment to any Subordinate Indenture Bond Owner until such Subordinate Indenture Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Revenue Bondholders May Direct Proceedings

The owners of a majority in aggregate principal amount of the Revenue Bonds Outstanding shall, subject to the requirements of the Subordinate Indenture, 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 Subordinate Indenture, provided that such direction shall not be in conflict with any rule of law or the Subordinate 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 Subordinate Indenture Bondholders not parties to such direction or would subject the Trustee to personal liability or expense. If no Revenue Bonds are Outstanding, the owners of a majority in aggregate principal amount of Special Revenue Bonds Outstanding shall have the right to direct all actions as set forth hereof, except as to any enforcement relating to the covenants of Act 44, which shall require the written direction of the Holders of not less than twenty-five percent (25%) of the principal amount of the Special Revenue Bonds then Outstanding, as set forth in the Subordinate Indenture. 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 pursuant to the above.

Limitations on Rights of Subordinate Indenture Bondholders

(a) No Subordinate Indenture Bondholder shall have any right to pursue any other remedy under the Subordinate Indenture or the Subordinate Indenture 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 the applicable Series of Subordinate Indenture 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 Subordinate Indenture Bonds Outstanding.

(b) The provisions of subsection (a) of this Section are conditions precedent to the exercise by any Subordinate Indenture Bondholder of any remedy under the Subordinate Indenture. The exercise of such rights is further subject to the provisions of the Subordinate Indenture. No one or more Subordinate Indenture Bondholders shall have any right in any manner whatever to enforce any right under the Subordinate Indenture, except in the manner provided in the Subordinate 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 Subordinate Indenture for the equal and ratable benefit of the Subordinate Indenture Bondholders of all Subordinate Indenture Bonds Outstanding.

Unconditional Right of Subordinate Indenture Bondholder to Receive Payment

Notwithstanding any other provision of the Subordinate Indenture, any Subordinate Indenture Bondholder shall have the absolute and unconditional right to receive payment of principal of, redemption premium, if any, and interest on the Subordinate Indenture Bonds on and after the due date thereof, and to institute suit for the enforcement of any such payment.

Restoration of Rights and Remedies

If the Trustee or any Subordinate Indenture Bondholder has instituted any proceeding to enforce any right or remedy under the Subordinate Indenture, and any such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Subordinate Indenture Bondholder, then the Commission, the Trustee and the Subordinate Indenture Bondholders, subject to any determination in such proceeding, shall be restored to their former positions under the Subordinate Indenture, and all rights and remedies of the Trustee and the Subordinate Indenture Bondholders shall continue as though no such proceeding had been instituted.

Rights and Remedies Cumulative

No right or remedy conferred under the Subordinate Indenture 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 Subordinate Indenture or now or hereafter existing at law, in equity or otherwise. The assertion or employment of any right or remedy under the Subordinate 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 Subordinate Indenture 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 the Subordinate Indenture or by law to the Trustee or the Subordinate Indenture Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or the Subordinate Indenture Bondholders, as the case may be.

Waiver of Defaults

(a) The holders of a majority in aggregate principal amount of each Series of Outstanding Subordinate Indenture Bonds may, by written notice to the Trustee and subject to the requirements of the Subordinate Indenture, waive any existing default or Event of Default with respect to that particular Series and its consequences, except an Event of Default under (a) or (b) of "Events of Default" set forth above. 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.

(b) Notwithstanding any provision of the Subordinate Indenture, in no event shall any Person, other than all of the affected Subordinate Indenture Bondholders, have the ability to waive any Event of Default under the Subordinate Indenture if such event results or may result, in the opinion of Bond Counsel, in interest on any of the Subordinate Indenture Bonds becoming includable in gross income for federal income tax purposes if the interest on such Subordinate Indenture 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 Subordinate 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 Subordinate Indenture Bondholder then Outstanding, provided, however, that except in the instance of an Event of Default under "Events of Default" paragraphs (a) or (b), 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 any Class of Subordinate Indenture Bondholders, and provided, further, that notice to Subordinate Indenture Bondholders of any Event of Default under "Events of Default" paragraphs (c) and (d) shall be subject to the provisions of the section "Priority of Payment Following Event of Default" and shall not be given until the grace period has expired.

The Trustee; Qualifications of Trustee

The Subordinate Indenture contains provisions relating to the appointment and duties of the Trustee. The Trustee under the Subordinate Indenture shall at all times be a trustee under the Subordinate Indenture which shall be a corporation or banking association organized and doing business under the laws of the U.S. 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 hereof, 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 provisions hereof, it shall resign promptly in the manner and with the effect specified in the Subordinate Indenture.

Resignation or Removal of Trustee; Appointment of Successor Trustee

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to the Subordinate Indenture shall become effective until the acceptance of appointment by the successor Trustee under the Subordinate Indenture.

(b) 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 Subordinate Indenture Bondholder may petition a court of competent jurisdiction for the appointment of a successor Trustee.

(c) Prior to the occurrence and continuance of an Event of Default under the Subordinate 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 Subordinate Indenture Bonds of each Class, 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 Subordinate Indenture, the holders of a majority in aggregate principal amount of each Class of Outstanding Subordinate Indenture 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 Subordinate Indenture Bonds and the successor Trustee.

(d) If at any time: (1) the Trustee shall cease to be eligible and qualified under the Subordinate Indenture and shall fail or refuse to resign after written request to do so by the Commission or the holder of any Subordinate Indenture 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 paragraph (c) above; or (ii) any holder of a Subordinate Indenture Bond then Outstanding may, on behalf of the holders of all Outstanding Subordinate Indenture Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

(e) 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 Subordinate Indenture Bonds then Outstanding as listed in the Subordinate Indenture Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

Notices to Subordinate Indenture Bondholders; Waiver

Where the Subordinate Indenture provides for notice to Subordinate Indenture Bondholders of any event, such notice shall be sufficiently given (unless otherwise expressly provided in the Subordinate Indenture) if in writing and mailed, first class postage prepaid, to each Subordinate Indenture Bondholder affected by each event, at his or her address as it appears on the Subordinate Indenture Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. In any case where notice to Subordinate Indenture Bondholders is given by mail, neither the failure to mail such notice, nor any default in any notice so mailed to any particular Subordinate Indenture Bondholder shall affect the sufficiency of such notice with respect to other Subordinate Indenture Bondholders. Where the Subordinate Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Subordinate Indenture Bondholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

For so long as the Subordinate Indenture Bonds are registered solely in the name of the Securities Depository or its nominee, where the Subordinate Indenture provides for notice to the Subordinate Indenture Bondholders of the existence of, or during the continuance of, any Event of Default, the Trustee, at the expense of the Commission, shall: (a) establish a record date (the "Record Date") for determination of the Persons entitled to receive such notice; (b) request a securities position listing from the Securities Depository showing the Depository Participants holding positions in the Subordinate Indenture Bonds affected by such notice as of the Record Date for such notice; (c) mail, first class postage prepaid, copies of the notice as provided above to each Depository Participant identified in the securities position listing as holding a position in the Subordinate Indenture Bonds as of the Record Date for the notice, to each nationally recognized municipal securities information repository (within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934), and to any Person identified to the Trustee as a nonobjecting beneficial owner pursuant to the immediately following clause; (d) request that the Depository Participant retransmit the

notice to all Persons for which it served as nominee on the Record Date, including nonobjecting beneficial owners, or retransmit the notice to objecting beneficial owners and provide a listing of nonobjecting beneficial owners for whom the Depository Participant served as nominee on the Record Date to the Trustee, (e) provide on behalf of the Commission and not as its agent, an undertaking to pay to any Depository Participant or other nominee (other than the Securities Depository) the reasonable costs of transmitting the notice to Persons for whom the Depository Participant acts as nominee; and (f) provide as many copies of the notice as may be requested by any nominee owner of the Subordinate Indenture Bonds. Any default in performance of the duties required by this paragraph shall not affect the sufficiency of notice to the Subordinate Indenture Bondholders given in accordance with the first paragraph above, nor the validity of any action taken under the Subordinate Indenture in reliance on such notice to Subordinate Indenture Bondholders.

Supplemental Indentures Without Subordinate Indenture Bondholders' Consent

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 Subordinate Indenture 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 Subordinate Indenture or in any Supplemental Indenture;
- (b) provide for earlier or larger deposits to the Revenue Bonds Account or Special Revenue Bonds Account of the Debt Service Fund;
- (c) grant to or confer upon the Trustee for the benefit of the Subordinate Indenture Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Subordinate Indenture Bondholders or the Trustee which are not contrary to or inconsistent with the Subordinate Indenture as then in effect or to subject to the pledge and lien of the Subordinate Indenture additional revenues, properties or collateral including Defeasance Obligations;
- (d) add to the covenants and agreements of the Commission in the Subordinate Indenture other covenants and agreements thereafter to be observed by the Commission or to surrender any right or power reserved in the Subordinate Indenture to or conferred upon the Commission which are not contrary to or inconsistent with the Subordinate Indenture as then in effect;
- (e) by action taken on or before the issuance by the Commission of the first Series or any Sub-Series of Special Revenue Bonds, modify, alter, supplement or amend the section "Covenants as to Act 44 — Special Revenue Bonds";
- (f) permit the appointment of a co-trustee under the Subordinate Indenture;

(g) modify, alter, supplement or amend the Subordinate Indenture in such manner as shall permit the qualification of the Subordinate Indenture, if required, under the Trust Indenture Act of 1939, the Securities Act of 1933, state securities laws or any similar statute;

(h) cure formal defects or omissions that, if not cured, would cause interest on Subordinate Indenture Bonds to be includible in gross income for federal income tax purposes;

(i) make any other change in the Subordinate Indenture that is determined by the Trustee not to be materially adverse to the interests of the Subordinate Indenture Bondholders;

(j) identify particular characteristics of Subordinate Indenture Bonds for purposes not inconsistent with the Subordinate Indenture including, without limitation, credit or liquidity support, remarketing, serialization, mandatory tender for purchase and defeasance;

(k) implement the issuance of Additional Subordinate Indenture Bonds, or the incurrence of other Parity Obligations or of Subordinated Indebtedness permitted under the Subordinate Indenture; or

(l) if all Subordinate Indenture Bonds in a Series are Book Entry Bonds, amend, modify, alter or replace any Letter of Representations as provided in the Subordinate Indenture 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 Subordinate Indenture.

Supplemental Indentures Requiring Subordinate Indenture 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 Subordinate Indenture, but only with the written consent of the holders of at least a majority in aggregate principal amount of the Revenue Bonds Outstanding at the time such consent is given, and in case such modification adversely affects the holders of the Special Revenue Bonds, of PennDOT; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Subordinate Indenture Bonds so affected remain Outstanding, the consent of the holders of such Subordinate Indenture Bonds shall not be required and such Subordinate Indenture Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Subordinate Indenture 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 Subordinate Indenture Bondholder whose rights are affected thereby:

(a) a change in the terms of stated maturity or redemption of any Subordinate Indenture Bond or of any installment of interest thereon;

(b) a reduction in the principal amount of or redemption premium on any Subordinate Indenture Bond or in the rate of interest thereon or a change in the coin or currency in which such Subordinate Indenture 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 Subordinate Indenture) the lien or pledge granted to the Subordinate Indenture Bondholders under the Subordinate 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 Subordinate Indenture Bond or Subordinate Indenture Bonds over any other Subordinate Indenture Bond or Subordinate Indenture Bonds, except to the extent permitted under the Subordinate Indenture;

(e) a reduction in the aggregate principal amount of Subordinate Indenture Bonds of which the consent of the Subordinate Indenture Bondholders is required to effect any such modification or amendment; or

(f) a change in the provisions of this "Supplemental Indentures Requiring Subordinate Indenture Bondholders' Consent" section.

Notwithstanding the foregoing, the holder of any Subordinate Indenture Bond may extend the time for payment of the principal of or interest on such Subordinate Indenture Bond; provided, however, that upon the occurrence of an Event of Default, funds available under the Subordinate Indenture for the payment of the principal of and interest on the Subordinate Indenture 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 this Section shall be given to the Subordinate Indenture Bondholders promptly following the execution thereof.

Discharge

If (a) the principal of any Subordinate Indenture Bonds and the interest due or to become due thereon, together with any redemption premium required by redemption of any of the Subordinate Indenture Bonds prior to maturity, shall be paid, or is caused to be paid, or is provided for under the Subordinate Indenture, at the times and in the manner to which reference is made in the Subordinate Indenture Bonds, according to the true intent and meaning thereof, or the outstanding Subordinate Indenture Bonds shall have been paid and discharged in accordance with the Subordinate Indenture, and (b) all of the covenants, agreements, obligations, terms and conditions of the Commission under the Subordinate Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Subordinate Indenture 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 Subordinate 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 Subordinate 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 Subordinate Indenture except for amounts required to pay such Subordinate Indenture Bonds or held as described under "Rebate Fund."

Defeasance; Deposit of Funds for Payment of Subordinate Indenture Bonds

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 Subordinate Indenture Bond or Subordinate Indenture 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 Subordinate Indenture Bonds, all liability of the Commission with respect to such Subordinate Indenture Bond or Subordinate Indenture Bonds shall cease, such Subordinate Indenture Bond or Subordinate Indenture Bonds shall be deemed not to be Outstanding under the Subordinate Indenture and the holder or holders of such Subordinate Indenture Bond or Subordinate Indenture 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 Subordinate Indenture Bond or Subordinate Indenture 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 Subordinate Indenture 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 Subordinate Indenture 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 the Subordinate Indenture have been satisfied and (2) that defeasance of any Subordinate Indenture Bonds will not cause interest on the Subordinate Indenture 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 Subordinate Indenture 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 any Subordinate Indenture Bonds shall be deemed to be paid under the Subordinate Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Subordinate Indenture, except for the purposes of any such payment from such money or Defeasance Obligations.

Notice of Defeasance

(a) In case any of the Subordinate Indenture Bonds, for the payment of which moneys or Defeasance Obligations have been deposited with the Trustee pursuant to the Subordinate Indenture, 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 Subordinate Indenture Bonds on the redemption date for such Subordinate Indenture Bonds.

(b) In addition to the foregoing notice, in the event such Subordinate Indenture 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 Subordinate Indenture Bondholders that the deposit required by the Subordinate Indenture has been made with the Trustee and that said Subordinate Indenture Bonds are deemed to have been paid in accordance the Subordinate Indenture 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 Subordinate Indenture Bonds; such further notice shall be given promptly following the making of the deposit required by the Subordinate Indenture; and such further notice also shall be given in the manner set forth in the Subordinate 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 Subordinate Indenture, notice thereof shall be sent to Subordinate Indenture Bondholders of such Subordinate Indenture Bonds as soon as practicable and not later than any notice required by paragraphs (a) or (b) above.

Limitation of Liability of Officials of the Commission

No covenant, stipulation, obligation or agreement contained in the Subordinate Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, agent or employee of the Commission in his individual capacity, and neither the members of the Commission nor any official executing the Subordinate Indenture Bonds shall be liable personally on the Subordinate Indenture Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. Notwithstanding anything to the contrary contained herein, the Trustee, the Subordinate Indenture Bondholders and any other party entitled to seek payment from the Commission under or to enforce the Subordinate Indenture and the Subordinate Indenture Bonds will be entitled to look solely to the Trust Estate, and such collateral, if any, as may now or hereafter be given to secure the payment of the obligations of the Commission under the Subordinate Indenture and the Subordinate Indenture Bonds, and no other property or assets of the Commission or any officer or director of the Commission shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies hereunder, or for any payment required to be made under the Subordinate Indenture and the Subordinate Indenture Bonds, or for the performance of any of the covenants or warranties contained herein.

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APPENDIX D

FORM OF OPINION OF CO-BOND COUNSEL

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APPENDIX D

The proposed form of the legal opinions of Clark Hill PLC and Obermayer Rebmann Maxwell & Hippel LLP, Co-Bond Counsel, is set forth below. The actual opinions will be delivered on the date of delivery of the bonds referred to therein and may vary from the form to reflect circumstances both factual and legal at the time of delivery. Recirculation of the Official Statement following the date hereof shall create no implication that Clark Hill PLC and/or Obermayer Rebmann Maxwell & Hippel LLP have reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

[Date of Issuance of 2015A Subordinate Revenue Bonds]

Pennsylvania Turnpike Commission
Middletown, PA

We have acted as Co-Bond Counsel in connection with the issuance and sale by the Pennsylvania Turnpike Commission (the "Commission") of \$259,010,000 aggregate principal amount of its Turnpike Subordinate Revenue Bonds, Series A of 2015 (the "2015A Subordinate Revenue Bonds") which are being issued in two subseries, \$209,010,000 aggregate principal amount of Turnpike Subordinate Revenue Bonds, Sub-Series A-1 of 2015 (Fixed Rate) and \$50,000,000 aggregate principal amount of Turnpike Subordinate Revenue Bonds, Sub-Series A-2 of 2015 (SIFMA Floating Rate Tender Notes). The 2015A Subordinate Revenue Bonds are issued under and pursuant to and authorized by an Act of the General Assembly of Pennsylvania approved July 18, 2007, P. L. 169, No. 44 ("Act 44"), as amended and supplemented by an Act of the General Assembly approved November 25, 2013, P.L. 974, No. 89, and various Acts of the General Assembly approved on several dates, including the Act of May 21, 1937, P. L. 774, Act 211; the Act of May 24, 1945, P. L. 972; the Act of February 26, 1947, P. L. 17; the Act of May 23, 1951, P. L. 335; the Act of August 14, 1951, P. L. 1232; and the Act of September 30, 1985, P. L. 240, No. 61 to the extent not repealed by Act 44, and the Act of November 25, 2013, P.L. 974, No. 89 (all such acts are referred to hereinafter collectively as the "Enabling Acts"), pursuant to the Resolution adopted by the Commission on March 17, 2015 and pursuant to the Subordinate Trust Indenture, dated as of April 1, 2008, as amended and supplemented prior to the date hereof (as so amended and supplemented, the "Existing Subordinate Indenture"), and as further supplemented by Supplemental Trust Indenture No. 18, dated as of April 1, 2015 ("Supplemental Indenture No. 18" and, together with the Existing Subordinate Indenture, the "Subordinate Indenture"), between the Commission and Wells Fargo Bank, N.A., as successor trustee to TD Bank, National Association. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Subordinate Indenture.

In the course of the performance of our duties as Co-Bond Counsel, we have examined such documents, opinions, records, orders, notices, certificates, statutes, resolutions, decisions, and rulings as we have deemed necessary to enable us to furnish this opinion, including, *inter alia*, the following: (i) an executed counterpart of Supplemental Indenture No. 18, (ii) the forms of each subseries of the 2015 Subordinate Revenue Bonds, (iii) a copy, certified or otherwise identified to our satisfaction, of the Existing Subordinate Indenture, (iv) an executed counterpart of the Tax Regulatory Agreement and Non-Arbitrage Certificate dated as of the date hereof (the "Tax Regulatory Agreement"), on which we have relied, (v) the opinion of Doreen A. McCall, Esquire, Chief Counsel to the Commission, on which we have relied, and (vi) the Enabling Acts and such constitutional and other 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 the matters set forth herein.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to such opinions, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents and the representations and warranties made therein without undertaking to verify the same by independent investigation. We have also assumed that the documents referred to herein have been duly authorized by all parties thereto other than the Commission and are, where appropriate, legally binding obligations of, and enforceable in accordance with their terms against all parties, except the Commission, and that the actions required to be taken and consent required to be obtained by such parties, have or will be taken or obtained. We do not render any opinion with respect to the adequacy of security for the 2015A Subordinate Revenue Bonds or the sources of payment in respect of the 2015A Subordinate Revenue Bonds.

Based upon the foregoing, it is our opinion, under existing law and as of the date hereof, and 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 Supplemental Indenture No. 18 and to carry out its obligations thereunder.

2. Supplemental Indenture No. 18 has been duly authorized, executed and delivered by the Commission and constitutes the valid and binding obligation of the Commission, enforceable against the Commission in accordance with its terms.

3. The 2015A Subordinate Revenue Bonds have been duly and validly authorized and issued by the Commission and constitute the valid and binding limited obligations of the Commission, enforceable against the Commission in accordance with their terms, payable from the sources provided therefor in the Subordinate Indenture.

4. The 2015A Subordinate Revenue Bonds are exempt from personal property taxes in Pennsylvania, and the interest on the 2015A Subordinate Revenue Bonds is exempt from Pennsylvania corporate net income tax and from Pennsylvania personal income tax.

5. Interest on the 2015A Subordinate Revenue Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, such interest is includable in adjusted current earnings for purposes of the federal alternative minimum tax imposed on certain corporations, as defined in the Internal Revenue Code of 1986, as amended (the "Code"). The opinions set forth in the preceding sentences are subject to the condition that the Commission comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the 2015A Subordinate Revenue 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 all such requirements of the Code. Failure to comply with certain of such requirements may cause interest on the 2015A Subordinate Revenue Bonds to become included in gross income for federal income tax purposes retroactively to the date of issuance of the 2015A Subordinate Revenue Bonds.

We express no opinion regarding any other federal, state or local tax consequences arising with respect to the 2015A Subordinate Revenue Bonds.

In rendering this opinion, we have assumed compliance by the Commission with the covenants contained in the 2015A Subordinate Revenue Bonds, the representations contained in the Existing Subordinate Indenture and Supplemental Indenture No. 18 and the representations of the Commission and the Pennsylvania Department of Transportation (“PennDOT”) provided in the Tax Regulatory Agreement that are intended to comply with the provisions of the Code relating to actions to be taken by the Commission and PennDOT in respect of the 2015A Subordinate Revenue Bonds after the issuance thereof to the extent necessary to effect or maintain the federal tax-exempt status of the interest on the 2015A Subordinate Revenue Bonds. These covenants and representations relate to, *inter alia*, the use of proceeds of the 2015A Subordinate Revenue Bonds and the rebating to the United States Treasury of specified arbitrage earnings, if required. The opinions set forth above as to the enforceability of the 2015A Subordinate Revenue Bonds and Supplemental Indenture No. 18 are subject to applicable bankruptcy, reorganization, moratorium, insolvency or other laws affecting creditors’ rights or remedies generally (including, without limitation, laws relating to fraudulent conveyances or transfers) and are subject to general principles of equity and the exercise of judicial discretion in appropriate cases (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The opinions set forth above are rendered on the basis of, and limited to, federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. We express no opinion herein as to any matter not set forth in the numbered paragraphs above. In particular, we assume no responsibility for, and express no opinion herein with respect to, the accuracy, adequacy or completeness of the Preliminary Official Statement or the Official Statement prepared in respect of the 2015A Subordinate Revenue Bonds, including the appendices thereto, and we make no representation that we have independently verified any such information.

We call to your attention that the 2015A Subordinate Revenue Bonds are not in any way a debt or liability of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof other than the Commission, nor do the 2015A Subordinate Revenue Bonds or the Subordinate Indenture pledge the general credit or taxing power of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof. The Commission has no taxing power.

The opinions set forth above are given solely for your benefit and may not be relied on by any other person or entity without our express prior written consent. The opinions set forth above are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur including, but not limited to, those that may affect the tax status of interest on the 2015A Subordinate Revenue Bonds. Our engagement as Co-Bond Counsel has concluded with the issuance of the 2015A Subordinate Revenue Bonds.

Very truly yours,

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APPENDIX E

**SUMMARY OF CERTAIN PROVISIONS OF AND DEFINED TERMS IN
THE SENIOR INDENTURE**

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF AND DEFINED TERMS IN THE SENIOR INDENTURE

The following sets forth the definitions derived from the Senior Indenture concerning the Senior Revenue Bonds and the operation of the Senior Indenture. This summary of such terms does not purport to be complete or definitive and is subject to all of the terms and provisions of the Senior Indenture, a copy of which will be available at the corporate trust office of U.S. Bank National Association, as the trustee under the Senior Indenture (the "Senior Trustee"). Any references to "principal amount" shall mean the principal amount of any Senior Revenue Bonds plus the accreted amount on any Senior Revenue Bond which constitutes a capital appreciation or similar bond.

DEFINITIONS OF CERTAIN TERMS

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

"Additional Senior Revenue Bonds" -- the Senior Revenue Bonds of any series authorized to be issued under the Senior Indenture.

"Annual Debt Service" -- (i) the amount of principal and interest paid or payable with respect to Senior Revenue Bonds in a Fiscal Year plus (ii) Senior Indenture 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 Senior Indenture Approved Swap Agreements, minus (iv) the amounts, if any, paid or payable to the Commission in such Fiscal Year with respect to Senior Indenture 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 Senior Revenue Bonds or Senior Indenture Reimbursement Obligations in each Fiscal Year, payment shall be assumed to be made in accordance with any amortization schedule established for such Senior Indenture Indebtedness, including amounts paid or payable pursuant to any mandatory redemption schedule for such Senior Indenture Indebtedness;

(b) if any of the Senior Indenture Indebtedness or proposed Senior Indenture Indebtedness constitutes Balloon Senior Indenture Indebtedness, then such amounts thereof as constitute Balloon Senior Indenture Indebtedness shall be treated as if such Senior Indenture 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 Senior Indenture Indebtedness;

anything to the contrary in the Senior Indenture notwithstanding, during the year preceding the final maturity date of such Senior Indenture Indebtedness, all of the principal thereof shall be considered to be due on such maturity date unless the Commission provides to the Senior Trustee a certificate of a Financial Consultant certifying that, in its judgment, the Commission will be able to refinance such Balloon Senior Indenture Indebtedness, in which event the Balloon Senior Indenture Indebtedness shall be amortized over the term of the Senior Indenture Indebtedness expected to refinance such Balloon Senior Indenture Indebtedness and shall bear the interest rate specified in the certificate of the Financial Consultant;

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

(d) termination or similar payments under a Senior Indenture Approved Swap Agreement shall not be taken into account in any calculation of Annual Debt Service; and

(e) if any cash subsidy payments (the “Subsidy Payments”) from the United States Treasury pursuant to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009 (Pub.L. 111-5) pertaining to “Build America Bonds”) are scheduled to be received by the Commission with respect to any Bonds which are eligible for such Subsidy Payments, each of the Subsidy Payments may be deducted from the interest payable on such Bonds in the period in which such Subsidy Payment is scheduled to be received.

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

“Balloon Senior Indenture Indebtedness” -- Senior Indenture 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 Senior Indenture Indebtedness was issued to be amortized by payment or redemption prior to that Fiscal Year, provided that such Senior Indenture Indebtedness will not constitute Balloon Senior Indenture Indebtedness if the Senior Trustee is provided a certificate of a Commission Official certifying that such Senior Indenture Indebtedness is not to be treated as Balloon Senior Indenture Indebtedness (because, by way of example, such Indebtedness is intended to serve as “wrap around” Senior Indenture Indebtedness).

"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.

“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.

“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 Senior Revenue Bonds pursuant to the provisions of a Supplemental Senior Indenture under which such Senior Revenue 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 Senior Revenue 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 Senior Trustee and of the Senior Indenture Paying Agents, periodic fees or charges to maintain a Senior Indenture Debt Service Reserve Fund security, legal expenses and any other expenses required to be paid by the Commission as shown in the Annual Operating Budget for the System.

“Event of Senior Indenture 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 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.

"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 hereof and who is retained by the Commission as a Financial Consultant for the purposes hereof.

“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 Senior Indenture Maximum Annual Debt Service for all Applicable Long-Term Senior Indenture Indebtedness then outstanding and the Applicable Long-Term Senior Indenture Indebtedness proposed to be issued.

“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.

“Issuance Cost” -- costs incurred by or on behalf of the Commission in connection with the issuance of Additional Senior Revenue 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 Senior Revenue Bonds, the cost of printing, engraving and reproduction services, fees and expenses incurred in connection with any Credit Facility and any Senior Indenture 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 Senior Revenue Bonds, the initial or acceptance fee of the Trustee, and all other fees, charges and expenses incurred in connection with the issuance of the Senior Revenue Bonds and the preparation of the Senior Indenture.

“Long-Term Senior Indenture Indebtedness” -- all Senior Indenture Indebtedness, which is not (a) Short-Term Senior Indenture Indebtedness or (b) Subordinated Senior Indenture Indebtedness.

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

“Original Senior Indenture” -- the Indenture of Trust dated as of July 1, 1986 by and between the Commission and First Union Bank, as successor trustee to Fidelity Bank, National Association (the “Original Trustee”).

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

“Outstanding” or “outstanding” in connection with Senior Revenue Bonds -- all Senior Revenue Bonds which have been authenticated and delivered under the Senior Indenture, except: (a) Senior Revenue Bonds theretofore cancelled or delivered to the Senior Trustee for cancellation under the Senior Indenture; (b) Senior Revenue Bonds which are deemed to be no longer Outstanding in accordance with the Senior Indenture; and (c) Senior Revenue Bonds in substitution for which other Senior Revenue Bonds have been authenticated and delivered pursuant to the Senior Indenture. In determining whether the owners of a requisite aggregate principal amount of Senior Revenue Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Senior Indenture, Senior Revenue Bonds which are held by or on behalf of the Commission (unless all of the Outstanding Senior Revenue Bonds are then owned by the Commission) shall be disregarded for the purpose of any such determination.

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

“Prior Senior Indenture” -- the Original Senior Indenture as supplemented and amended by a First Supplemental Indenture, dated as of August 1, 1986, a Second Supplemental Indenture, dated as of November 15, 1988, a Third Supplemental Indenture, dated as of May

15, 1989, a Fourth Supplemental Indenture, dated as of November 15, 1989, a Fifth Supplemental Indenture, dated as of May 15, 1990, a Sixth Supplemental Indenture, dated as of November 15, 1990, a Seventh Supplemental Indenture, dated as of June 1, 1991, an Eighth Supplemental Indenture, dated as of July 1, 1991, a Ninth Supplemental Indenture, dated as of November 15, 1991, a Tenth Supplemental Indenture, dated as of August 1, 1992, an Eleventh Supplemental Indenture, dated as of June 1, 1998, and a Twelfth Supplemental Indenture, dated as of March 1, 2001.

“Projected Annual Debt Service” -- for any future period of time, shall equal the amount of Senior Indenture Maximum Annual Debt Service on all Applicable Long-Term Senior Indenture Indebtedness then Outstanding and on any Applicable Long-Term Senior Indenture 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.

“Rate Covenant” -- the requirement to establish and maintain a schedule of Tolls sufficient to provide the funds required pursuant to the Senior Indenture provisions described under “The Senior Indenture—Rate Covenant” in this Appendix E.

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

“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 Senior Trust Estate pursuant to a Supplemental Senior 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 Senior Indenture Revenue Fund pursuant to the Senior Indenture. As more fully provided in the Senior Indenture, 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.

“Senior Indenture” -- that certain Amended and Restated Trust Indenture originally dated as of July 1, 1986 and Amended and Restated as of March 1, 2001, between the Commission and the Senior Trustee, as supplemented and amended.

“Senior Indenture Approved Swap Agreement” -- a contract having an interest rate, currency, cash-flow, or other basis desired by the Commission, 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 for which the Commission has satisfied the conditions under the Senior Indenture to have payments to be made and received by the Commission thereunder taken into account in the calculation of Annual Debt Service.

“Senior Indenture Assumed Variable Rate” -- in the case of (1) Outstanding Variable Rate Senior Indenture Indebtedness, the average interest rate on such Senior Indenture Indebtedness for the most recently completed 12-month period; and (2) proposed Variable Rate Senior Indenture 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 Senior Indenture 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 Senior Trustee.

“Senior Indenture Bank” -- as to any particular series of Senior Revenue Bonds, each Person (other than a Senior Indenture 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 Senior Indenture to the Senior Indenture providing for the issuance of such Senior Revenue Bonds.

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

“Senior Indenture Events of Default” -- those events described under “The Senior Indenture—Events of Default” in this Appendix E, and such other events specified in any Supplemental Senior Indenture.

“Senior Indenture Indebtedness” -- any obligation or debt incurred for money borrowed.

“Senior Indenture Maximum Annual Debt Service” -- at any point in time the maximum amount of Annual Debt Service on all Applicable Long-Term Senior Indenture Indebtedness, as required by the context (e.g., whether relating to all such Applicable Long-Term Senior Indenture Indebtedness or only specified Applicable Long-Term Senior Indenture Indebtedness) paid or payable in the then current or any future Fiscal Year.

“Senior Indenture Parity Obligations” -- includes Senior Revenue Bonds and other obligations of the Commission owed to Senior Indenture Secured Owners, but excludes Subordinated Senior Indenture Indebtedness.

“Senior Indenture Parity Swap Agreement” -- a Senior Indenture Approved Swap Agreement secured under the Senior Indenture on parity with all Senior Revenue Bonds and other Senior Indenture Parity Obligations.

“Senior Indenture Paying Agent” -- with respect to any Series of Senior Revenue Bonds that Person appointed pursuant to the Senior Indenture to make payments to bondholders of interest and/or principal pursuant to the terms of the Senior Indenture, which is currently the Senior Trustee.

“Senior Indenture 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.

“Senior Indenture Secured Owner” -- each Person who is a bondholder of any Senior Revenue Bonds, each counterparty providing a Senior Indenture Parity Swap Agreement, each Senior Indenture Bank providing a Credit Facility and each Bond Insurer providing a bond insurance policy with respect to a Senior Indenture Parity Obligation.

“Senior Indenture Tender Indebtedness” -- any Senior Indenture Indebtedness or portion thereof:

- (a) The terms of which include (1) 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 (2) 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 (1) one of the two highest long-term Rating Categories by the Rating Agency or (2) the highest short-term, note or commercial paper Rating Category by the Rating Agency.

“Senior Revenue Bond” or “Senior Revenue Bonds” -- any Senior Revenue Bonds outstanding under the Senior Indenture or the Prior Senior Indenture, and Senior Indenture Indebtedness of any kind or class, including Senior Revenue Bonds, notes, bond anticipation notes, commercial paper and other obligations, issued as Additional Senior Revenue Bonds

under the Senior Indenture, other than Additional Senior Revenue Bonds issued as Subordinated Senior Indenture Indebtedness.

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

“Short-Term Senior Indenture Indebtedness” -- all Senior Indenture Indebtedness which matures in less than 365 days and is designated as Short-Term Indebtedness pursuant to the Senior Indenture. In the event a Senior Indenture 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 Senior Indenture Indebtedness and the full amount of such commitment or program shall not be treated as Short-Term Senior Indenture Indebtedness to the extent that such facility remains undrawn.

“Subordinated Senior Indenture Indebtedness” -- Senior Indenture Indebtedness which is subordinated and junior in all respects to payment of all Senior Revenue Bonds and other Senior Indenture Parity Obligations incurred pursuant to or in compliance with the Senior Indenture.

“Supplemental Senior Indenture” -- any duly authorized Supplemental Indenture as a supplement to the Senior Indenture, entered into in accordance with the provisions of the Senior Indenture, including any Supplemental Senior Indenture pursuant to which (and only for so long as) Senior Revenue Bonds are Outstanding thereunder.

“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.

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

“Variable Rate Senior Indenture Indebtedness” -- any Senior Indenture Indebtedness the interest rate on which fluctuates from time to time subsequent to the time of incurrence. Variable Rate Senior Indenture Indebtedness may include, without limitation, (a) “auction rate” Senior Indenture Indebtedness described in the Senior Indenture, (b) certain Senior Indenture Tender Indebtedness, (c) commercial paper Senior Indenture Indebtedness which is intended to be reissued and refinanced periodically, or (d) other forms of Senior Indenture Indebtedness on which the interest fluctuates or is subject to being set or reset from time to time.

THE SENIOR INDENTURE

Rate Covenant

The Commission has covenanted in the Senior 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 Senior Indenture Indebtedness then outstanding under the provisions of the Senior Indenture, or (ii) 100% of the Senior Indenture Maximum Annual Debt Service on all Applicable Long-Term Senior Indenture Indebtedness, plus (a) the amount of required transfers from the Senior Indenture Revenue Fund to the credit of the Senior Indenture Reserve Maintenance Fund pursuant to the Annual Capital Budget, and (b) an amount sufficient to restore any deficiency in the Senior Indenture Debt Service Reserve Fund within an 18 month period; plus (2) the amount of any Short-Term Senior Indenture Indebtedness outstanding under the Senior 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 Senior Indenture Indebtedness, shall be sufficient to pay the Annual Debt Service for any Subordinated Senior Indenture Indebtedness (such covenant is referred to as the “Rate Covenant”).

The Commission’s failure to meet the Rate Covenant shall not constitute a Senior Indenture Event of Default under the Senior Indenture if: (i) no Senior Indenture 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 Senior Trustee in writing of such retention. Anything in the Senior Indenture to the contrary notwithstanding, if the Commission shall comply with the recommendations of the Consultant in respect of Tolls, it will not constitute a Senior Indenture Event of Default under the provisions of the Senior Indenture if the Commission fails to meet the Rate Covenant during the succeeding Fiscal Year as long as no Senior Indenture 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 Senior Indenture Senior Trustee may, and upon the request of the holders of not less than 25% in principal amount of the Senior Revenue 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 Senior 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 Senior Trustee within 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 Senior Trustee.

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 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 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. 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 Senior Indenture, which includes, among others, for operational or safety reasons including, but not limited to, reasons arising out of a work stoppage, work slowdown or work action, and for use by the Army, Air Force, Navy, Coast Guard, Marine Corps or National Guard or any branch thereof in time of war or other emergency. 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 duration of less than one year).

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 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 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 may be of identical or approximately identical length.

Creation of Funds

The following funds are created under the Senior Indenture, the Senior Indenture:

- (a) Construction Fund;
- (b) Revenue Fund;
- (c) Debt Service Fund;
- (d) Debt Service Reserve Fund;
- (e) Reserve Maintenance Fund;
- (f) General Reserve Fund; and
- (g) Rebate Fund.

All Revenues are deposited into the Senior Indenture Revenue Fund and from there are transferred, in the following order of priority, to: the Senior Indenture Rebate Fund, the Operating Account held by the Commission outside of the Indenture, the Senior Indenture Debt Service Fund, the Senior Indenture Reserve Maintenance Fund, the Senior Indenture Debt Service Reserve Fund, and, provided there are moneys in the Senior Indenture Revenue Fund in excess of the amount required to be retained in the Senior Indenture Revenue Fund for future transfers to the Senior Indenture Debt Service Fund, the Senior Indenture General Reserve Fund.

Senior Indenture Debt Service Fund

There are two separate accounts in the Senior Indenture Debt Service Fund known as the “Interest Account” and the “Principal Account.” The Senior Trustee and the Commission may create such additional accounts in the Senior Indenture Debt Service Fund pursuant to a Supplemental Senior Indenture as they deem necessary or appropriate.

On or before the last business day preceding each interest payment date or principal (or sinking fund redemption) payment date or such other day as set forth in a Supplemental Senior Indenture, after making the deposits to the Senior Indenture Operating Account pursuant to the Senior Indenture or identified in a certificate of a Commission Official, the Senior Trustee shall withdraw from the Senior Indenture Revenue Fund and deposit to the applicable Account in the Senior Indenture Debt Service Fund (or to a Series Credit Facility Fund in lieu of either of the foregoing) the amounts due on any Senior Indenture Parity Obligation.

The moneys in the Interest and Principal Accounts shall be held by the Senior Trustee in trust for the benefit of the Senior Revenue 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 Senior Revenue Bonds until paid out or transferred as provided in the Senior 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 Senior Trustee sufficient money for paying the interest on and the principal of and premium on the Senior Revenue 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 Senior Indenture Debt Service Fund as provided in any Supplemental Senior Indenture.

If at the time the Senior Trustee is required to make a withdrawal from the Senior Indenture Debt Service Fund the moneys therein shall not be sufficient for such purpose, the Senior 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 Senior Indenture Debt Service Fund in the following order: the Senior Indenture Debt Service Reserve Fund, the Senior Indenture General Reserve Fund, and the Senior Indenture Reserve Maintenance Fund.

With respect to any Bonds for which Subsidy Payments are scheduled to be received by the Commission, the Commission shall deposit or cause to be deposited all such Subsidy Payments, as and when received, into a separate account of the Debt Service Fund held for each such Series of Bonds, and such Subsidy Payments shall be applied to pay debt service on the corresponding Series of Bonds with respect to which such Subsidy Payments are received.

Senior Indenture Debt Service Reserve Fund

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

In each Fiscal Year, after first having made the deposits to the Senior Indenture Operating Account, Senior Indenture Debt Service Fund and Senior Indenture Reserve Maintenance Fund described above, the Trustee shall transfer from the Senior Indenture Revenue Fund on or before the last day of each month to the credit of the Senior Indenture Debt Service Reserve Fund (a) the amount, if any, required to make the amount on deposit in the Senior Indenture Debt Service Reserve Fund equal to the Senior Indenture 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 Senior Indenture if an amount different from the Senior Indenture Debt Service Reserve Requirement is required.

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

Moneys held in the Senior Indenture Debt Service Reserve Fund shall be used for the purpose of paying interest on, maturing principal and mandatory sinking fund redemption price of Senior Indenture Debt Service Reserve Fund Bonds whenever and to the extent that the moneys held for the credit of the Senior Indenture 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 Senior Indenture Debt Service Reserve Fund shall exceed the Senior Indenture Debt Service Reserve Requirement, the Commission shall direct whether such excess moneys shall be transferred by the Trustee to the credit of the Senior Indenture 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 Senior Indenture Debt Service Reserve Fund to restore a deficiency in the Senior Indenture Debt Service Fund arising with respect to Senior Indenture Debt Service Reserve Fund Bonds, the amount of such deficiency shall be allocated pro rata among such Bonds except to the extent provided in the last sentence of the next paragraph.

In lieu of the deposit of moneys into the Senior Indenture 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 Senior Indenture Debt Service Reserve Requirement and the amounts then on deposit in the Senior Indenture 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 Senior Indenture Debt Service Reserve Fund and applied to the payment of the principal of or interest on any Senior Revenue Bonds to the extent that such withdrawals cannot be made by amounts on deposit in the Senior Indenture 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 Senior Indenture 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 Senior Indenture Debt Service Reserve Fund equals the Senior Indenture 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 Senior Indenture Debt Service Reserve Fund in lieu of replacing such DSRF Security with another.

Additional Security; Parity With Other Parity Obligations

Except as otherwise provided or permitted in the Senior Indenture, the Senior Trust Estate securing all Bonds issued under the terms of the Senior 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 Senior Trustee an opinion of Bond Counsel that the exclusion from gross income of interest on any Senior Revenue Bonds for federal income tax purposes will not be adversely affected thereby. Moreover, the Commission may provide in a Supplemental Senior Indenture that bonds issued thereunder are not secured, or are secured only in part or only under certain circumstances, by the Trust Estate.

Additional Long-Term Senior Indenture Indebtedness

The Commission agrees that it will not issue any Additional Senior Revenue Bonds constituting Long-Term Senior Indenture Indebtedness unless prior to or contemporaneously with the incurrence thereof, certain provisions of the Senior Indenture are met and there is delivered to the Senior 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 Senior Indenture Maximum Annual Debt Service on all Applicable Long-Term Senior Indenture Indebtedness then Outstanding and on any Applicable Long-Term Senior Indenture 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 Senior Indenture Indebtedness is being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Senior Indenture Indebtedness, a certificate of a Commission Official certifying the Senior Indenture Maximum Annual Debt Service on all Applicable Long-Term Senior Indenture Indebtedness prior to the issuance of the proposed Long-Term Senior Indenture Indebtedness is greater than the Senior Indenture Maximum Annual Debt Service on all Applicable Long-Term Senior Indenture Indebtedness after the issuance of such proposed Long-Term Senior Indenture Indebtedness.

Other Additional Senior Indenture Parity Obligations

In addition to additional Long-Term Senior Indenture Indebtedness described above, the Commission is also permitted to incur additional Short-Term Senior Indenture Indebtedness and Senior Indenture Parity Swap Agreements under certain conditions set forth in the Senior Indenture.

Events of Default

Each of the following is a “Senior Indenture Event of Default” under the Senior Indenture:

- (a) Default in the payment of any installment of principal, redemption premium, if any, interest or other amount due on any Senior Revenue Bond when the same becomes due and payable;

- (b) Default in the payment by the Commission of any other Senior Indenture Parity Obligation;
- (c) Subject to the provisions relating to notice and opportunity to cure certain defaults, default in the performance or breach of any covenant, warranty or representation of the Commission contained in the Senior Indenture (other than a default under (a) and (b) above);
- (d) The occurrence of any Event of Default under any Supplemental Senior Indenture; or
- (e) (1) The occurrence of an Event of Senior Indenture 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 a Senior Indenture Event of Default until written notice of such default shall have been given to the Commission by the Senior Trustee or by the holders of at least 25% in aggregate principal amount of the Senior Revenue 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 a Senior Indenture 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 Senior Trustee may, and upon the written request to the Senior Trustee by the holder or holders of not less than a majority in aggregate principal amount of the Senior Revenue Bonds then Outstanding shall, subject to the requirement that the Senior Trustee be provided with indemnity satisfactory to it, by written notice to the Commission, declare the principal and interest on of the Senior Revenue 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 Senior Trustee may, or the holders of not less than a majority in aggregate principal amount of the Senior Revenue Bonds then Outstanding, may by written notice to the Commission and the Senior Trustee, and subject to the provision to the Senior Trustee of satisfactory indemnity, direct the Senior Trustee to rescind and annul such declaration and its consequences if: (1) there has been paid to or deposited with the Senior Trustee by or for the account of the Commission, or provision satisfactory to the Senior Trustee has been made for the payment of a sum sufficient to pay: (i) all overdue installments of

interest on the Senior Revenue Bonds; (ii) the principal of and redemption premium, if any, on any Senior Revenue Bonds which have become due other than by such declaration of acceleration and interest thereon; (iii) all amounts due on other Senior Indenture 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 Senior Trustee under the Senior Indenture, together with the reasonable compensation, expenses, disbursements and advances of the Senior 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.

No such rescission and annulment shall affect any subsequent default or impair any consequent right.

Priority of Payment Following Event of Default

Any portion of the Senior Trust Estate held or received by the Senior Trustee, by any receiver or by any Senior Revenue Bond Owner pursuant to any right given or action taken under the provisions of the Senior Indenture, 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 Senior Trustee and the transfer to Senior Indenture Secured Owners (other than Owners of the Senior Revenue 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 Senior Revenue 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 Senior Indenture Reimbursement Agreement) and such declaration has not been rescinded and annulled, there shall be deposited into the Senior Indenture 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 Senior Revenue 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 Senior Revenue 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 Senior Revenue 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) the payment of any other amounts then owing under the Senior Indenture; and, after said deposit into the Senior Indenture Debt Service Fund, there shall

be paid the Subordinated Senior Indenture Indebtedness issued or incurred by the Commission pursuant to the Senior Indenture.

(b) If the principal of and interest on all Senior Revenue 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 Senior Indenture 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 Senior Revenue 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 Senior Revenue 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 Senior Revenue 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 Senior Indenture, and, after said deposit into the Senior Indenture Debt Service Fund, there shall be paid the Subordinated Indebtedness issued or incurred by the Commission pursuant to the Senior Indenture.

Whenever moneys are to be applied pursuant to the above provisions, such moneys shall be applied at such times, and from time to time, as the Senior 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 Senior 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 Senior 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 Senior Revenue Bonds with respect to which the Event of Default occurred and shall not be required to make payment to any Senior Revenue Bond Owner until such Bonds shall be presented to the Senior Trustee for appropriate endorsement or for cancellation if fully paid.

[End of Appendix E]

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APPENDIX F

**DEBT SERVICE REQUIREMENTS OF THE TURNPIKE REVENUE BONDS AND
SUBORDINATE INDENTURE BONDS**

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APPENDIX F
DEBT SERVICE REQUIREMENTS OF THE TURNPIKE SENIOR, SUBORDINATE AND SUBORDINATE SPECIAL REVENUE BONDS

2015 A Subordinate Bonds

Fiscal Year	Total Debt Service		Principal ⁵	Interest ^{5,9}	Total ^{5,9}	Total Debt Service		Aggregate Debt Service ^{1,2,3,4,5,6,7,8,9}
	from Senior Revenue Bonds ^{1,2,3,4,5,6,7}	Existing Debt Service from Subordinate Revenue Bonds ^{5,6,8}				from Subordinate Revenue Bonds ^{5,6,8,9}	from MLF Enhanced Subordinate Special Revenue Bonds ^{5,6}	
2015	\$ 187,319,184.05	\$ 205,626,964.98	\$0	\$0	\$0	\$ 205,626,964.98	\$ 36,026,572.50	\$ 428,972,721.53
2016	330,878,080	215,757,962	-	6,377,474	6,377,474	222,135,436	36,524,913	589,538,429
2017	352,317,483	232,418,443	-	10,778,830	10,778,830	243,197,273	45,194,388	640,709,144
2018	346,216,976	234,423,885	-	12,287,800	12,287,800	246,711,685	45,760,088	638,688,748
2019	341,587,420	264,538,184	-	12,287,800	12,287,800	276,825,984	46,337,988	664,751,392
2020	333,511,810	268,120,406	-	12,287,800	12,287,800	280,408,206	48,348,388	662,268,404
2021	387,456,031	284,572,087	-	12,287,800	12,287,800	296,859,887	53,750,375	738,066,293
2022	327,578,306	284,798,573	1,900,000	12,287,800	14,187,800	298,986,373	54,423,825	680,988,504
2023	188,309,806	286,011,389	1,725,000	12,192,800	13,917,800	299,929,189	62,030,565	550,269,560
2024	189,736,864	285,951,745	1,900,000	12,106,550	14,006,550	299,958,295	62,692,365	552,387,524
2025	189,722,445	287,101,167	1,550,000	12,011,550	13,561,550	300,662,717	63,723,703	554,108,864
2026	189,721,097	287,783,546	1,140,000	11,934,050	13,074,050	300,857,596	63,980,515	554,559,208
2027	159,143,887	300,771,070	1,265,000	11,877,050	13,142,050	313,913,120	81,863,159	554,920,166
2028	111,243,069	300,791,300	5,345,000	11,824,400	17,169,400	317,960,700	83,387,371	512,591,140
2029	112,735,894	305,832,216	8,445,000	11,568,050	20,013,050	325,845,266	85,012,771	523,593,931
2030	138,894,194	306,219,308	5,990,000	11,154,981	17,144,981	323,364,289	82,926,603	545,185,085
2031	140,494,431	306,599,922	5,600,000	10,864,906	16,464,906	323,064,828	84,429,328	547,988,587
2032	170,158,206	307,095,131	7,165,000	10,594,656	17,759,656	324,854,788	86,286,503	581,299,496
2033	171,636,331	307,609,481	6,975,000	10,250,041	17,225,041	324,834,523	88,882,828	585,353,681
2034	173,335,156	308,129,178	8,160,000	9,907,708	18,067,708	326,196,885	91,142,578	590,674,619
2035	175,099,131	308,674,089	8,710,000	9,503,505	18,213,505	326,887,594	93,522,840	595,509,565
2036	173,952,156	309,226,456	9,305,000	9,070,771	18,375,771	327,602,228	98,899,140	600,453,524
2037	169,357,207	309,793,634	9,080,000	8,607,213	17,687,213	327,480,846	101,188,496	598,026,549
2038	157,427,982	301,503,998	18,735,000	8,167,373	26,902,373	328,406,370	103,558,626	589,392,978
2039	159,340,636	291,794,868	20,020,000	7,333,833	27,353,833	319,148,700	88,293,334	566,782,670
2040	143,077,079	209,906,685	26,080,000	6,439,943	32,519,943	242,426,628	63,109,455	448,613,161
2041	156,462,894	253,759,101	27,420,000	5,278,728	32,698,728	286,457,829	64,057,366	506,978,089
2042	158,634,878	251,682,398	29,870,000	4,052,413	33,922,413	285,604,810	56,361,900	500,601,588
2043	160,878,413	91,697,713	13,700,000	2,702,910	16,402,910	108,100,623	40,098,483	309,077,518
2044	150,058,672	63,276,963	14,685,000	1,998,645	16,683,645	79,960,608	25,398,093	255,417,372
2045	100,461,645	3,052,250	15,865,000	1,242,668	17,107,668	20,159,918	5,176,815	125,798,377
2046	72,540,826	-	8,380,000	424,740	8,804,740	8,804,740	-	81,345,566
2047	72,589,849	-	-	-	-	-	-	72,589,849
2048	72,633,704	-	-	-	-	-	-	72,633,704
2049	72,673,699	-	-	-	-	-	-	72,673,699
2050	72,721,942	-	-	-	-	-	-	72,721,942
TOTAL	\$6,609,907,386	\$7,974,520,109	\$259,010,000	\$279,704,786	\$538,714,786	\$8,513,234,895	\$2,042,389,369	\$17,165,531,649

- (1) All variable rate debt, unless subject to an interest rate swap agreement, is shown at an assumed rate of 4.0%. All variable rate debt which is swapped to a fixed rate is shown at the fixed swap rate. As only a portion of principal on the 2012B, 2013B and 2014 B Turnpike Revenue Bonds (SIFMA Index Notes) is swapped, the interest rate is calculated as a weighted average between a) an assumed rate of 4.0% plus the fixed spread and b) the swap rate of 4.403% plus the fixed spread, based on the outstanding principal amounts of unhedged and hedged bonds.
- (2) Interest reflects anticipated receipt of federal subsidy with respect to Build America Bonds, subject to applying the 7.3% reduction from federal fiscal year 2015 through federal fiscal year 2024. For information regarding the effects of sequestration on the federal subsidy payable with respect to the Commission's outstanding Build America Bonds, see "CURRENT RISK FACTORS - Reductions in federal subsidy payable to the Commission for its outstanding Build America Bonds due to sequestration" in this Official Statement.
- (3) Subject to market conditions at the time, the Turnpike expects that it would attempt to refund the Series 2012B, 2013A, 2013B and 2014B Turnpike Revenue Bonds (SIFMA Index Notes) on or prior to their respective maturity dates. Does not reflect any refunding of 2012B, 2013A, 2013B or 2014B (SIFMA Index Notes) prior to their respective maturity dates. The Commission expects that it will refund such bonds prior to maturity subject to market conditions at the time.
See APPENDIX A - "THE PENNSYLVANIA TURNPIKE COMMISSION - CERTAIN FINANCIAL INFORMATION - Future Financing Considerations."
- (4) Interest net of capitalized interest; does not reflect any expected earnings credited against debt service.
- (5) Totals may not add due to rounding.
- (6) Interest amounts are inclusive of compounded interest on the Convertible Capital Appreciation Bonds and Capital Appreciation Bonds.
- (7) All fixed rate debt, unless subject to an interest rate swap agreement, is shown at the actual interest rate. All fixed rate debt which is swapped to a floating rate is shown at an assumed rate of 4.0% plus the fixed spread.
- (8) Excludes debt service on the 2011A Term 2041 Bonds beyond 5/31/2015, which the Commission will redeem with proceeds from the issuance of the 2015 Bonds.
- (9) The variable rate portion of the 2015A Subordinate bonds are shown at an assumed rate of 4.0% plus a fixed spread.

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APPENDIX G
TRAFFIC AND REVENUE STUDY

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Pennsylvania Turnpike 2015 Traffic and Revenue Forecast Study



March 2015



Pennsylvania Turnpike Commission



**CDM
Smith**

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Chapter 1

Introduction

This report summarizes the analyses conducted by CDM Smith in developing updated traffic and toll revenue estimates for the various toll facilities operated by the Pennsylvania Turnpike Commission (PTC). CDM Smith forecasts have been used by PTC for more than 20 years in support of the issuance of bond financing and for internal financial planning. In light of the current economic climate, it is more important than ever to have up-to-date traffic and revenue forecasts based on the most current information available.

CDM Smith last developed a detailed investment grade traffic and toll revenue study in March 2012. Since that time additional “bring down” letters have also been developed to update forecasts developed in the 2012 Study. Bring down letters were developed in March 2013 and February 2014. The purpose of a bring down letter is to update actual traffic and revenue experience since the last study and to adjust short term (2 to 5 year) forecasts based on recent trends. Detailed economic analyses are not conducted as part of a bring down letter and therefore longer term forecasts are not adjusted from those originally developed as part of the latest investment grade study.

This current study included a comprehensive evaluation of the most currently available long term socioeconomic forecasts, and is, therefore, meant to be an update of the March 2012 investment grade study. This forecast includes updated long term traffic and revenue forecasts through FY 2043-44. PTC’s most recent assumptions regarding future toll rate increases, discount levels for the Commercial Volume Discount Program, and future committed capital improvements have been incorporated into this study. CDM Smith also developed and incorporated estimates of future year E-ZPass penetration for cars and trucks on the PTC’s toll facilities.

PTC has been studying the possible implementation of all electronic tolling (AET) on its facilities. CDM Smith has been a member of the study team analyzing both the potential traffic and toll revenue impacts as well as the potential capital and maintenance and operating (M&O) cost impacts AET may have on the Turnpike System. Although it appears likely that AET will be implemented on the Turnpike System, this conversion would not occur for several years. It is possible that some of the barrier systems may be converted as early as 2016 as a pilot program. AET is not assumed in the forecast presented in this report. It should be noted, however, that PTC has emphasized that a key requirement of AET is that it be net revenue positive and enhance the overall financial strength of the Turnpike. Absent this, among other criteria, AET would not be implemented on the Turnpike System.

1.1 Report Structure

This report is comprised of four chapters, including the following:

- Chapter 1: Introduction
- Chapter 2: Turnpike Characteristics
- Chapter 3: Socioeconomic Trends and Forecasts
- Chapter 4: Transaction and Toll Revenue Forecasts

The following is a brief description of each chapter following this introduction.

Chapter 2 (Turnpike Characteristics) provides a review of monthly and annual transaction and toll revenue trends. Data are provided for passenger cars and commercial vehicles separately. Information is provided for the entire Turnpike System as well as for each of the individual toll facilities (Ticket System, Turnpike 43, etc.) that make up the Turnpike System. E-ZPass market share trends, historical toll rate adjustments, and changes to the Commercial Volume Discount Program are also summarized in Chapter 2.

Chapter 3 (Socioeconomic Trends and Forecasts) summarizes trends and forecasts in key socioeconomic variables, including population, employment, retail sales, and gross regional product. This data is broken down (at a county level) to reflect the actual market share for the various interchanges on the Turnpike System. Pennsylvania statewide data, as well as data for surrounding states and the United States, are also provided for each of these variables. Trends and forecasts in motor fuel prices are also covered in this chapter. The methodology used to estimate future traffic growth is described in detail. The ultimate product of Chapter 3 is a table showing the assumed normal growth rates used to develop traffic and toll revenue estimates for passenger cars and commercial vehicles for each Turnpike toll facility.

Chapter 4 (Transaction and Toll Revenue Forecasts) begins with a review of the assumed roadway improvement program for the Pennsylvania Turnpike. Planned toll rate adjustments throughout the 30 year forecast period are identified. Because of the toll differential that now exists between cash and E-ZPass, assumptions regarding future E-ZPass market share are important. All assumptions regarding E-ZPass market share throughout the forecast period are discussed in this chapter. Finally, estimates of traffic and gross toll revenue are provided through FY 2043-44. Forecasts are provided for passenger cars and commercial vehicles, for both the Ticket System and the total Barrier System, as well as for the total Turnpike System.

Chapter 2

Turnpike Characteristics

This chapter presents historical transaction and gross toll revenue trends on the Turnpike facilities. It also presents actual trends in the E-ZPass market share and historical toll increases. A comparison is presented between the current Turnpike per-mile toll rate on I-76/I-276 and other toll road facilities. Lastly, recent changes to the PTC's Commercial Volume Discount Program are described.

2.1 The Pennsylvania Turnpike Facilities

Figure 2-1 provides an overview of the Turnpike System, identifying each of its six toll facilities:

- Mainline I-76/I-276 (359 miles)
- Northeast Extension I-476 (110 miles)
- Turnpike 43 – Mon/Fayette Expressway (48 miles)
- Turnpike 66 – Amos K. Hutchinson Bypass (13 miles)
- Turnpike I-376 – Beaver Valley Expressway (16 miles)
- Turnpike I-576 - Southern Beltway – Findlay Connector Section (6 miles)

There are two toll collection systems on the Turnpike System; a ticket system, and a Barrier System. The Ticket System is comprised of the majority of Mainline I-76 / I-276 (from Interchange 30 in western Pennsylvania to Interchange 359 near the New Jersey border) and the majority of the Northeast Extension (from Interchange 20 to Interchange 131).

The Barrier System is comprised of Turnpikes I-376 (Beaver Valley Expressway), Turnpike 66 (Amos K. Hutchinson Bypass), Turnpike 43 (Mon/Fayette Expressway), and Turnpike I-576 (Southern Beltway). In addition, one barrier toll plaza exists on Mainline I-76/I-276 consisting of the Gateway Mainline Toll Plaza. This toll plaza was converted from a ticket-system plaza to a barrier-system plaza in 2003. For continuity, ticket system traffic and toll revenue trends include the Gateway Barrier Plaza in this report. Two barrier toll plazas, Clarks Summit and Keyser Avenue, are located at the northern end of the Northeast Extension.

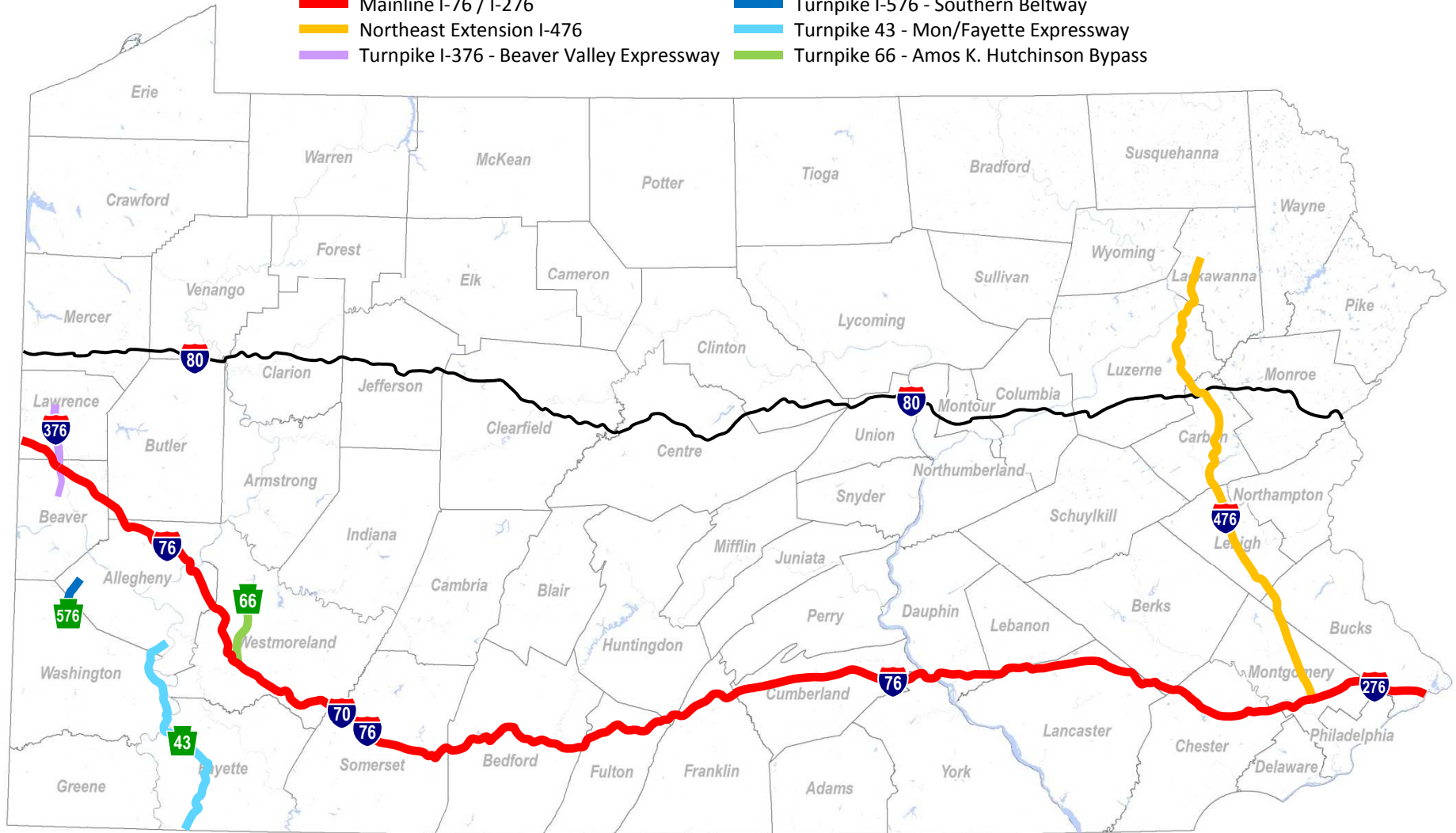
The Ticket System is by far the largest component of the Turnpike System. As seen in Figure 2-2, the Ticket System accounted for 93.8 percent of the Turnpike System's total gross toll revenue, and 80.5 percent of the total transactions in calendar year 2014. Fixed barrier locations accounted for only 6.2 percent of gross toll revenue and 19.5 percent of transactions.

2.2 Toll Rates and Commercial Volume Discount Program

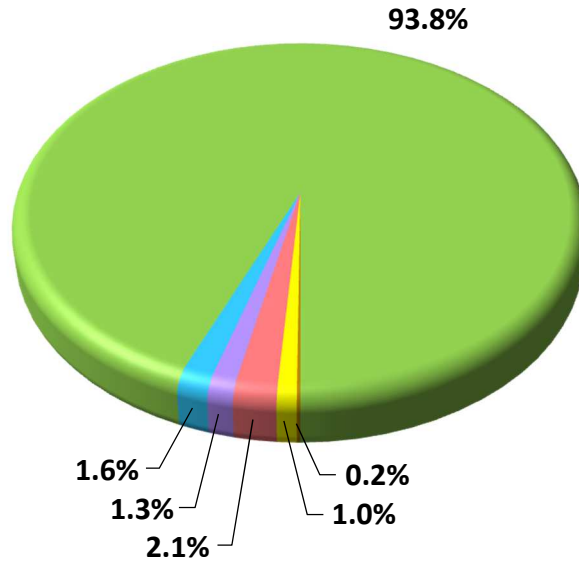
The PTC has implemented a series of toll rate increases through the years. The annual percent increases are summarized in Table 2-1 from 1987 through 2015. Since 2009, toll increases have occurred on an annual basis. Until 2011, there wasn't a difference between cash and E-ZPass toll rates. In 2011, a toll rate differential favorable to Turnpike E-ZPass customers was implemented for the first

PTC Toll Roads

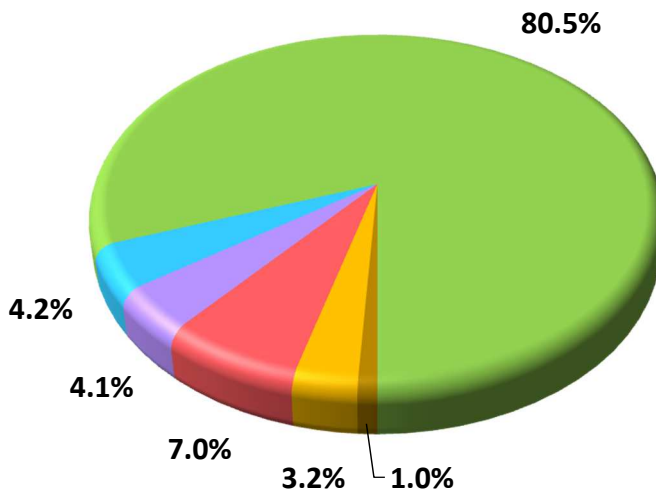
- █ Mainline I-76 / I-276
- █ Northeast Extension I-476
- █ Turnpike I-576 - Southern Beltway
- █ Turnpike 43 - Mon/Fayette Expressway
- █ Turnpike I-376 - Beaver Valley Expressway
- █ Turnpike 66 - Amos K. Hutchinson Bypass



Gross Toll Revenue



Transactions



- Ticket System (Including Gateway Plaza)
- Turnpike I-576 - Southern Beltway
- Northeast Extension Barrier Plazas
- Turnpike 43 - Mon / Fayette Expressway
- Turnpike I-376 - Beaver Valley Expressway
- Turnpike 66 - Amos K. Hutchinson Bypass

PERCENT OF CALENDAR YEAR 2014 TRANSACTIONS AND GROSS TOLL REVENUE BY FACILITY

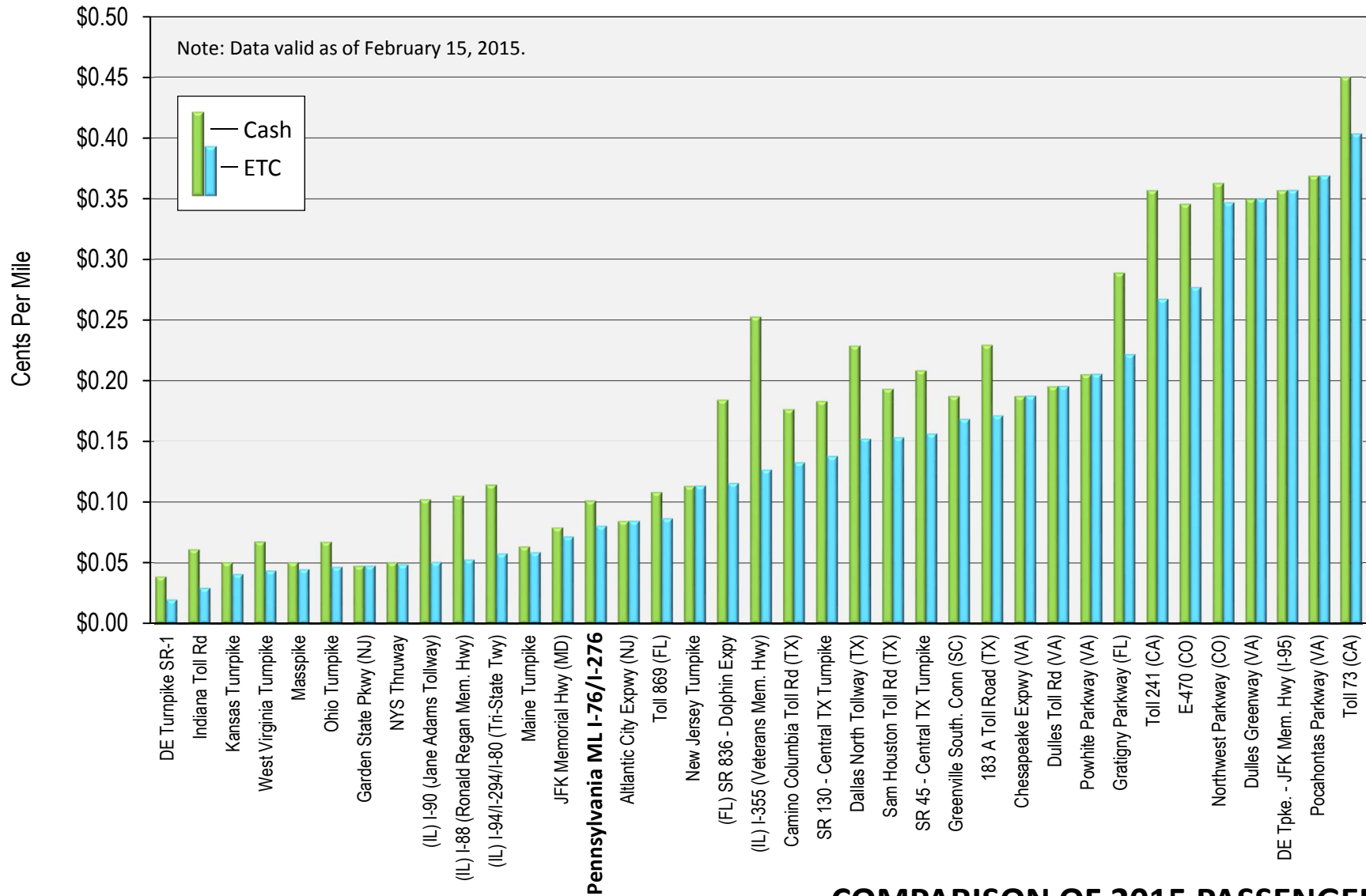
time. The toll differential was increased in each subsequent year through 2014. A uniform toll increase of 5.0 percent was implemented for both E-ZPass and cash customers in January 2015. In 2015 there is an approximately 40 percent difference between the E-ZPass and cash toll rates, in favor of the E-ZPass customer. It costs a passenger car using cash about \$0.12 per mile for a through trip on I-76/I-276 compared to about \$0.086 per mile for the same trip using E-ZPass. The toll rate differential between E-ZPass and cash incentivizes E-ZPass participation.

Date	Percent Increase		Comment
	Cash	E-ZPass	
1/2/1987	40.0	NA	E-ZPass was not yet implemented on the Turnpike
6/1/1991	32.0	NA	E-ZPass was not yet implemented on the Turnpike
8/1/2004	42.5	42.5	
1/4/2009	25.0	25.0	No increase on Turnpike I-576 or Turnpike 43 between Uniontown and Brownsville
1/3/2010	3.0	3.0	No increase on Turnpike I-576
1/2/2011	10.0	3.0	No increase on Turnpike I-576
1/1/2012	10.0	0.0	No increase on Turnpike I-576
1/6/2013	10.0	2.0	
1/5/2014	12.0	2.0	No increase on Turnpike I-576
1/4/2015	5.0	5.0	No increase on Turnpike I-576

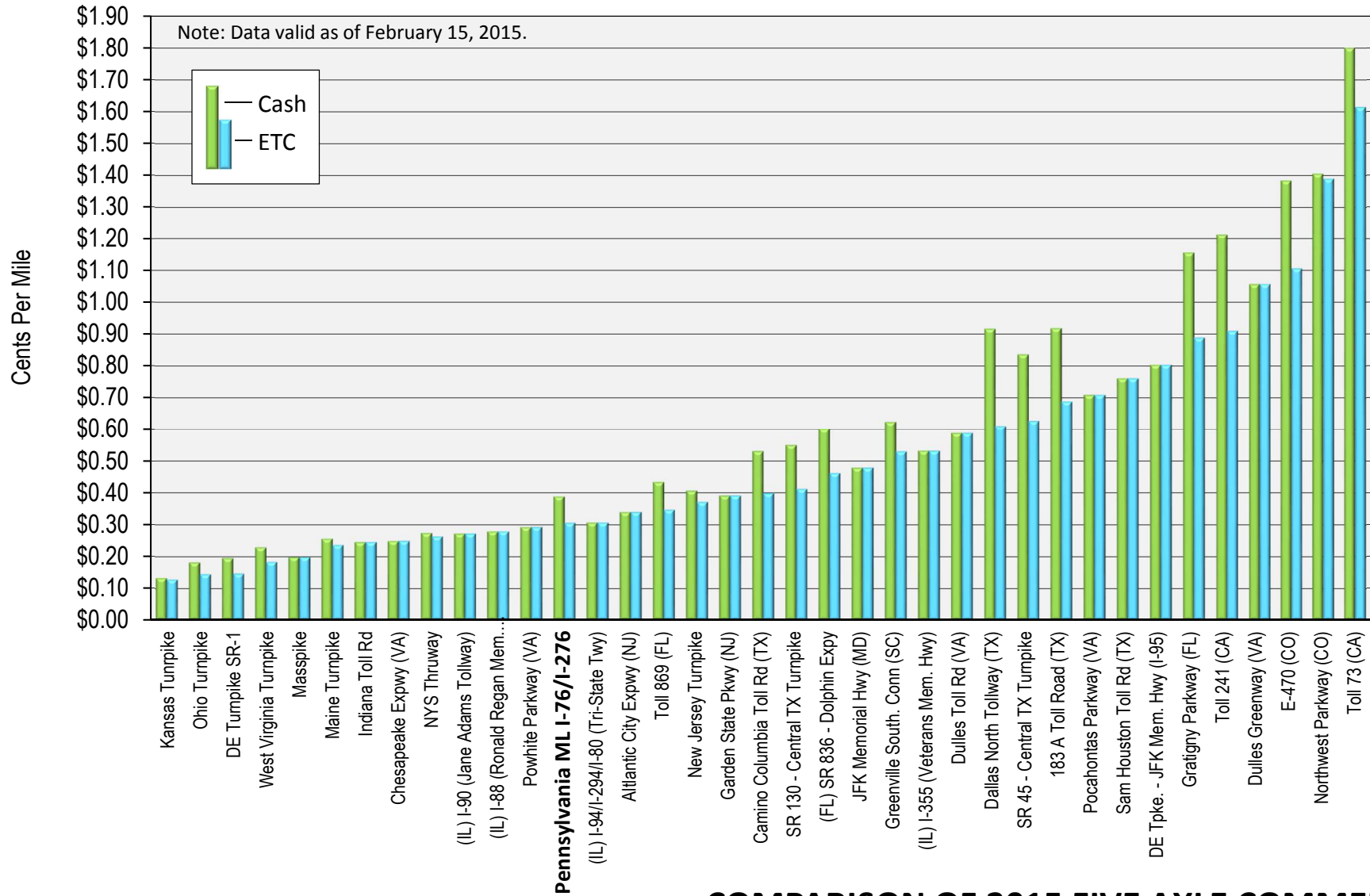
Figure 2-3 illustrates a comparison of 2015 passenger car per-mile toll rates for a through trip on thirty-seven U.S. toll facilities. The cost of trips was valid as of early February 2015. The Pennsylvania Turnpike is represented by a through trip on the Mainline I-76/I-276 from Delaware River Bridge through the Gateway barrier plaza, which is shown in bold text. The per-mile rates are provided for ETC and cash payments. The data is sorted from low to high by the ETC per-mile toll rates. A through trip on the Pennsylvania Mainline I-76/I-276 by a passenger car paying by ETC costs \$0.086 per mile compared to \$0.114 per mile on the New Jersey Turnpike, or compared to the median per-mile rate (\$0.184) for the facilities presented.

Figure 2-4 presents a similar comparison of five-axle commercial-vehicle per-mile toll rates for through trips on the same thirty-seven U.S. toll facilities. A trip on the Pennsylvania Mainline I-76/I-276 costs \$0.328 per mile compared to \$0.373 on the New Jersey Turnpike in 2015. The median per mile toll rate is \$0.400 for the thirty-seven facilities.

The PTC operates a Commercial Volume Discount Program. Prior to the implementation of system wide toll rates favorable to E-ZPass customers, a post-paid, commercial volume-discount program was established for high-volume, commercial E-ZPass accounts. Post-paid commercial E-ZPass customers could receive the varying levels of discounts based on the amount of their monthly tolls. With the implementation of E-ZPass and the large toll savings offered to E-ZPass customers, the Commercial Volume Discount Program was modified over the years. Currently, in 2015, commercial accounts that accrue greater than \$20,000.00 per month on tolls receive a three percent discount.



COMPARISON OF 2015 PASSENGER CAR PER-MILE THROUGH TRIP TOLL RATES (DATA SORTED BY ETC TOLL RATES)



COMPARISON OF 2015 FIVE AXLE COMMERCIAL VEHICLE PER-MILE THROUGH TRIP TOLL RATES (DATA SORTED BY ETC TOLL RATES)

2.3 Annual Transaction Trends by Plaza

This section presents long-term annual transaction trends on the ticket and Barrier Systems by toll plaza. Data is provided from 1993 through 2014 for Ticket System toll plazas, and from 1997 through 2014 for the Barrier System toll plazas.

2.3.1 Ticket System Transaction Trends

Average annual daily transactions at the Ticket System's exiting toll plazas are shown in Tables 2-2 through 2-4 for passenger cars, commercial vehicles and total vehicles, respectively. The transactions include both revenue and non-revenue vehicles. The Gateway barrier toll plaza (Interchange 2) traffic trends (Interchange 2) are included in this table.

From 1993 through 2002, the Gateway mainline toll plaza at milepost 2, and the toll plazas at interchanges 10 (New Castle), 13 (Beaver Valley), and 28 (Cranberry) were part of the Ticket System. The Gateway mainline toll plaza was the western terminus of the I-76 Ticket System. In 2003, the western terminus of the I-76 Ticket System was moved eastward to a new mainline toll plaza, Warrendale, at milepost 30, between Interchanges 28 and 39. As part of this change, the Gateway mainline toll plaza was converted to a barrier plaza with two-way toll collection and a fixed toll rate based on a vehicle's number of axles. The traffic volumes at Gateway are not comparable between 2002 and 2003 due to the conversion. Toll collection was discontinued at Interchanges 10, 13, and 28 in 2003 when the Warrendale mainline toll plaza became operational.

In 2006 the two-way toll collection at Gateway was replaced by one-way toll collection in the westbound direction. In Tables 2-2 through 2-4 the westbound Gateway traffic volumes are doubled from 2006 forward to simulate two-way traffic volumes that are comparable to historical trend data.

Passenger-car trends are shown in Table 2-2. Average annual percent changes are shown for various time periods. Relatively strong growth was experienced during the first period (1993-2004) where total passenger-car transactions grew at an annual rate of 4.6 percent. Growth in passenger-car transactions turned to a negative 0.1 percent per year in the decade from 2004 -2014. This decreased growth rate was primarily due to the economic recession that began in late 2007. In the five year period from 2009 to 2014, annual transaction growth averaged 0.3 percent per year. The slow growth was largely due to the slow recovery from the recession. Growth was also negatively impacted by abnormally severe winter in 2014.

A secondary reason for reduced growth rates in transactions since 2004 are the multiple toll increases that took place in 2004 (42.5 percent), 2009 (25 percent), 2010 (3 percent), 2011 (3 percent E-ZPass and 10 percent cash), 2012 (10 percent cash), 2013 (2 percent E-ZPass and 10 percent cash), and 2014 (2 percent E-ZPass and 12 percent cash). As will be discussed in Chapter 3 and Chapter 4, it is believed the recession has had more impact on the low growth in transactions than the toll rate increases. Overall, passenger-car transactions increased by 2.2 percent per year from 1993 through 2014.

Table 2-3 shows historical commercial-vehicle transaction trends on the Ticket System. As with passenger cars, the strongest period of growth for commercial vehicles was between 1993 and 2004. Commercial traffic increased at a 5.8 percent annual rate over that period. Over the most recent ten-year period (2004-2014) commercial traffic increased at an annual rate of 0.1 percent. This low growth was heavily influenced by the negative annual growth rates between in 2008 and 2009 when

Table 2-2
Passenger Cars - Average Daily Transactions on the Pennsylvania Turnpike Ticket System At Exiting Toll Plazas
Includes Revenue and Non-Revenue Vehicles

Interchange (Milepost) ⁽¹⁾	Calendar Year																				Average Annual Percent Change							
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 ⁽²⁾	2005	2006	2007	2008	2009 ⁽³⁾	2010 ⁽⁴⁾	2011 ⁽⁵⁾	2012 ⁽⁶⁾	2013 ⁽⁷⁾	2014 ⁽⁸⁾	1993-04	2004-14	2009-14	1993-14		
2 (9)	6,999	7,064	7,288	7,292	7,496	7,815	7,850	7,333	8,056	9,082	13,828	16,379	15,873	16,388	16,365	16,192	16,882	17,432	17,486	17,639	17,934	17,884	8.9	0.9	1.2	4.8		
10 (10)		1,556	1,691	1,836	1,911	2,010	2,064	2,164	2,302	2,344																		
13 (10)	1,581	1,507	1,488	1,516	1,604	1,743	1,759	1,771	1,824	1,860																		
28 (10)	7,519	7,574	7,819	8,232	8,569	9,211	9,369	9,399	9,940	10,183																		
30 (10)											7,374	11,585	11,269	11,419	11,940	12,056	12,232	12,118	12,023	11,939	12,413	12,339			0.6	0.2		
39	4,029	4,035	4,053	4,279	4,483	4,827	5,003	4,939	5,180	5,186	5,448	5,417	5,154	5,181	5,613	5,627	5,495	5,527	5,333	5,416	5,832	5,855	3.0	0.8	1.3	1.9		
48	7,235	7,257	7,045	7,602	8,084	7,962	8,686	9,251	8,998	9,366	9,505	9,377	9,101	9,129	9,406	9,226	9,087	8,879	8,576	8,734	9,171	9,147	2.6	(0.2)	0.1	1.2		
57	15,714	15,763	15,887	16,101	16,700	17,291	17,626	17,782	18,337	18,436	18,770	18,598	18,087	18,290	18,198	18,305	18,083	17,452	17,172	17,130	17,399	17,336	1.7	(0.7)	(0.8)	0.5		
67	8,113	8,236	8,226	8,398	8,586	9,082	9,481	9,533	9,593	9,789	10,303	10,054	9,437	9,582	9,614	9,068	8,674	8,776	8,718	8,955	8,870	8,783	2.2	(1.3)	0.3	0.4		
75	7,519	7,391	7,651	8,046	8,331	8,706	9,684	8,594	8,868	9,366	9,394	9,191	8,880	8,779	8,806	8,522	8,433	8,550	8,246	8,539	8,556	8,701	2.0	(0.5)	0.6	0.7		
91	2,185	2,216	2,311	2,212	2,253	2,352	2,381	2,142	2,236	2,204	2,253	2,239	2,257	2,237	2,478	2,395	2,351	2,371	2,279	2,352	2,393	2,344	0.2	0.5	(0.1)	0.4		
110	1,966	1,978	2,024	2,025	2,030	2,059	1,916	1,848	1,911	2,031	2,061	1,948	1,892	1,927	2,067	2,119	2,104	2,136	2,159	2,156	2,048	2,027	(0.1)	0.4	(0.7)	0.2		
146	1,922	1,912	2,038	2,135	2,222	2,479	2,728	2,760	2,960	3,225	3,290	3,370	3,163	3,037	3,059	2,994	2,972	2,945	2,848	2,779	2,715	2,773	5.8	(1.9)	(1.4)	1.8		
161	5,057	4,893	5,109	5,214	5,438	5,697	5,838	5,828	6,331	6,599	6,820	6,713	6,517	6,356	6,216	6,005	6,356	6,262	6,064	6,023	6,057	6,000	2.9	(1.1)	(1.1)	0.9		
180	566	564	569	586	617	643	673	630	661	700	715	761	691	676	711	675	655	658	645	610	593	586	3.0	(2.6)	(2.2)	0.2		
189	368	373	381	407	428	462	480	453	436	477	488	483	448	443	440	426	409	418	409	391	378	385	2.8	(2.2)	(1.2)	0.2		
201	451	462	477	500	521	549	567	574	591	661	670	679	649	658	662	614	603	642	634	628	625	594	4.2	(1.3)	(0.3)	1.4		
226	4,346	4,354	4,675	4,665	4,281	4,626	4,886	4,792	5,304	5,180	5,365	5,262	4,939	4,959	4,973	4,736	4,628	4,899	4,705	4,541	4,637	4,667	1.9	(1.2)	0.2	0.4		
236	2,797	2,862	3,499	3,665	3,495	3,641	3,889	4,039	4,172	4,580	4,804	4,796	4,567	4,562	4,661	4,507	4,470	5,074	4,883	4,689	4,762	4,846	5.5	0.1	1.6	2.8		
242	3,858	3,802	4,186	4,146	4,080	4,295	4,699	5,103	5,081	5,400	5,781	5,734	5,352	5,196	5,265	6,068	5,894	5,476	5,371	5,159	5,295	5,530	4.0	(0.4)	(1.3)	1.8		
247	7,241	7,282	7,608	7,989	7,991	8,409	8,818	9,004	9,125	9,739	10,217	10,256	9,917	9,553	9,902	10,073	9,952	10,478	10,155	9,948	10,074	10,175	3.5	(0.1)	0.4	1.7		
266	2,282	2,319	2,363	2,500	2,643	2,867	2,987	3,037	3,214	3,381	3,663	3,695	3,643	3,602	3,740	3,577	3,484	3,571	3,442	3,519	3,621	3,640	4.9	(0.1)	0.9	2.4		
286	5,056	5,220	5,453	5,490	5,729	6,041	6,096	6,242	6,472	6,655	6,954	7,207	6,969	7,185	7,397	7,060	6,910	6,937	6,766	6,736	6,886	7,026	3.6	(0.3)	0.3	1.7		
298	4,092	4,139	4,224	4,330	4,844	5,253	5,513	5,661	6,187	6,682	7,201	7,359	7,335	7,457	7,446	7,448	7,176	7,018	6,789	6,588	6,737	7,022	6.0	(0.5)	(0.4)	2.7		
312	6,775	6,950	7,070	6,723	7,311	7,838	8,361	8,824	9,437	10,008	10,421	10,455	10,291	10,558	11,011	10,635	10,234	10,353	10,315	10,347	10,444	10,692	4.4	0.2	0.9	2.3		
320																				113	3,539	4,667						
326	21,009	20,122	20,707	21,092	21,337	22,360	21,643	21,531	24,784	25,264	26,928	28,231	28,201	28,173	27,069	26,975	27,783	29,284	28,965	28,780	28,066	28,423	3.0	0.1	0.5	1.5		
333	9,592	8,553	8,975	9,296	9,912	10,337	10,665	10,585	11,335	11,901	12,297	12,586	11,861	11,455	11,312	11,848	11,904	12,166	12,093	11,860	11,811	11,598	2.8	(0.8)	(0.5)	1.0		
20		22,910	25,569	26,959	28,430	29,605	29,628	30,770	31,945	33,406	34,130	35,753	35,452	36,060	36,659	35,518	34,961	35,236	35,478	36,231	36,441	36,305			0.2	0.8		
339	16,186	17,125	18,179	18,335	18,812	20,185	20,031	19,967	21,056	21,380	22,140	22,015	21,709	21,561	21,203	20,989	22,973	23,265	23,582	23,852	23,849							
340											998	1,318	1,541	1,570	1,581	1,537	1,521	1,370	1,422	1,447	1,409	1,484	1,627			0.5	3.5	
343	19,100	19,926	21,963	22,370	22,902	23,207	22,397	23,085	23,753	24,197	24,850	25,716	25,152	24,609	26,054	25,277	25,165	26,569	26,178	25,858	25,323	24,896	3.0	(0.3)	(0.2)	1.3		
351	22,458	22,876	24,361	24,750	25,685	26,256	26,089	26,665	27,653	28,556	29,503	30,084	29,563	29,433	29,917	29,315	29,196	29,690	28,170	27,512	27,316	26,689	3.0	(1.2)	(1.8)	0.9		
352																		158	1,805	2,146	2,384	2,676						
358	5,065	5,068	5,024	5,215	5,291	5,422	5,476	5,373	5,317	5,478	5,755	6,011	5,856	5,854	5,917	5,964	5,767	5,716	5,538	5,386	5,090	4,950	1.7	(1.9)	(3.0)	(0.1)		
359	14,019	13,979	14,248	14,595	14,829	15,312	15,450	15,565	16,349	16,765	17,532	18,086	17,844	17,635	17,727	17,274	16,943	17,255	16,846	16,164	16,333	16,608	2.6	(0.8)	(0.4)	0.9		
31	6,826	7,830	8,256	8,760	9,980	10,594	11,187	11,381	11,430	12,411	12,939	13,166	12,941	13,034	13,304	13,389	13,431	13,432	12,950	12,742	12,669	12,472	6.8	(0.5)	(1.5)	3.1		
44	4,615	4,877	5,087	5,344	5,595	6,250	6,526	6,690	6,693	6,981	7,378	7,926	7,950	8,149	8,235	8,313	8,399	8,478	8,157	8,040	8,021	7,953	5.6	0.0	(1.1)	2.8		
56	8,811	9,387	9,907	10,534	11,218	11,290	11,843	12,558	13,363	13,805	14,528	15,392	15,064	15,318	15,581	14,950	15,339	16,008	15,365	15,028	15,012	14,785	5.7	(0.4)	(0.7)	2.6		
74	2,809	2,949	3,059	3,261	3,452	3,709	3,885	3,897	4,137	4,323	4,442	4,691	4,562	4,657	4,796	4,811	4,723	4,722	4,580	4,490	4,459	4,385	5.3	(0.7)	(1.5)	2.3		
95	3,211	3,313	3,397	3,603	3,832	4,003	4,150	4,144	4,151	4,413	4,599	5,020	4,722	4,750	4,761	4,709	5,021	5,200	4,859	4,640	4,639	4,633	4.6	(0.8)	(1.6)	1.8		
105	2,152	2,250	2,305	2,329	2,442	4,003	2,593	2,611	2,716	2,859	2,946	3,243	3,033	3,060	3,188	3,062	3,232	3,337	3,234	3,152	3,099	3,102	4.2	(0.4)	(0.8)	1.8		
112	2,606	2,965	3,170	3,232	3,401	3,548	3,587	3,592	3,697	4,042	4,013	4,256	4,051	4,047	4,043	4,128	4,289	4,067	3,948	3,856	3,890	3,861	5.0	(1.0)	(2.1)	2.0		
Total	246,130	273,839	287,342	295,564	306,765	321,939	326,504	330,117	345,595	359,914	370,623	385,275	375,967	376,550	381,271	375,695	375,594	383,685	377,896	375,808	380,872	381,831	4.6	(0.1)	0.3	2.2		
Percent Change Over Prior Year		11.3	4.9	2.9	3.8	4.9	1.4	1.1	4.7	4.1	3.0	4.0	(2.4)	0.2	1.3	(1.5)	(0.0)	2.2	(1.5)	(0.6)	1.3	0.3						

(1) Interchanges 2 through 259 reflect those for the Mainline I-76/I-276. Interchanges 31 through 115 correspond to those on the Northeast Extension I-476.

(2) A toll increase of 42.5% was implemented on August 1, 2004.

(3) A toll increase of 25% was implemented on January 4, 2009. Toll rates on Turnpike I-576 and Turnpike 43 from Unionville to Brownsville remained unchanged.

(4) A toll increase of 3% was implemented on January 3, 2010. Turnpike I-576 was exempted from this toll increase.

(5) An ETC toll increase of 3% and a cash toll increase of 10% was implemented on January 2, 2011. Turnpike I-576 was exempted from this toll increase.

(6) A cash toll increase of 10% was implemented on January 1, 2012. Turnpike I-576 was exempted from this toll increase.

**Table 2-3
Commercial Vehicles - Average Daily Transactions on the Pennsylvania Turnpike Ticket System At Exiting Toll Plazas
Includes Revenue and Non-Revenue Vehicles**

Interchange (Milepost) ⁽¹⁾	Calendar Year																							Average Annual Percent Change			
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 ⁽²⁾	2005	2006	2007	2008	2009 ⁽³⁾	2010 ⁽⁴⁾	2011 ⁽⁵⁾	2012 ⁽⁶⁾	2013 ⁽⁷⁾	2014 ⁽⁸⁾	1993-04	2004-14	2009-14	1993-14	
2 (9)	2,355	2,348	2,404	2,374	2,446	2,605	2,848	2,649	2,709	2,937	4,259	5,447	5,760	5,288	5,403	5,243	4,517	4,864	5,030	4,913	5,078	5,300	8.7	(0.3)	3.2	4.1	
10 (10)		225	241	281	302	314	363	384	394	402													-	-	-	-	
13 (10)	322	304	274	285	303	295	324	324	315	303													-	-	-	-	
28 (10)	1,346	1,334	1,392	1,433	1,502	1,576	1,690	1,708	1,693	1,670													-	-	-	-	
30 (10)											1,865	3,196	3,340	3,371	3,505	3,412	2,994	3,060	3,116	3,192	3,276	3,428	-	0.7	2.7	-	
39	390	391	412	413	437	472	519	526	521	523	513	536	552	527	575	571	544	565	552	560	596	579	3.2	0.8	1.3	2.0	
48	848	839	820	860	849	983	1,042	1,057	1,032	1,027	1,048	1,075	1,072	1,081	1,177	1,185	1,104	1,153	1,058	1,073	1,092	1,132	2.4	0.5	0.5	1.5	
57	1,216	1,344	1,381	1,419	1,471	1,534	1,635	1,662	1,663	1,604	1,591	1,653	1,680	1,706	1,735	1,636	1,498	1,590	1,606	1,623	1,652	1,694	3.1	0.2	2.5	1.7	
67	665	665	655	665	706	745	810	809	809	826	837	849	857	853	894	895	869	847	816	857	866	883	2.5	0.4	0.3	1.4	
75	3,206	3,164	3,300	3,400	3,548	3,789	4,059	4,138	4,066	4,161	4,255	4,345	4,348	4,389	4,478	4,389	3,902	3,854	3,828	3,830	3,857	3,977	3.1	(0.9)	0.4	1.1	
91	202	201	199	195	202	211	238	228	226	253	267	318	262	286	306	287	314	334	323	313	311	326	4.6	0.3	0.8	2.4	
110	624	608	651	674	691	725	808	750	712	734	729	729	710	715	743	738	652	669	690	690	701	723	1.6	(0.1)	2.1	0.7	
146	651	657	694	695	721	825	1,062	1,145	1,198	1,312	1,375	1,454	1,350	1,332	1,327	1,151	1,009	1,077	1,056	1,035	1,024	1,030	8.4	(3.4)	0.4	2.3	
161	1,939	1,955	2,041	2,115	2,208	2,390	2,711	2,729	2,672	2,753	2,840	2,888	2,902	2,835	2,910	2,616	2,261	2,440	2,431	2,381	2,338	2,361	4.1	(2.0)	0.9	1.0	
180	119	123	120	124	130	138	157	151	148	160	173	198	205	218	230	203	169	207	215	210	216	225	5.2	1.3	5.9	3.2	
189	88	83	81	89	90	95	102	104	98	100	108	106	106	107	108	96	85	100	101	109	105	103	1.9	(0.2)	3.9	0.8	
201	110	109	113	109	113	117	124	135	143	151	161	186	215	214	229	219	193	212	265	291	286	251	5.4	3.0	5.4	4.2	
226	2,269	2,247	2,560	2,619	2,454	2,799	3,030	3,072	3,121	3,196	3,359	3,471	3,430	3,483	3,548	3,350	2,893	2,886	2,889	2,826	2,871	2,990	4.3	(1.5)	0.7	1.4	
236	399	417	517	478	479	470	516	536	544	569	619	632	668	723	774	690	646	751	774	756	792	811	4.7	2.5	4.7	3.6	
242	546	555	638	629	656	695	771	802	813	856	995	1,070	1,119	1,154	1,194	1,243	1,146	1,105	1,100	1,003	1,114	1,170	7.0	0.9	0.4	3.9	
247	1,208	1,231	1,293	1,273	1,378	1,479	1,574	1,556	1,517	1,567	1,718	1,812	1,895	1,854	1,863	1,817	1,653	1,749	1,743	1,706	1,792	1,885	4.1	0.4	2.7	2.2	
266	265	261	268	282	316	358	400	399	418	452	499	501	518	538	549	523	469	486	482	481	494	534	6.6	0.6	2.6	3.6	
286	959	978	978	913	1,059	1,035	1,123	1,305	1,325	1,338	1,437	1,492	1,461	1,507	1,572	1,491	1,325	1,354	1,364	1,350	1,415	1,496	4.5	0.0	2.5	2.2	
298	610	645	679	690	829	881	966	997	985	1,034	1,146	1,194	1,160	1,187	1,188	1,084	936	963	995	1,005	1,023	1,137	6.9	(0.5)	4.0	3.2	
312	700	684	679	616	670	740	798	839	844	901	935	971	967	996	1,058	908	806	904	929	948	990	1,068	3.3	1.0	5.8	2.1	
320																				6	286	334	-	-	-	-	
326	2,085	2,182	2,269	2,375	2,495	2,670	2,708	2,727	2,868	2,894	3,137	3,360	3,408	3,486	3,446	3,190	2,902	3,118	3,105	2,993	2,984	3,069	4.9	(0.9)	1.1	2.0	
333	499	378	415	427	452	473	514	532	504	572	598	618	626	611	636	663	597	644	629	630	633	660	2.2	0.7	2.0	1.4	
20		2,435	2,619	2,830	3,052	3,258	3,408	3,573	3,470	3,707	3,839	4,124	4,187	4,320	4,433	4,114	3,751	3,883	3,961	4,037	4,150	4,309	-	0.4	2.8	-	
339	960	992	1,005	1,035	1,062	1,152	1,200	1,198	1,227	1,323	1,373	1,408	1,453	1,424	1,403	1,343	1,260	1,329	1,417	1,437	1,518	1,564	3.9	1.1	4.4	2.5	
340									4	11	13	16	19	20	19	18	20	24	24	30	48		-	14.0	22.2	-	
343	1,323	1,347	1,404	1,471	1,541	1,628	1,627	1,680	1,623	1,749	1,877	2,040	2,102	2,119	2,210	2,109	1,999	2,109	2,116	2,102	2,130	2,205	4.4	0.8	2.0	2.6	
351	2,328	2,308	2,355	2,371	2,569	2,691	2,814	2,881	2,880	3,071	3,204	3,268	3,338	3,374	3,397	3,384	3,111	3,178	3,151	3,105	3,146	3,174	3.4	(0.3)	0.4	1.6	
352																	4	54	68	84	117		-	-	-	-	
358	1,051	1,073	1,112	1,162	1,199	1,242	1,383	1,552	1,332	1,420	1,624	1,737	1,807	1,810	1,812	1,529	1,410	1,654	1,571	1,442	1,458	1,514	5.2	(1.4)	1.4	1.8	
359	2,206	2,099	2,125	2,179	2,240	2,364	2,510	2,716	2,722	2,971	3,296	3,613	3,754	3,790	3,949	4,137	3,768	3,474	3,389	3,231	3,330	3,491	5.1	(0.3)	(1.5)	2.3	
31	800	880	924	1,005	1,097	1,143	1,216	1,242	1,202	1,249	1,319	1,387	1,409	1,429	1,505	1,495	1,453	1,498	1,450	1,431	1,436	1,562	5.7	1.2	1.5	3.4	
44	438	459	480	495	541	615	646	678	633	689	842	869	897	951	990	958	929	965	943	958	998	1,048	7.1	1.9	2.4	4.5	
56	1,409	1,493	1,582	1,713	1,911	2,081	2,250	2,380	2,336	2,443	2,592	2,833	2,909	3,051	3,139	3,118	3,039	3,147	3,114	3,136	3,211	3,309	7.2	1.6	1.7	4.4	
74	268	278	311	342	357	396	406	429	418	461	465	496	526	546	596	484	480	527	536	523	530	547	6.4	1.0	2.6	3.6	
95	566	618	674	775	837	899	1,039	1,113	1,076	1,139	1,169	1,235	1,227	1,292	1,336	1,264	1,226	1,337	1,329	1,336	1,385	1,424	8.1	1.4	3.0	4.7	
105	104	108	107	114	122	899	131	141	142	165	176	205	209	210	218	400	396	200	209	205	207	209	7.0	0.2	(12.0)	3.6	
112	739	863	901	944	1,038	1,113	1,160	1,162	1,140	1,241	1,250	1,336	1,340	1,329	1,358	1,204	1,167	1,268	1,266	1,258	1,287	1,300	6.1	(0.3)	2.2	2.9	
Total	35,813	38,881	40,673	41,869	44,073	47,895	50,682	52,009	51,539	53,925	57,500	62,662	63,786	64,125	65,816	63,156	57,489	59,525	59,627	59,071	60,693	62,986	5.8	0.1	1.8	2.9	
Percent Change Over Prior Year		8.6	4.6	2.9	5.3	8.7	5.8	2.6	(0.9)	4.6	6.6	9.0	1.8	0.5	2.6	(4.0)	(9.0)	3.5	0.2	(0.9)	2.7	3.8					

(1) Interchanges 2 through 259 reflect those for the Mainline I-76/I-276. Interchanges 31 through 115 correspond to those on the Northeast Extension I-476.

(2) A toll increase of 42.5% was implemented on August 1, 2004.

(3) A toll increase of 25% was implemented on January 4, 2009. Toll rates on Turnpike I-576 and Turnpike 43 from Unionville to Brownsville remained unchanged.

(4) A toll increase of 3% was implemented on January 3, 2010. Turnpike I-576 was exempted from this toll increase.

(5) An ETC toll increase of 3% and a cash toll increase of 10% was implemented on January 2, 2011. Turnpike I-576 was exempted from this toll increase.

(6) A cash toll increase of 10% was implemented on January 1, 2012. Turnpike I-576 was exempted from this toll increase.

(7) An ETC toll increase of 2% and a cash toll increase of 10% was implemented on January 6, 2013.

(8) An ETC toll increase of 2% and a cash toll increase of 12% was implemented on January 1, 2014.

(9) Several changes have occurred at Gateway Plaza during this time period. It was converted from the western terminus of the ticket system to a barrier plaza on June 1, 2003; at this time toll classifications were switched from weight based to axle based. On January 2, 2006, toll collection at the barrier location was converted from two-way to one-way collection.

(10) Once Gateway was converted to a barrier plaza, Interchange 30, Warrendale, became the new start of the Turnpike ticket system in 2004. Toll collection was removed from Interchanges 10, 13 and 28 at this time.

Table 2-4
Total Vehicles - Average Daily Transactions on the Pennsylvania Turnpike Ticket System At Exiting Toll Plazas
Includes Revenue and Non-Rvenue Vehicles

Interchange (Milepost) ⁽¹⁾	Calendar Year																						Average Annual Percent Change				
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 ⁽²⁾	2005	2006	2007	2008	2009 ⁽³⁾	2010 ⁽⁴⁾	2011 ⁽⁵⁾	2012 ⁽⁶⁾	2013 ⁽⁷⁾	2014 ⁽⁸⁾	1993-04	2004-14	2009-14	1993-14	
2 (9)	9,354	9,412	9,692	9,666	9,942	10,420	10,698	9,982	10,765	12,019	18,087	21,826	21,633	21,676	21,768	21,434	21,400	22,296	22,516	22,552	23,012	23,184	8.8	0.6	1.6	4.6	
10 (10)		1,781	1,932	2,117	2,213	2,324	2,427	2,548	2,696	2,746													-	-	-	-	
13 (10)	1,903	1,811	1,762	1,801	1,907	2,038	2,083	2,095	2,139	2,163													-	-	-	-	
28 (10)	8,865	8,908	9,211	9,665	10,071	10,787	11,059	11,107	11,633	11,853													-	-	-	-	
30 (10)											9,239	14,781	14,609	14,791	15,445	15,468	15,226	15,178	15,140	15,131	15,689	15,767	-	0.6	0.7	-	
39	4,419	4,426	4,465	4,692	4,920	5,299	5,522	5,465	5,701	5,709	5,961	5,953	5,706	5,709	6,188	6,198	6,039	6,092	5,885	5,976	6,428	6,434	3.0	0.8	1.3	1.9	
48	8,083	8,096	7,865	8,462	8,933	8,945	9,728	10,308	10,030	10,393	10,553	10,452	10,173	10,210	10,583	10,411	10,191	10,032	9,634	9,806	10,263	10,278	2.6	(0.2)	0.2	1.2	
57	16,930	17,107	17,268	17,520	18,171	18,825	19,261	19,444	20,000	20,040	20,361	20,251	19,767	19,996	19,933	19,941	19,581	19,042	18,778	18,753	19,051	19,030	1.8	(0.6)	(0.6)	0.6	
67	8,778	8,901	8,881	9,063	9,292	9,827	10,291	10,342	10,402	10,615	11,140	10,902	10,294	10,435	10,507	9,963	9,543	9,623	9,534	9,813	9,737	9,667	2.2	(1.2)	0.3	0.5	
75	10,725	10,555	10,951	11,446	11,879	12,495	13,743	12,732	12,934	13,527	13,650	13,537	13,228	13,168	13,284	12,912	12,334	12,404	12,074	12,369	12,413	12,678	2.4	(0.7)	0.6	0.8	
91	2,387	2,417	2,510	2,407	2,455	2,563	2,619	2,370	2,462	2,457	2,520	2,556	2,520	2,523	2,784	2,681	2,665	2,705	2,602	2,665	2,705	2,670	0.7	0.4	0.0	0.6	
110	2,590	2,586	2,675	2,699	2,721	2,784	2,724	2,598	2,623	2,766	2,789	2,676	2,602	2,642	2,810	2,857	2,755	2,805	2,849	2,847	2,750	2,750	0.3	0.3	(0.0)	0.3	
146	2,573	2,569	2,732	2,830	2,943	3,304	3,790	3,905	4,158	4,536	4,665	4,824	4,514	4,369	4,386	4,146	3,981	4,022	3,904	3,814	3,739	3,802	6.5	(2.4)	(0.9)	2.0	
161	6,996	6,848	7,150	7,329	7,646	8,087	8,549	8,557	9,003	9,352	9,661	9,601	9,419	9,191	9,126	8,621	8,617	8,702	8,495	8,404	8,396	8,361	3.2	(1.4)	(0.6)	0.9	
180	685	687	689	710	747	781	830	781	809	860	888	959	896	894	941	878	824	865	860	820	809	811	3.4	(1.7)	(0.3)	0.8	
189	456	456	462	496	518	557	582	557	534	577	596	589	555	550	548	522	494	518	510	500	484	488	2.6	(1.9)	(0.2)	0.3	
201	561	571	590	609	634	666	691	709	734	812	831	865	863	872	891	832	796	854	899	919	911	844	4.4	(0.2)	1.2	2.1	
226	6,615	6,601	7,235	7,284	6,735	7,425	7,916	7,864	8,425	8,376	8,724	8,733	8,369	8,442	8,521	8,085	7,521	7,785	7,594	7,367	7,508	7,656	2.8	(1.3)	0.4	0.7	
236	3,196	3,279	4,016	4,143	3,974	4,111	4,405	4,575	4,716	5,149	5,422	5,428	5,235	5,285	5,435	5,197	5,116	5,825	5,657	5,445	5,554	5,657	5.4	0.4	2.0	2.9	
242	4,404	4,357	4,824	4,775	4,736	4,990	5,470	5,905	5,894	6,256	6,777	6,803	6,471	6,350	6,459	7,311	7,040	6,581	6,471	6,162	6,409	6,700	4.4	(0.2)	(1.0)	2.1	
247	8,449	8,513	8,901	9,262	9,369	9,888	10,392	10,560	10,642	11,306	11,936	12,068	11,812	11,407	11,765	11,890	11,604	12,227	11,898	11,654	11,866	12,060	3.6	(0.0)	0.8	1.8	
266	2,547	2,580	2,631	2,782	2,959	3,225	3,387	3,436	3,632	3,833	4,163	4,196	4,161	4,140	4,289	4,100	3,954	4,057	3,924	4,000	4,116	4,173	5.1	(0.1)	1.1	2.5	
286	6,015	6,198	6,431	6,403	6,788	7,076	7,219	7,547	7,797	7,992	8,391	8,699	8,430	8,691	8,969	8,551	8,235	8,291	8,130	8,086	8,301	8,522	3.8	(0.2)	0.7	1.8	
298	4,702	4,784	4,903	5,020	5,673	6,134	6,479	6,658	7,172	7,715	8,347	8,552	8,495	8,644	8,634	8,532	8,112	7,981	7,784	7,593	7,760	8,159	6.2	(0.5)	0.1	2.8	
312	7,475	7,634	7,749	7,339	7,981	8,578	9,159	9,663	10,281	10,909	11,355	11,426	11,259	11,554	12,069	11,543	11,039	11,257	11,244	11,295	11,434	11,760	4.3	0.3	1.3	2.3	
320																				120	3,826	5,001	-	-	-	-	
326	23,094	22,304	22,976	23,467	23,832	25,030	24,351	24,258	27,652	28,158	30,064	31,591	31,609	31,659	30,515	30,165	30,685	32,402	32,070	31,773	31,050	31,492	3.2	(0.0)	0.5	1.6	
333	10,091	8,931	9,390	9,723	10,364	10,810	11,179	11,117	11,839	12,473	12,895	13,204	12,487	12,066	11,948	12,511	12,501	12,810	12,722	12,490	12,445	12,258	2.7	(0.7)	(0.4)	1.0	
20		25,345	28,188	29,789	31,482	32,863	33,036	34,343	35,415	37,113	37,969	39,877	39,640	40,381	41,091	39,631	38,712	39,119	39,439	40,268	40,590	40,614	-	0.2	1.0	-	
339	17,146	18,117	19,184	19,370	19,874	21,337	21,231	21,165	22,283	22,703	23,513	23,422	23,162	22,984	22,606	21,655	22,249	24,302	24,683	25,019	25,371	25,413	3.2	0.8	2.7	2.0	
340										1,002	1,329	1,554	1,587	1,599	1,558	1,540	1,388	1,442	1,471	1,433	1,513	1,676	-	0.8	3.8	-	
343	20,423	21,273	23,367	23,841	24,443	24,835	24,024	24,765	25,376	25,945	26,727	27,756	27,254	26,728	28,264	27,385	27,163	28,678	28,294	27,960	27,453	27,102	3.1	(0.2)	(0.0)	1.4	
351	24,786	25,184	26,716	27,121	28,254	28,947	28,903	29,546	30,533	31,627	32,707	33,352	32,900	32,807	33,315	32,700	32,307	32,868	31,321	30,616	30,462	29,863	3.0	(1.1)	(1.6)	0.9	
352																			162	1,859	2,214	2,467	2,792	-	-	-	-
358	6,116	6,141	6,136	6,377	6,490	6,664	6,859	6,925	6,649	6,898	7,380	7,748	7,663	7,664	7,728	7,494	7,177	7,370	7,109	6,828	6,548	6,464	2.4	(1.8)	(2.1)	0.3	
359	16,225	16,078	16,373	16,774	17,069	17,676	17,960	18,281	19,071	19,736	20,828	21,699	21,598	21,425	21,676	21,411	20,712	20,729	20,235	19,395	19,662	20,100	2.9	(0.8)	(0.6)	1.1	
31	7,626	8,710	9,180	9,765	11,077	11,737	12,403	12,623	13,660	14,258	14,553	14,350	14,463	14,809	14,885	14,884	14,930	14,400	14,172	14,105	14,034	6.7	(0.4)	(1.2)	3.1		
44	5,053	5,336	5,567	5,839	6,136	6,865	7,172	7,368	7,326	7,669	8,220	8,796	8,848	9,099	9,225	9,271	9,328	9,443	9,100	8,998	9,019	9,001	5.7	0.2	(0.7)	2.9	
56	10,220	10,880	11,489	12,247	13,129	13,371	14,093	14,938	15,699	16,247	17,120	18,225	17,973	18,369	18,720	18,068	18,378	19,155	18,480	18,164	18,224	18,094	6.0	(0.1)	(0.3)	2.9	
74	3,077	3,227	3,370	3,603	3,809	4,105	4,291	4,326	4,555	4,784	4,907	5,188	5,088	5,204	5,393	5,295	5,204	5,249	5,116	5,014	4,989	4,932	5.4	(0.5)	(1.1)	2.4	
95	3,777	3,931	4,071	4,378	4,669	4,902	5,189	5,257	5,227	5,552	5,768	6,255	5,949	6,042	6,097	5,973	6,247	6,537	6,188	5,976	6,025	6,057	5.2	(0.3)	(0.6)	2.4	
105	2,256	2,358	2,412	2,443	2,564	4,902	2,724	2,752	2,858	3,024	3,122	3,448	3,242	3,269	3,406	3,463	3,627	3,537	3,443	3,357	3,306	3,311	4.3	(0.4)	(1.8)	1.9	
112	3,345	3,828	4,071	4,176	4,439	4,661	4,747	4,754	4,837	5,283	5,263	5,592	5,391	5,377	5,401	5,332	5,456	5,335	5,214	5,114	5,178	5,161	5.3	(0.8)	(1.1)	2.2	
Total	281,943	312,720	328,015	337,433	350,838	369,834	377,186	382,126	397,134	413,839	428,123	447,937	439,753	440,674	447,087	438,851	433,083	443,210	437,524	434,880	441,566	444,817	4.7	(0.1)	0.5	2.3	
Percent Change Over Prior Year		10.9	4.9	2.9	4.0	5.4	2.0	1.3	3.9	4.2	3.5	4.6	(1.8)	0.2	1.5	(1.8)	(1.3)	2.3	(1.3)	(0.6)	1.5	0.7					

(1) Interchanges 2 through 259 reflect those for the Mainline 1-76/I-276. Interchanges 31 through 115 correspond to those on the Northeast Extension I-476.

(2) A toll increase of 42.5% was implemented on August 1, 2004.

(3) A toll increase of 25% was implemented on January 4, 2009. Toll rates on Turnpike I-576 and Turnpike 43 from Unionville to Brownsville remained unchanged.

(4) A toll increase of 3% was implemented on January 3, 2010. Turnpike I-576 was exempted from this toll increase.

(5) An ETC toll increase of 3% and a cash toll increase of 10% was implemented on January 2, 2011. Turnpike I-576 was exempted from this toll increase.

commercial activity was particularly impacted by the economic recession. Still, over the entire period from 1993 to 2014, commercial transactions increased at an average annual rate of 2.9 percent.

Total-vehicle transaction trends are shown in Table 2-4. Because passenger cars make up about 86 percent of total Ticket System toll transactions, the trends and growth rates for total vehicles closely mirror those for passenger cars.

New access to the Ticket System is also shown in Tables 2-2 through 2-4. Since 2004 three new interchanges have opened on the Ticket System; Virginia Drive (Milepost 340) in 2002, Street Road (Milepost 352) in 2010, and SR 29 (Milepost 320) in 2012. These were all opened as all-electronic interchanges.

2.3.2 Barrier System Transaction Trends

Average annual daily traffic trends at the Barrier System's toll plazas are shown in Tables 2-5 through 2-7 for passenger cars, commercial vehicles and total vehicles, respectively. Transactions on the total Barrier System have been increasing at a faster rate than on the Ticket System. Passenger-car transactions increased by an average 3.3 percent per year from 1997 to 2004, and by 3.8 percent per year from 2004 to 2014. Growth in passenger-car transactions averaged 1.9 percent per year from 2009 through 2014. For the combined Barrier System, 2009 was the only year when passenger-car transactions decreased over the prior year, by negative 0.7 percent. A contributor to the decreased passenger-car transactions in 2009 compared to 2008 was the 25 percent toll increase that went into effect on January 4 of that year. No toll increase occurred in 2009 on the recently opened I-576 or on the Turnpike 43 section from Unionville to Brownsville.

In general, higher rates in passenger-car transactions compared to the Ticket System are attributable to several items, including 1) these tend to be younger facilities that have historically been adding additional lane miles and sometimes additional interchanges and toll plazas. These facilities also tend to be on the fringe of urban areas and are benefiting from the increasing spread of development into their corridors. Lastly, Turnpike I-576 was exempt from scheduled toll increases in 2009, 2010, 2011, 2012, and 2014.

Commercial vehicle average daily transaction trends are shown in Table 2-5. They also show stronger annual growth compared to the Ticket System. Commercial-vehicle transactions increased by 7.5 percent per year from 2004 to 2014, and by 9.2 percent per year from 2009 through 2014. Total vehicle transactions increased by 4.2 percent per year from 2004 to 2014, and by 2.7 percent per year from 2009 through 2014.

2.4 Monthly Transactions and Gross Toll Revenue Trends

This section discusses monthly transactions and toll revenue trends by fiscal year (FY) from FY 2011-12 through FY 2014-15 for the Ticket System and the total Turnpike System. The last actual data point is January 2015. Trend data is provided separately for passenger cars and commercial vehicles. The transaction data includes only toll transactions at exiting toll plazas; non-revenue transactions are not included. The purpose of these tables is to review recent patterns of growth, and identify any short-term impacts to the Turnpike System that may not be apparent in annual trends.

2.4.1 Ticket System Monthly Trends

Monthly transaction and toll revenue trends for the Ticket System are presented in Table 2-8 from FY 2011-12 through January 2015 of FY 2014-15. Passenger-car transactions decreased by 1.1 percent in

Table 2-5
 Passenger Cars - Average Daily Transactions on the Pennsylvania Turnpike Barrier System
 Includes Revenue and Non-Revenue Vehicles

Toll Location	Calendar Year																	Average Annual Percent Change					
	1997	1998	1999	2000	2001	2002 (1)	2003	2004 (2)	2005	2006	2007	2008	2009 (3)	2010 (4)	2011 (7)	2012 (9)	2013 (10)	2014 (11)	1997-04	2004-14	2009-14	1997-14	
Northeast Extension Barrier Plazas																							
Keyser Ave.	6,941	6,461	5,686	5,527	5,622	5,948	6,274	6,719	6,489	6,573	6,736	6,782	7,012	6,935	6,970	6,960	7,156	7,017	(0.5)	0.4	0.0	0.0	0.1
Clarks Summit	7,281	6,769	5,844	5,642	5,847	6,169	6,492	6,747	6,519	6,545	6,740	6,790	6,850	6,670	6,673	6,702	7,270	7,135	(1.1)	0.6	0.8	0.8	(0.1)
Subtotal	14,222	13,230	11,530	11,169	11,469	12,117	12,766	13,466	13,008	13,117	13,476	13,572	13,862	13,605	13,643	13,662	14,426	14,152	(0.8)	0.5	0.4	0.4	(0.0)
Turnpike I-376 - Beaver Valley Expressway (5)																							
East Toll 376	8,407	8,724	8,798	9,008	9,390	9,586	9,762	9,921	9,896	9,854	10,334	10,288	9,887	9,884	9,940	9,685	9,235	8,971	2.2	(0.9)	(1.9)	0.4	
Beaver Falls Rte. 551	336	359	370	382	399						434	488	430	455	430	437	425	387	(100.0)	-	(2.1)	0.8	
Moravia Rte. 168	579	613	610	619	662						756	808	706	674	778	775	728	712	(100.0)	-	0.2	1.2	
West Toll 376	4,964	5,192	5,298	5,481	5,866	6,021	6,176	6,385	6,812	7,047	7,524	7,633	7,617	7,738	7,632	7,430	7,178	7,292	3.7	1.3	(0.9)	2.3	
Mt. Jackson Rte. 108	1,211	1,313	1,385	1,454	1,606						1,277	1,557	1,390	1,236	1,173	1,094	1,019	953	(100.0)	-	(7.3)	(1.4)	
Subtotal	15,497	16,201	16,461	16,944	17,943	15,607	15,958	16,206	16,708	16,901	20,326	20,744	20,040	19,987	19,953	19,419	18,587	18,315	0.6	1.2	(1.8)	1.0	
Turnpike 66 - Amos K. Hutchinson Bypass (6)																							
Rte. 136	413	437	469	478	518						217	597	806	727	742	731	738	708	749	(100.0)	-	0.6	3.6
AKH Mainline	8,081	8,911	8,850	9,283	9,613	10,044	10,476	10,858	11,123	12,055	12,308	12,327	12,114	12,276	11,947	11,843	11,721	11,728	4.3	0.8	(0.6)	2.2	
Route 30	2,471	3,020	3,105	3,390	3,751						861	2,889	4,617	4,645	4,921	4,809	4,686	4,625	(100.0)	-	(0.1)	3.8	
Route 130	1,190	1,123	966	893	1,001						226	1,260	1,370	1,370	1,459	1,336	1,326	1,377	(100.0)	-	0.1	0.9	
Route 66	523	527	498	455	516						117	580	762	738	757	774	754	753	(100.0)	-	2.5	2.8	
Subtotal	12,678	14,018	13,848	14,499	15,399	10,044	10,476	10,858	11,123	13,473	17,633	19,883	19,594	20,088	19,719	19,356	19,133	19,313	(2.2)	5.9	(0.3)	2.5	
Turnpike 43 - Mon/Fayette Expressway (8)																							
Ramp M4					29	29	30	29	26	32	32	32	22	22	147	299	315	308		-	26.5	69.3	
M5					1,659	1,726	1,794	1,884	1,973	2,060	2,151	2,257	2,301	2,477	3,467	4,833	5,224	5,663		-	11.6	19.7	
Ramp M15											114	228	281	13	109	86	81	77		-	-	-	
Ramp M18											275	3,543	4,537	4,896	5,079	5,284	5,079	5,079		-	-	-	
M19											114	228	281	13	109	86	81	77		-	-	-	
M05 California	7,314	6,643	7,312	8,274	8,437	5,582	2,728	9,365	9,366	9,754	10,224	10,530	10,318	10,515	10,407	10,605	10,587	10,649	3.6	1.3	0.6	2.2	
Ramp M39					954	1,360	1,766	906	868	963	1,030	1,052	1,050	1,067	1,073	1,056	1,046	1,006		-	1.1	(0.8)	
Ramp M44								736	720	758	745	703	692	665	665	651	641	647		-	(1.3)	(1.7)	
Ramp M48								2,543	2,790	2,936	3,213	3,301	3,356	3,471	3,478	3,537	3,511	3,579		-	3.5	1.3	
M52								5,689	6,326	6,746	7,099	7,179	7,351	7,181	7,161	7,149	7,464	7,233		-	1.1	(0.4)	
Subtotal	7,314	6,643	7,312	8,274	11,079	8,698	12,006	21,789	22,489	23,602	24,581	25,273	24,931	25,807	30,266	33,450	33,825	34,326	16.9	4.6	6.6	9.5	
I-576 - Southern Beltway																							
SB Rte. 30											80	166	223	262	298	364	555	303		-	-	3.5	
SB Westport Rd.											59	125	130	153	160	163	190	191	249		-	-	
Rte. 22											533	2,914	3,320	3,727	3,897	4,135	4,209	4,005		-	-	2.2	
Subtotal											671	3,204	3,673	4,142	4,355	4,662	4,954	4,498		-	-	2.6	
All Barrier Facilities																							
Total	49,711	50,092	49,151	50,896	55,890	46,467	51,205	62,320	63,328	67,765	79,221	83,146	82,569	83,842	88,244	90,841	90,468	90,820	3.3	3.8	1.9	3.6	
Percent Change	8.4	0.8	(1.9)	3.5	9.8	(16.9)	10.2	21.7	1.6	7.0	18.9	5.0	(0.7)	1.5	5.2	2.9	(0.4)	0.4		-	-	-	
Over Prior Year																				-	-	-	

(1) 2002 traffic data is not available. It is estimated by averaging 2001 and 2003 traffic data.
 (2) New rates became effective Sunday, August 1, 2004. Rates were increased by 42.5%.
 (3) A toll increase of 25% was implemented on January 4, 2009. Toll rates on Turnpike I-576 and Turnpike 43 from Unionville to Brownsville remained unchanged.
 (4) A toll increase of 3% was implemented on January 3, 2010.
 (5) Toll 60 (Turnpike 376) ramp counts were not available from 2002 to 2006.
 (6) Toll 66 ramp counts were not available from 2002 to 2005.
 (7) An E-ZPass toll increase of 3% and a cash toll increase of 10% was implemented on January 2, 2011. Exceptions include Turnpike I-576, where coin machine fares will not change.
 (8) On July 11, 2011, the West Virginia section of Turnpike 43 was opened.
 (9) A cash toll increase of 10% was implemented on January 1, 2012. Exceptions include Turnpike I-576, where coin machine fares will not change.
 (10) An E-ZPass toll increase of 2% and a cash toll increase of 12% was implemented on January 6, 2013. Friday Connector will increase E-ZPass toll rates by 25% and cash toll rates by 50%.
 (11) An E-ZPass toll increase of 2% and a cash toll increase of 12% was implemented on January 5, 2014. Exceptions include Turnpike I-576 - Southern Beltway.

Table 2-6
Commercial Vehicles - Average Daily Transactions on the Pennsylvania Turnpike Barrier System
 Includes Revenue and Non-Rvenue Vehicles

Toll Location	Calendar Year														Average Annual Percent Change							
	1997	1998	1999	2000	2001	2002 (1)	2003	2004 (2)	2005	2006	2007	2008	2009 (3)	2010 (4)	2011 (7)	2012 (9)	2013 (10)	2014 (11)	1997-04	2004-14	1997-14	
Northeast Extension Barrier Plazas																						
Keyser Ave	1,163	1,038	936	919	882	905	918	938	1,032	1,227	1,408	1,363	1,306	1,365	1,492	1,532	1,606	1,643	(3.0)	5.8	4.7	2.1
Clarks Summit	1,349	1,255	1,125	1,118	1,142	1,049	957	931	1,038	1,112	1,162	1,096	1,047	1,082	1,149	1,228	1,369	1,436	(5.2)	4.4	6.5	0.4
Subtotal	2,512	2,293	2,061	2,037	2,034	1,954	1,875	1,869	2,130	2,339	2,570	2,459	2,353	2,447	2,641	2,759	2,975	3,079	(4.1)	5.1	5.5	1.2
Turnpike I-376 - Beaver Valley Expressway (5)																						
East Toll 376	1,110	1,147	1,263	1,301	1,359	1,332	1,304	1,328	1,353	1,311	1,490	1,548	1,342	1,506	1,621	1,693	1,729	1,830	2.6	3.3	6.4	3.0
Beaver Falls Rte. 551	44	45	52	51	65	65	65	36	39	31	31	48	31	48	59	59	50	48	(100.0)	-	9.5	0.5
Moravia Rte. 168	93	91	85	83	144	144	144	96	145	60	73	92	60	73	92	86	73	97	(100.0)	-	10.2	0.2
West Toll 376	681	725	793	863	874	872	870	911	915	998	1,133	1,170	1,034	1,196	1,211	1,226	1,202	1,279	4.3	3.4	4.3	3.8
Mt. Jackson Rte. 108	101	109	118	138	141	138	141	138	141	138	141	138	141	138	141	138	141	135	(100.0)	-	5.5	2.3
Subtotal	2,029	2,117	2,311	2,446	2,583	2,204	2,174	2,239	2,268	2,309	2,854	3,070	2,580	2,921	3,116	3,228	3,190	3,402	1.4	4.3	5.7	3.1
Turnpike 66 - Anos K. Hutchinson Bypass (6)																						
Rte. 136	222	196	230	241	232	173	173	173	173	173	173	173	173	173	173	173	173	173	(100.0)	-	38.7	7.4
AKH Mainline	1,457	1,518	1,552	1,729	1,673	1,743	1,813	1,818	1,872	1,935	2,070	2,146	2,010	2,261	2,333	2,346	2,372	2,603	3.2	3.7	5.3	3.5
Route 30	225	298	268	296	345	345	345	142	290	282	265	300	292	315	313	306	306	306	(100.0)	-	2.9	1.8
Route 130	35	35	50	67	75	75	75	17	38	29	30	26	26	26	28	28	32	32	(100.0)	-	0.9	(0.5)
Route 66	35	32	29	27	28	28	28	5	15	15	16	17	18	19	22	22	19	21	(100.0)	-	4.4	(3.0)
Subtotal	1,974	2,040	2,129	2,360	2,353	1,743	1,813	1,818	1,872	2,226	2,623	2,656	2,468	2,770	2,853	2,890	2,908	3,710	(1.2)	7.4	8.5	3.8
Turnpike 43 - Mon/Fayette Expressway (8)																						
Ramp M4	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
M5	119	135	151	135	136	150	140	196	240	275	366	529	665	819	8	8	8	8	8	8	8	8
Ramp M15																						
Ramp M18																						
Ramp M19																						
M65 California	305	277	305	345	362	218	84	314	303	321	384	478	532	573	574	694	827	1,002	0.4	12.3	13.5	7.2
Ramp M39																						
Ramp M44																						
Ramp M48																						
M62																						
Subtotal	305	277	305	345	503	366	382	724	697	707	779	971	1,025	1,322	1,607	2,053	2,526	2,990	13.1	15.2	23.8	14.3
I-576 - Southern Beltway																						
SB Rte. 30																						
SB Westport Rd.																						
Rte. 22																						
Subtotal																						
All Barrier Facilities																						
Total	6,520	6,727	6,806	7,188	7,473	6,297	6,244	6,650	6,967	7,608	9,060	9,385	8,801	9,885	10,592	11,328	12,026	13,676	(0.4)	7.5	9.2	4.2
Percent Change	12.2	(1.4)	1.2	5.6	4.0	(15.7)	(0.9)	6.5	4.8	9.2	19.1	3.6	(6.2)	12.1	7.4	6.9	6.2	13.7				
Over Prior Year																						

(1) 2002 traffic data is not available. It is estimated by averaging 2001 and 2003 traffic data.
 (2) New rates became effective Sunday, August 1, 2004. Rates were increased by 42.5%.
 (3) A toll increase of 25% was implemented on January 4, 2009. Toll rates on Turnpike 576 and Turnpike 43 from Unionville to Brownsville remained unchanged.
 (4) A toll increase of 3% was implemented on January 3, 2010.
 (5) Toll 60 (Turnpike 376) ramp counts were not available from 2002 to 2006.
 (6) Toll 66 ramp counts were not available from 2002 to 2005.
 (7) An E-ZPass toll increase of 3% and a cash toll increase of 10% was implemented on January 2, 2011. Exceptions include Turnpike 576, where coin machine fares will not change.
 (8) On July 11, 2011, the West Virginia section of Turnpike 43 was opened.
 (9) A cash toll increase of 10% was implemented on January 1, 2012. Exceptions include Turnpike 576, where coin machine fares will not change.
 (10) An E-ZPass toll increase of 2% and a cash toll increase of 10% was implemented on January 6, 2013. Friday Connector will increase E-ZPass toll rates by 25% and cash toll rates by 50%.
 (11) An E-ZPass toll increase of 2% and a cash toll increase of 12% was implemented on January 5, 2014. Exceptions include Friday Connector.

**Table 2-7
Total Vehicles - Average Daily Transactions on the Pennsylvania Turnpike Barrier System
Includes Revenue and Non-Revenue Vehicles**

Toll Location	Calendar Year												Average Annual Percent Change									
	1997	1998	1999	2000	2001	2002 (1)	2003	2004 (2)	2005	2006	2007	2008	2009 (3)	2010 (4)	2011 (7)	2012 (9)	2013 (10)	2014 (11)	1997-04	2004-14	2009-14	1997-14
Northeast Extension Barrier Plazas																						
Keyser Ave.	8,104	7,489	6,622	6,446	6,514	6,853	7,192	7,657	7,581	7,800	8,144	8,144	8,318	8,300	8,462	8,492	8,761	8,660	(0.8)	1.2	0.8	0.4
Clarks Summit	8,630	8,024	6,969	6,760	6,989	7,219	7,449	7,678	7,557	7,656	7,903	7,887	7,897	7,752	7,822	7,930	8,639	8,571	(1.7)	1.1	1.7	(0.0)
Subtotal	16,734	15,523	13,591	13,206	13,503	14,072	14,641	15,335	15,138	15,456	16,047	16,031	16,215	16,052	16,284	16,422	17,401	17,231	(1.2)	1.2	1.2	0.2
Turnpike I-376 - Beaver Valley Expressway (5)																						
East Toll 376	9,517	9,871	10,061	10,309	10,749	10,917	11,086	11,149	11,249	11,165	11,824	11,836	11,239	11,390	11,561	11,377	10,965	10,801	2.3	(0.3)	(0.8)	0.7
Beaver Falls Re. 551	380	404	422	433	464				471	497	461	503	490	496	476	476	435	435	(100.0)	-	(1.1)	0.8
Moravia Re. 168	672	704	695	712	826				853	953	766	747	869	861	801	809	809	809	(100.0)	-	-	1.1
West Toll 376	5,645	5,917	6,091	6,344	6,740	6,893	7,046	7,296	7,727	8,044	8,658	8,803	8,934	8,844	8,655	8,381	8,572	8,572	3.7	1.6	(0.2)	2.5
Mt. Jackson Re. 108	1,312	1,422	1,503	1,592	1,747				1,375	1,665	1,651	1,334	1,306	1,258	1,154	1,101	1,101	1,101	(100.0)	-	(6.0)	(1.0)
Subtotal	17,526	18,318	18,772	19,390	20,526	17,811	18,132	18,445	18,976	19,210	23,180	23,754	22,620	22,908	23,070	22,648	21,776	21,717	0.7	1.6	(0.8)	1.3
Turnpike 66 - Anos K. Hutchinson Bypass (6)																						
Re. 136	635	633	689	719	750				343	808	989	873	907	914	916	885	1,497	1,497	(100.0)	-	-	11.4
AKH/Mainline	9,538	10,429	11,012	11,286	11,787	12,288	12,676	12,995	13,988	14,378	14,473	14,124	14,537	14,280	14,191	14,093	14,331	14,331	4.1	1.2	0.3	2.4
Route 30	2,696	3,276	3,373	3,686	4,096				1,003	3,178	4,899	4,910	5,221	5,101	5,001	4,938	4,930	4,930	(100.0)	-	-	0.1
Route 130	1,225	1,161	1,016	960	1,076				243	1,298	1,399	1,400	1,423	1,485	1,362	1,354	1,409	1,409	(100.0)	-	-	0.1
Route 66	558	559	487	482	544				122	595	778	754	770	793	776	771	855	855	(100.0)	-	-	2.5
Subtotal	14,652	16,058	15,977	16,859	17,752	11,787	12,288	12,676	12,995	15,689	20,256	22,539	22,062	22,858	22,572	22,245	22,041	23,022	(2.0)	6.1	0.9	2.7
Turnpike 43 - Mon/Fayette Expressway (8)																						
Ramp M4					31	31	30	28	33	40	34	23	23	151	306	323	316	316	-	-	26.5	68.3
M5					1,778	1,862	1,945	2,020	2,110	2,210	2,292	2,453	2,541	2,752	3,833	5,462	5,889	6,462	4.1	1.2	0.3	2.4
Ramp M15														13	115	93	91	91	-	-	-	-
Ramp M18														120	244	300	310	301	120	-	-	-
M19														457	3,845	4,974	5,501	5,758	3.5	1.9	1.4	2.5
M35 California	7,619	6,920	7,617	8,619	8,789	8,789	9,669	10,075	10,608	11,008	10,849	11,088	11,088	11,298	11,414	11,651	11,651	11,651	3.5	1.9	1.4	2.5
Ramp M39					984	1,401	1,819	929	891	989	1,062	1,087	1,085	1,107	1,118	1,101	1,067	1,067	984	-	-	(0.3)
Ramp M44														773	799	721	718	698	694	703	-	-
Ramp M48														2,649	2,872	2,995	3,277	3,368	3,544	3,563	3,634	3,707
M52														5,781	6,433	6,863	7,208	7,289	7,478	7,306	7,304	7,305
Subtotal	7,619	6,920	7,617	8,619	11,582	9,094	12,387	22,513	23,186	24,309	25,360	26,245	25,956	27,129	31,873	35,503	36,351	37,306	16.7	5.2	7.5	9.8
I-576 - Southern Beltway																						
SB Re. 30									82	184	250	293	334	394	593	328	342	342	-	-	-	3.1
SB Westport Rd.									60	131	144	209	218	196	227	236	333	333	-	-	-	9.7
Re. 22									557	3,124	3,569	4,014	4,208	4,447	4,531	4,361	4,546	4,546	-	-	-	2.5
Subtotal									699	3,438	3,963	4,517	4,760	5,037	5,351	4,925	5,220	5,220	-	-	-	2.9
All Barrier Facilities																						
Total	56,531	56,819	55,957	56,074	63,363	52,764	57,448	68,970	70,295	75,373	88,281	92,531	91,371	93,707	98,836	102,169	102,494	104,496	2.9	4.2	2.7	3.7
Percent Change Over Prior Year	8.9	0.5	(1.5)	3.8	9.1	(16.7)	8.9	20.1	1.9	7.2	17.1	4.8	(1.3)	2.6	5.5	3.4	0.3	0.3				

(1) 2002 traffic data is not available. It is estimated by averaging 2001 and 2003 traffic data.
 (2) New rates became effective Sunday, August 1, 2004. Rates were increased by 42.5%.
 (3) A toll increase of 25% was implemented on January 4, 2009. Toll rates on Turnpike 576 and Turnpike 43 from Unionville to Brownsville remained unchanged.
 (4) A toll increase of 3% was implemented on January 3, 2010.
 (5) Toll 60 (Turnpike 376) ramp counts were not available from 2002 to 2006.
 (6) Toll 66 ramp counts were not available from 2002 to 2005.
 (7) An E-ZPass toll increase of 3% and a cash toll increase of 10% was implemented on January 2, 2011. Exceptions include Turnpike 576, where coin machine fares will not change.
 (8) On July 11, 2011, the West Virginia section of Turnpike 43 was opened.
 (9) A cash toll increase of 10% was implemented on January 1, 2012. Exceptions include Turnpike 576, where coin machine fares will not change.
 (10) An E-ZPass toll increase of 2% and a cash toll increase of 10% was implemented on January 6, 2013. Findlay Connector will increase E-ZPass toll rates by 25% and cash toll rates by 50%.
 (11) An E-ZPass toll increase of 2% and a cash toll increase of 12% was implemented on January 5, 2014. Exceptions include Findlay Connector.

**Table 2-8
Ticket System (Including Gateway Barrier Plaza) - Monthly Transaction and Revenue Trends**
Transactions Include Only Toll Transactions - Non-Revenue Transactions Are Not Included

Month	Toll Transactions (in 1,000s)													
	Passenger Cars						Commercial Vehicles							
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15
June	11,681	(0.5)	11,622	(0.7)	11,540	1.6	11,720	1,815	(3.4)	1,754	(0.5)	1,744	6.2	1,852
July	12,005	(2.0)	11,765	1.7	11,959	1.4	12,128	1,708	0.5	1,717	5.7	1,816	5.2	1,910
August	11,887	2.5	12,181	1.3	12,343	(0.5)	12,285	1,837	0.1	1,839	0.7	1,852	0.5	1,862
September	11,119	(2.9)	10,800	2.8	11,105	0.2	11,123	1,749	(7.4)	1,619	6.2	1,719	6.9	1,838
October	11,457	(4.0)	10,998	6.7	11,738	1.2	11,876	1,751	(0.1)	1,749	7.1	1,873	4.6	1,960
November	11,005	(1.6)	10,832	(0.2)	10,812	(0.5)	10,760	1,644	2.5	1,685	(4.0)	1,617	1.9	1,648
December	10,822	(3.5)	10,446	0.4	10,484	4.0	10,902	1,565	(4.6)	1,493	3.9	1,552	9.5	1,700
January	9,866	0.6	9,925	(4.5)	9,478	1.5	9,619	1,505	5.7	1,591	(1.9)	1,560	2.9	1,606
February	9,693	(5.2)	9,189	(6.6)	8,585			1,487	(2.6)	1,448	(0.7)	1,439		
March	10,806	(0.4)	10,761	(1.0)	10,649			1,674	(4.2)	1,605	3.8	1,666		
April	10,784	1.0	10,890	1.9	11,096			1,639	6.9	1,752	2.1	1,789		
May	11,555	1.7	11,756	0.5	11,809			1,797	4.3	1,874	(0.0)	1,874		
Total Year	132,680	(1.1)	131,165	0.3	131,595		90,413	20,171	(0.2)	20,125	1.9	20,501		14,376
June-Jan	89,842	(1.4)	88,569	1.0	89,457	1.1	90,413	13,574	(0.9)	13,446	2.1	13,734	4.7	14,376

Month	Toll Revenue (in \$1,000s)													
	Passenger Cars						Commercial Vehicles							
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15
June	\$37,533	5.5	\$39,610	5.4	\$41,761	6.3	\$44,385	\$28,954	(1.4)	\$28,554	3.8	\$29,642	8.4	\$32,145
July	41,662	0.0	41,674	7.7	44,889	6.8	47,942	27,345	1.3	27,706	9.0	30,200	9.1	32,935
August	39,461	8.4	42,785	8.2	46,287	6.6	49,340	29,230	2.2	29,883	3.2	30,847	5.1	32,420
September	34,686	3.0	35,739	6.0	37,868	4.7	39,655	28,122	(3.8)	27,060	6.2	28,725	11.1	31,911
October	35,674	(0.5)	35,501	10.1	39,100	7.8	42,161	28,338	0.0	28,342	10.2	31,235	8.5	33,884
November	34,874	2.1	35,597	3.4	36,810	7.2	39,455	26,591	4.7	27,854	(1.8)	27,346	5.8	28,927
December	33,258	2.0	33,936	7.1	36,350	6.4	38,684	25,387	(1.1)	25,115	5.3	26,444	13.0	29,877
January	29,800	2.6	30,574	0.7	30,782	8.2	33,317	25,650	8.1	27,178	0.1	27,743	9.4	30,349
February	28,953	(2.2)	28,308	(2.2)	27,690			25,280	(0.3)	25,204	3.3	26,037		
March	33,183	7.9	35,792	1.6	36,382			27,975	0.3	28,054	8.0	30,311		
April	34,890	2.7	35,848	9.3	39,166			26,952	8.8	29,312	7.1	31,396		
May	38,049	7.0	40,696	6.7	43,440			29,418	5.8	31,134	4.8	32,623		
Total Year	\$422,023	3.3	\$436,059	5.6	\$460,525		\$334,938	\$329,222	2.0	\$335,935	4.9	\$352,550		\$252,448
June-Jan	286,948	3.0	295,415	6.2	313,847	6.7	334,938	219,598	1.2	222,231	4.5	232,182	8.7	252,448

NOTES:

- (1) On January 2, 2011, a 3% E-ZPass and a 10% cash toll increase was implemented on all toll facilities except Turnpike I-576.
- (2) On January 1, 2012, cash tolls were increased by 10% on all toll facilities except Turnpike I-576.
- (3) On January 6, 2013 a 2% E-Zpass and a 10% cash toll increase was implemented on all toll facilities.
- (4) On January 1, 2014 a 2% E-Zpass and a 12% cash toll increase was implemented on all toll facilities except Turnpike I-576.
- (5) On January 4, 2015, a 5% E-Zpass and cash toll increase was implemented on all toll facilities except Turnpike I-576.
- (6) Leap year occurred in 2012, resulting in negative traffic and toll revenue impacts in February 2013 compared to February 2012.
- (7) On December 12, 2012, the Route 29, AET interchange was opened at milepost 320 on I-76.
- (8) Abnormally severe winter weather negatively impacted traffic and toll revenue in January and February 2014, particularly among passenger cars.
- (9) Winter weather negatively impacted traffic and toll revenue in January 2015.

FY 2012-13, and then increased by 0.3 percent in the following year. Transaction growth in FY 2013-14 would have been more positive if not for the abnormally severe winter weather that occurred in January and February of 2014, when transactions decreased by 4.5 percent and 6.6 percent respectively over the same months in 2013. Passenger-car transactions increased by 1.1 percent in FY 2014-15 year-to-date compared to the previous year. The only two months in FY 2014-15 that experienced decreased passenger-car transactions over the prior year are August and November, and these both had one less weekday in 2014 compared to 2013.

Ticket System passenger-car toll revenue has been increasing at a faster annual rate than transactions due to toll increases that were implemented each year. Passenger-car toll revenue increased by 3.3 percent in FY 2012-13, and by 5.6 percent in FY 2013-14. In the current fiscal year, passenger-car toll revenue on the Ticket System has increased by 6.7 percent through January 2015 compared to the same time period in the previous year.

Commercial-vehicle transactions on the Ticket System exhibited the same pattern of change as the passenger-car transactions. Commercial-vehicle transactions decreased by 0.2 percent in FY 2012-13 and subsequently increased by 1.9 percent in the following year. Year-to-date, FY 2014-15 commercial-vehicle transactions have increased by 4.7 percent over the same period in the prior year. Annual toll revenue increased by 2.0 percent and 4.9 percent in FY 2012-13 and 2014-14 respectively. FY 2014-15 commercial vehicle toll revenue increased by 8.7 percent through January 2015. These increases in toll revenue were driven by increased transactions and by annual toll increases.

Total Ticket System transactions decreased by 1.0 percent in FY 2012-13, and increased by 0.5 percent the next year. The increase in FY 2013-15 would have been more positive if the abnormally severe winter weather in January and February 2014 had not occurred. In FY 2014-15, transactions through January 2015 increased over the same time period in the prior year by 1.5 percent. Total Ticket System toll revenue increased by 2.8 percent and 5.3 percent in FY 2012-13 and FY 2013-14, respectively. Toll revenue year to date in FY 2014-15 has increased by 7.6 percent compared to the same period in the prior year.

Positive growth in transactions appears to be returning to the Ticket System as the economy and employment slowly improves. The growth in transactions has been occurring even with the annual toll increases that have been implemented since 2009.

2.4.2 Total Turnpike System Monthly Trends

Table 2-9 presents the monthly transaction and toll revenue trends for the total Turnpike System, which includes the Ticket System and the entire Barrier System. Passenger-car transactions decreased by 0.8 percent in FY 2012-13, and then increased by 0.1 percent in the following year. Transaction growth in FY 2013-14 would have been more positive if not for the abnormally severe winter weather that occurred in January and February of 2014, when transactions decreased by 4.4 percent and 5.9 percent respectively over the same months in 2013. Passenger-car transactions increased by 1.2 percent in FY 2014-15 year-to-date compared to the previous year. The only two months in FY 2014-15 that experienced decreased passenger-car transactions over the prior year are August and November, and these both had one less weekday in 2014 compared to 2013.

Turnpike System passenger-car toll revenue increased at a faster annual rate than transactions due to toll increases that were implemented each year. Passenger-car toll revenue increased by 3.6 percent in FY 2012-13, and by 5.5 percent in FY 2013-14. In the current fiscal year, passenger-car toll revenue

Table 2-9
Total Turnpike System - Monthly Transaction and Revenue Trends
 Transactions Include Only Toll Transactions - Non-Revenue Transactions Are Not Included

Month	Passenger Cars			Commercial Vehicles			Total Vehicles								
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	% Chg	2013-14	% Chg	2014-15				
June	14,344	0.5	14,418	(0.7)	14,311	1.6	14,535	1.6	16,496	0.3	16,539	(0.7)	16,423	2.3	16,797
July	14,905	(1.2)	14,726	1.2	14,906	1.6	15,138	2,042	16,947	(0.8)	16,811	1.8	17,121	2.1	17,489
August	14,857	3.0	15,300	0.9	15,433	(0.1)	15,425	2,208	17,065	2.7	17,532	0.9	17,698	0.2	17,726
September	13,915	(2.1)	13,625	2.0	13,891	0.6	13,974	2,099	16,013	(2.7)	15,583	2.6	15,993	1.6	16,249
October	14,357	(3.3)	13,886	5.6	14,670	1.4	14,876	2,107	16,013	(2.7)	15,583	2.6	16,957	2.0	17,288
November	13,684	(1.3)	13,508	(0.6)	13,420	(0.5)	13,358	1,963	15,647	(0.8)	15,516	(0.9)	15,380	(0.1)	15,368
December	13,451	(3.5)	12,975	0.6	13,058	3.3	13,491	1,853	15,304	(3.6)	14,749	1.2	14,922	4.1	15,537
January	12,149	0.7	12,236	(4.4)	11,703	1.7	11,905	1,781	13,930	1.4	14,128	(3.9)	13,578	1.9	13,840
February	12,011	(4.9)	11,417	(5.9)	10,738	1.7	11,005	1,771	13,782	(4.6)	13,146	(5.1)	12,478		
March	13,417	(0.6)	13,334	(1.1)	13,188		13,334	1,996	15,413	(1.1)	15,249	(0.3)	15,210		
April	13,454	1.0	13,585	1.4	13,778		13,778	1,979	15,433	1.7	15,697	1.6	15,946		
May	14,417	1.8	14,679	0.1	14,690		14,690	2,175	16,592	2.1	16,946	0.2	16,974		
Total Year	164,960	(0.8)	163,690	0.1	163,788		163,788	24,127	189,087	(0.6)	187,897	0.4	188,679		130,295
June-Jan	111,660	(0.9)	110,673	0.7	111,393	1.2	112,702	16,206	127,866	(0.8)	126,859	1.0	128,072	1.7	130,295

Month	Passenger Cars			Commercial Vehicles			Total Revenue (in \$1,000s)							
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	% Chg	2013-14	% Chg	2014-15			
June	\$40,202	5.9	\$42,563	5.5	\$44,913	6.3	\$47,759	\$30,075	(0.9)	\$29,797	3.8	\$30,938	8.7	\$33,638
July	44,555	0.6	44,813	7.6	48,219	6.9	51,527	28,449	1.8	28,953	9.1	31,597	9.3	34,536
August	42,432	8.7	46,109	7.9	49,761	6.6	53,065	30,473	2.5	31,222	3.4	32,289	5.3	33,994
September	37,501	3.3	38,737	5.9	41,023	4.9	43,042	29,282	(3.7)	28,222	6.5	30,066	11.4	33,490
October	38,580	(0.0)	38,571	9.9	42,409	7.8	45,711	29,536	0.2	29,595	10.5	32,692	8.6	35,507
November	37,566	2.3	38,446	3.4	39,752	7.0	42,534	27,670	4.7	28,976	(1.5)	28,554	5.9	30,250
December	35,916	2.0	36,642	7.1	39,259	6.4	41,766	26,368	(1.0)	26,096	5.7	27,577	13.0	31,154
January	32,226	2.9	33,172	0.7	33,403	8.2	36,138	26,599	8.3	28,813	0.4	28,936	9.2	31,609
February	31,419	(1.8)	30,841	(1.9)	30,259		30,259	26,271	(0.2)	26,223	3.6	27,168		
March	35,960	7.7	38,716	1.8	39,421		39,421	29,066	0.3	29,182	8.4	31,644		
April	37,709	3.2	38,904	8.9	42,363		42,363	28,122	8.8	30,610	7.2	32,811		
May	41,089	7.1	44,000	6.6	46,889		46,889	30,707	6.0	32,557	4.9	34,123		
Total Year	\$455,133	3.6	\$471,514	5.5	\$497,671		\$497,671	\$342,646	2.2	\$350,226	5.2	\$368,395		\$264,179
June-Jan	308,977	3.3	319,053	6.2	338,738	6.7	361,543	228,460	1.4	231,674	4.7	242,649	8.9	264,179

NOTES:
 (1) On January 2, 2011, a 3% E-ZPass and a 10% cash toll increase was implemented on all toll facilities except Turnpike 576.
 (2) On January 1, 2012, cash tolls were increased by 10% on all toll facilities except the Findlay Connector.
 (3) On January 6, 2013 a 2% E-Zpass and a 10% cash toll increase was implemented on all toll facilities.
 (4) On January 1, 2014 a 2% E-Zpass and a 12% cash toll increase was implemented on all toll facilities.
 (5) On January 4, 2015, a 5% E-Zpass and cash toll increase was implemented on all toll facilities except Turnpike I-576.
 (6) Leap year occurred in 2012, resulting in negative traffic and toll revenue impacts in February 2013 compared to February 2012.
 (7) Abnormally severe winter weather negatively impacted traffic and toll revenue in January and February 2014, particularly among passenger cars.

on the Turnpike System has increased by 6.7 percent through January 2015 compared to the same time period in the previous year.

Commercial-vehicle transactions increased by 0.3 percent in FY 2012-13 and subsequently increased by 2.8 percent in the following year. Year-to-date, FY 2014-15 commercial-vehicle transactions have increased by 5.5 percent over the same period in the prior year. Annual toll revenue increased by 2.2 percent and 5.2 percent in FY 2012-13 and 2014-14 respectively. FY 2014-15 commercial vehicle toll revenue increased by 8.9 percent through January 2015. These increases in toll revenue were driven by increased transactions and by annual toll increases.

Total Turnpike System transactions decreased by 0.6 percent in FY 2012-13, and increased by 0.4 percent the next year. The increase in FY 2013-14 would have been more positive if the abnormally severe winter weather in January and February 2014 had not occurred. In FY 2014-15, transactions through January 2015 increased over the same time period in the prior year by 1.7 percent. Total Turnpike System toll revenue increased by 3.0 percent and 5.4 percent in FY 2012-13 and FY 2013-14, respectively. Toll revenue year to date in FY 2014-15 has increased by 7.6 percent compared to the same period in the prior year.

Systemwide Turnpike transactions do appear to be slowly growing due to the slowly improving economy and current low fuel prices. The growth in transactions has been occurring even with the annual toll increases that have been implemented since 2009.

2.4.3 Barrier System Monthly Trends

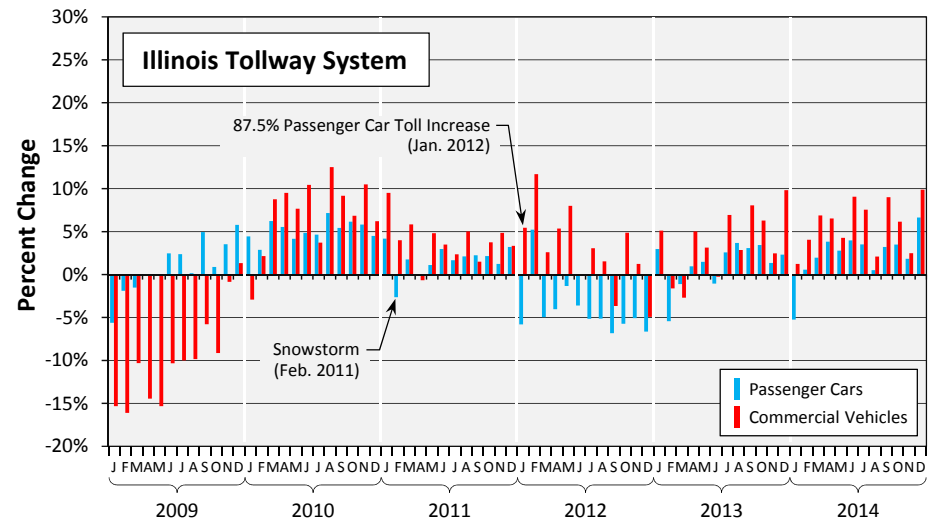
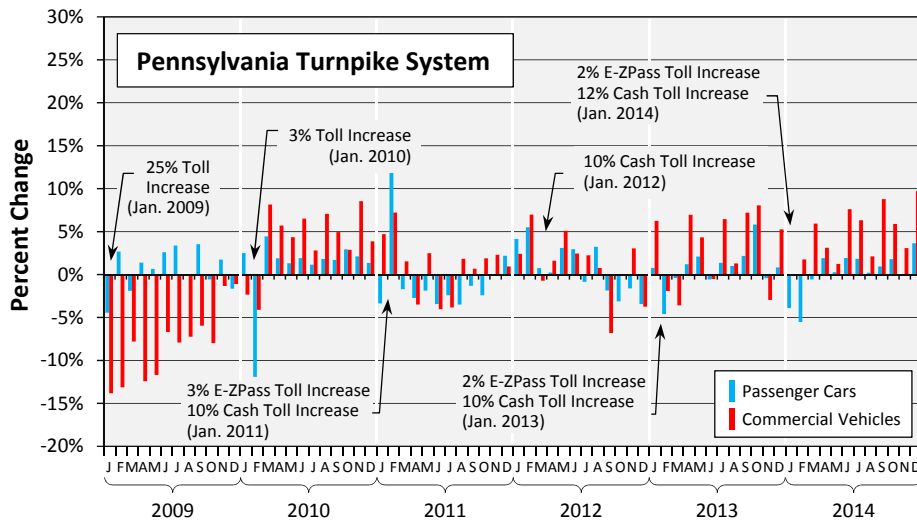
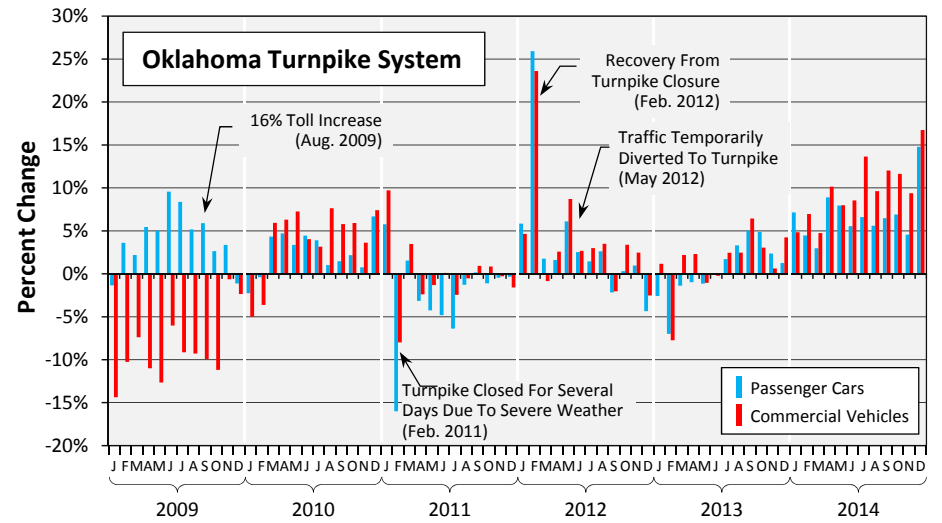
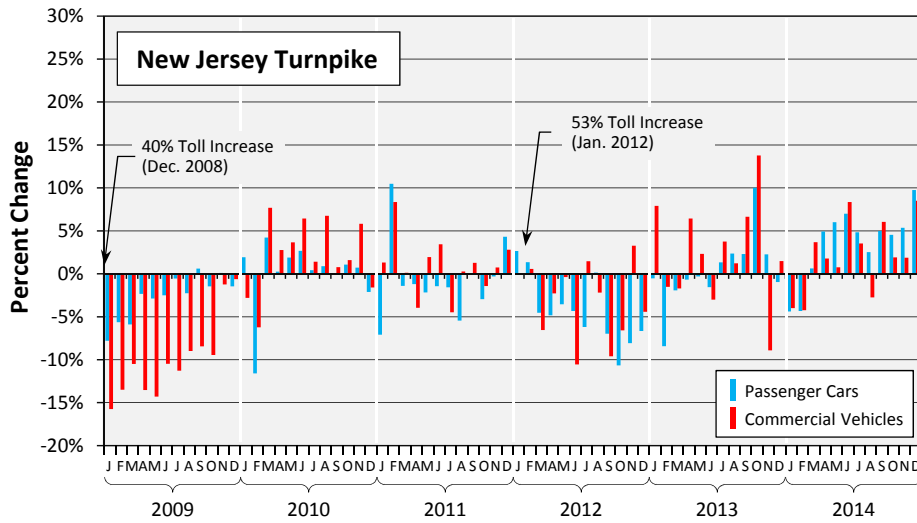
Detailed monthly transaction and toll revenue trends are shown for each of the individual Barrier Systems in Appendix A. Monthly trends are provided for Turnpike 43 in Table A-1, Turnpike 66 in Table A-2, The Northeast Extension Barrier Plazas in Table A-3, Turnpike I-376 in Table A-4 and Turnpike I-576 in Table A-5.

2.5 Comparison of Transaction Trends Among State Facilities

Figure 2-5 provides another perspective to recent transaction trends on the Pennsylvania Turnpike System by comparing its experience with those of other toll facilities around the country. Monthly passenger-car and commercial-vehicle transaction trends are shown for the last six full calendar years for the Pennsylvania Turnpike System, the Oklahoma Turnpike System, the New Jersey Turnpike, and the Illinois Tollway System. The last three facilities were selected because, similarly to the Pennsylvania Turnpike System, they are long toll roads that pass through both urban and rural areas, and they are conventional toll roads in that they are not managed lane or HOT lane facilities. They represent toll facilities in different parts of the U.S. that have experienced varying levels of economic growth.

Focusing on the most recent two years of actual data, 2013 and 2014, it is apparent that the growth in commercial-vehicle transactions is positive on all four toll facilities shown in Figure 2-5. Commercial vehicle growth on the Pennsylvania Turnpike System was approximately consistent with growth shown on the Illinois Tollway and perhaps more consistent than the growth evidenced on the New Jersey Turnpike in 2013 and 2014. Commercial vehicle growth was strongest on the Oklahoma Turnpike System.

Growth in passenger-car transactions on the Pennsylvania Turnpike System was less robust than that seen in the other three toll facilities during 2012 and 2013. This may be due in part to annual toll



COMPARISON OF VARIOUS STATES' MONTHLY PASSENGER CAR AND COMMERCIAL VEHICLE TRANSACTION TRENDS

increases. Passenger-car transactions on the Pennsylvania Turnpike System did not experience the larger and more prolonged decreases seen in 2012 on the Illinois Tollway System and the New Jersey Turnpike.

2.6 Comparison of Commercial Activity and Total Turnpike Toll Transactions

Table 2-10 presents a comparison between three measures of economic growth, and transaction growth on the Turnpike System from 2011 through 2014. Annual percent changes in Turnpike System transactions over the prior year are compared to annual percent changes in the U.S. gross domestic product (GDP), the Tri-State (NJ, NY, PA) gross regional product (GRP), and the PA gross state product. (GSP). In addition, the percent changes in economic growth are provided on a quarterly basis, comparing each quarter to the same quarter in the previous year. U.S. gross domestic product (GDP) is actual through 2014, while the gross regional product and gross state product data for 2014 are estimates.

It appears that the growth in passenger-car transactions is more closely associated with the PA Gross State Product, which experienced a slowing rate of growth in 2012 and 2013, and was forecast to have a slowing rate of growth in 2014. Passenger-car transactions increased by 0.2 percent in 2012, 0.8 percent in 2013 and decreased by 0.1 percent in 2014.

Commercial vehicle growth, which increased by 0.6 percent in 2012, 3.0 percent in 2013 and 4.1 percent in 2014, appears to be more influenced by regional and national economic activity. U.S. gross regional product increased by 2.3 percent in 2012, 2.2 percent in 2013 and 2.4 percent in 2014.

2.7 Annual Transaction and Gross Toll Revenue Trends

Table 2-11 provides a summary of annual total Turnpike System transactions and adjusted gross toll revenue trends from FY 1993-94 through FY 2013-14. Note that transactions and adjusted toll revenue in Table 2-11 reflect final audited Turnpike System totals after adjustments and discounts attributable to the Commercial Volume Discount Program described earlier in this chapter.

The Turnpike System has demonstrated consistent long term growth in transactions and toll revenue. Between FY 1993-94 and FY 2003-04, total Turnpike System transactions grew steadily from approximately 121.0 million to 188.0 million, an average annual increase of 4.5 percent. From FY 2003-04 to FY 2013-14, total turnpike transactions have remained relatively flat. Turnpike System transactions totaled 188.7 million in FY 2013-14, just about 0.5 percent less than the highest annual transactions experienced on the Turnpike System in FY 2004-05. Adjusted Turnpike System toll revenue has increased by 3.8 percent per year from FY 1993-94 through FY 2003-04, and by 6.2 percent per year from FY 2003-04 through FY 2013-14. Annual increases in toll revenue have been greater since FY 2008-09 compared to prior years due to the annual toll rate increases.

Figure 2-6 illustrates Turnpike System historical transactions and adjusted gross toll revenue on an annual basis from FY 1990-91 to FY 2013-14. Toll increases are represented by a black star over the fiscal year in which the increase was implemented and the nature of the rate increases are detailed in the text box within the revenue chart on the upper half of the page. Figure 2-6 clearly shows the greater rate of growth in Turnpike System toll revenue compared to the comparatively flat growth in toll transactions since 2009. The low transaction growth rates are primarily attributed to a slow economy, particularly in terms of job formation, and secondarily to annual toll increases.

Table 2-10
Near Term Measures of Commercial Activity and
Growth in Total Turnpike System Transactions

Percent Change Over Prior Year or
 From One Quarter to the Same Quarter in the Prior Year

Calendar Year	Gross Domestic Product Growth (1) (U.S.)	Gross Regional Product Growth (1) (NJ, NY, PA)	Gross State Product Growth (1) (PA)	PA Turnpike System Percent Transaction Growth (2)		
				Passenger Cars	Commercial Vehicles	All Vehicles
2011 (Actual)	1.6	0.9	1.4	(1.2)	1.0	(0.9)
1st Quarter	(0.4)	0.5	3.9			
2nd Quarter	0.7	0.3	2.8			
3rd Quarter	0.2	0.2	1.4			
4th Quarter	1.1	0.5	(0.8)			
2012 (Actual)	2.3	1.7	1.2	0.2	0.6	0.2
1st Quarter	0.6	0.5	(0.1)			
2nd Quarter	0.4	0.3	(4.4)			
3rd Quarter	0.6	0.8	2.4			
4th Quarter	0.0	0.0	6.0			
2013 (Actual)	2.2	0.8	0.7	0.8	3.0	1.0
1st Quarter	0.7	(0.9)	(2.1)			
2nd Quarter	0.4	1.2	3.4			
3rd Quarter	1.1	0.5	(1.5)			
4th Quarter	0.9	0.5	0.8			
2014 (GDP Actual)	2.4	0.7	0.3	(0.1)	4.1	0.5
GSP/GSP Forecast)						
1st Quarter	(0.5)	(1.4)	(1.5)			
2nd Quarter	1.1	0.8	0.8			
3rd Quarter	1.2	1.0	1.0			
4th Quarter	0.5	0.6	0.4			

(1) The percent changes in U.S. GDP, GRP, and GSP are based on constant 2009 dollars. The U.S. GDP is actual through 2014. The GRP and GSP are actual through 2013. Actual data was obtained from the U.S. Bureau of Economic Analysis. Forecast data was from Moody's Analytics (www.economy.com) baseline forecast (February 2015).

(2) Turnpike System growth rates are actual through 2014.

Table 2-11
Annual Systemwide Traffic and Adjusted Toll Revenue Trends
Pennsylvania Turnpike System
 (Values in Thousands)

Fiscal Year	Transactions						Adjusted Toll Revenue (8)					
	Cars	Percent Change Over Prior Year	Trucks	Percent Change Over Prior Year	Total	Percent Change Over Prior Year	Cars	Percent Change Over Prior Year	Trucks	Percent Change Over Prior Year	Total	Percent Change Over Prior Year
		Year		Year		Year		Year		Year		Year
1993-94	106,708	10.1	14,261	9.2	120,969	10.0	158,053	3.0	122,846	(0.4)	280,899	1.5
1994-95	114,033	6.9	15,620	9.5	129,653	7.2	165,850	4.9	131,749	7.2	297,599	5.9
1995-96	121,911	6.9	16,719	7.0	138,630	6.9	172,339	3.9	136,269	3.4	308,608	3.7
1996-97	126,654	3.9	17,479	4.5	144,133	4.0	179,303	4.0	140,837	3.4	320,140	3.7
1997-98	132,472	4.6	18,627	6.6	151,099	4.8	186,290	3.9	149,036	5.8	335,326	4.7
1998-99	136,399	3.0	19,833	6.5	156,232	3.4	191,804	3.0	158,761	6.5	350,565	4.5
1999-00	138,762	1.7	21,341	7.6	160,103	2.5	195,301	1.8	172,035	8.4	367,336	4.8
2000-01	141,033	1.6	21,278	(0.3)	162,311	1.4	193,563	(0.9)	172,337	0.2	365,900	(0.4)
2001-02	150,496	6.7	22,298	4.8	172,794	6.5	212,650	9.9	163,101	(5.4)	375,751	2.7
2002-03	156,220	3.8	23,179	4.0	179,399	3.8	219,201	3.1	168,021	3.0	387,222	3.1
2003-04	163,612	4.7	24,407	5.3	188,019	4.8	228,515	4.2	180,229	7.3	408,744	5.6
2004-05 (1)	163,316	(0.2)	25,109	2.9	188,425	0.2	309,032	35.2	236,126	31.0	545,158	33.4
2005-06	160,590	(1.7)	25,311	0.8	185,901	(1.3)	321,268	4.0	267,369	13.2	588,637	8.0
2006-07	160,107	(0.3)	25,316	0.0	185,423	(0.3)	322,781	0.5	269,861	0.9	592,642	0.7
2007-08	164,097	2.5	25,455	0.5	189,552	2.2	332,035	2.9	265,637	(1.6)	597,672	0.8
2008-09 (2)	162,638	(0.9)	23,583	(7.4)	186,220	(1.8)	356,345	7.3	260,047	(2.1)	616,392	3.1
2009-10 (3)	163,599	0.6	22,933	(2.8)	186,531	0.2	415,981	16.7	277,789	6.8	693,770	12.6
2010-11 (4)	165,230	1.0	23,812	3.8	189,042	1.3	435,752	4.8	303,535	9.3	739,286	6.6
2011-12 (5)	164,960	(0.2)	24,127	1.3	189,087	0.0	455,133	4.4	342,646	12.9	797,779	7.9
2012-13 (6)	163,690	(0.8)	24,207	0.3	187,897	(0.6)	471,514	3.6	350,226	2.2	821,740	3.0
2013-14 (7)	163,788	0.1	24,891	2.8	188,679	0.4	497,671	5.5	368,395	5.2	866,066	5.4

Average Annual Percent Change

Fiscal Year	Transactions			Adjusted Toll Revenue (8)		
	Cars	Trucks	Total	Cars	Trucks	Total
FY 1993-94 - FY 2003-04	4.4	5.5	4.5	3.8	3.9	3.8
FY 2003-04 - FY 2013-14	0.0	0.2	0.0	6.4	6.0	6.2
FY 1993-94 - FY 2013-14	2.2	2.8	2.2	5.9	5.6	5.8

(1) A toll increase of 42.5% was implemented on August 1, 2004.

(2) A toll increase of 25% was implemented on January 4, 2009. Toll rates on Turnpike I-576 and PA 43 Unionville to Brownsville remained unchanged.

(3) A toll increase of 3% was implemented on January 3, 2010, except for Turnpike I-576 where the toll rates did not increase.

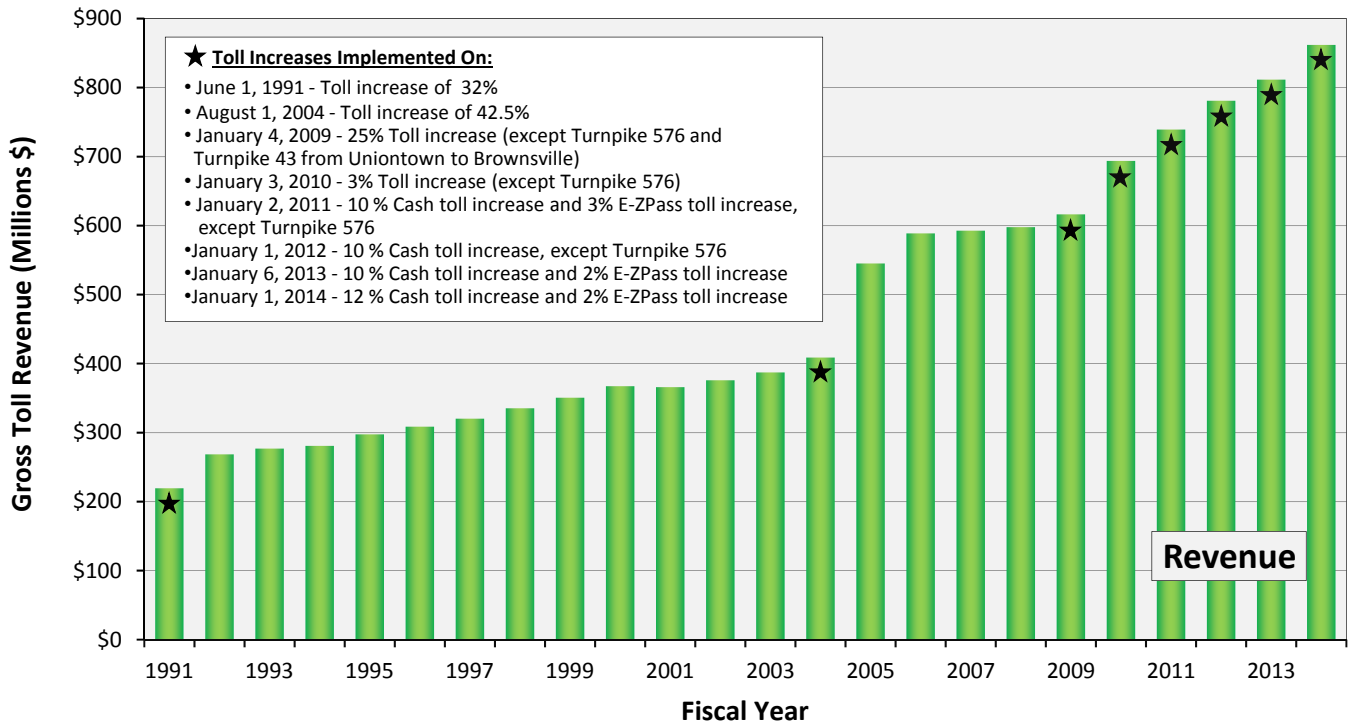
(4) An E-Z Pass toll increase of 3% and a cash toll increase of 10% was implemented on January 2, 2011, except for Turnpike I-576 where the toll rates did not increase.

(5) A cash toll increase of 10% was implemented on January 1, 2012, except for Turnpike I-576 where the toll rates did not increase.

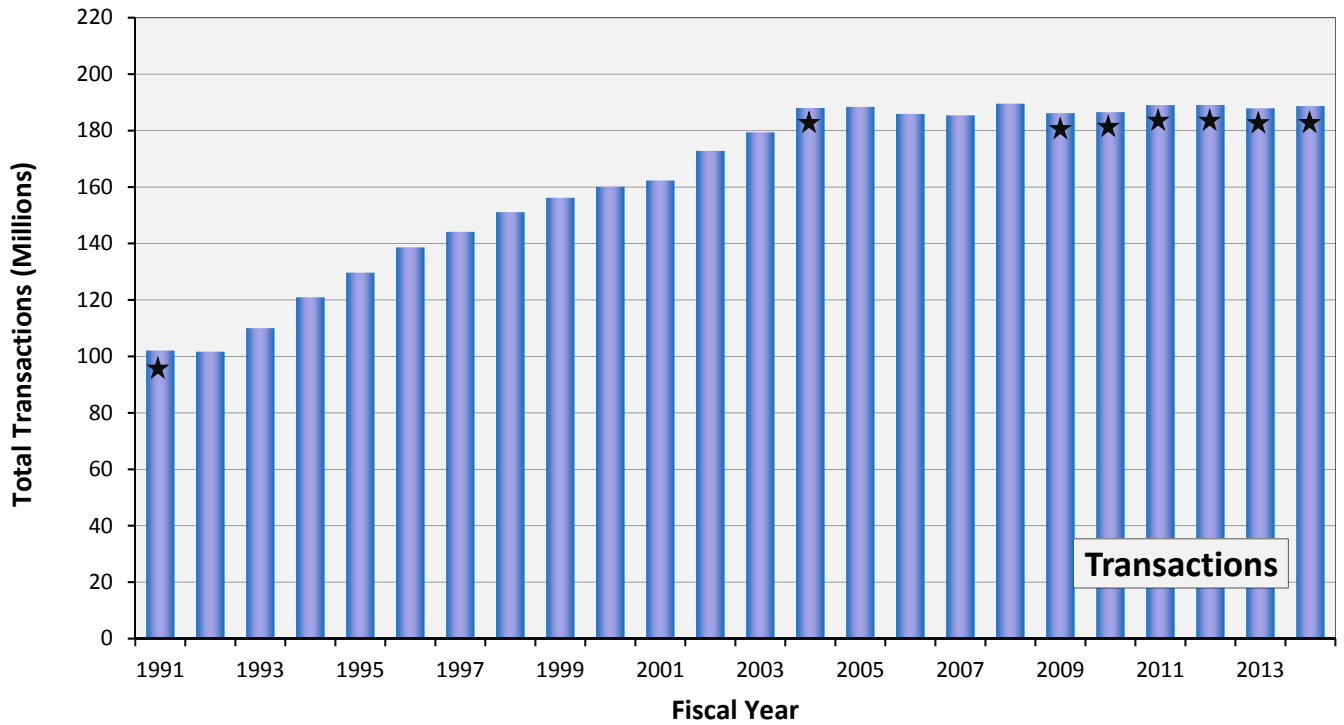
(6) An E-Z Pass toll increase of 2% and a cash toll increase of 10% was implemented on January 6, 2013.

(7) An E-Z Pass toll increase of 2% and a cash toll increase of 12% was implemented on January 1, 2014, except for Turnpike I-576.

(8) The toll revenue includes the adjustments associated with the Commercial Vehicle Volume Discount Program.



Note: Toll revenue includes the adjustments associated with the Commercial Vehicle Volume Discount Program.



PENNSYLVANIA TURNPIKE SYSTEM HISTORICAL TRANSACTIONS AND ADJUSTED GROSS TOLL REVENUE



2.8 E-ZPass Market Share

Table 2-12 shows the historical growth in E-ZPass transactions as a percent of total toll transactions on the Turnpike System. Over the past nine years, passenger-car E-ZPass market share has increased from 40.4 percent to 70.1 percent of total toll transactions. Commercial-vehicle market share growth has been nearly as large, increasing from 60.2 percent in FY 2005-06 to 85.0 percent in FY 2013-14. Total Turnpike System E-ZPass usage has grown from 43.2 percent to 72.0 percent from FY 2005-06 to FY 2013-14.

Table 2-12
Annual E-ZPass Market Shares: Turnpike System
Based on Toll Transactions

Fiscal Year	Annual Percent E-Zpass Market Share By Vehicle Class		
	Passenger Cars	Commercial Vehicles	Total
2005-06	40.4 %	60.2 %	43.2 %
2006-07	44.3	67.9	47.6
2007-08	46.8	71.1	50.1
2008-09 (1)	50.4	74.3	53.4
2009-10 (2)	53.9	76.1	56.6
2010-11 (3)	57.5	77.7	60.1
2011-12 (4)	61.8	80.0	64.1
2012-13 (5)	66.1	82.7	68.2
2013-14 (6)	70.1	85.0	72.0

- (1) A toll increase of 25% was implemented on January 4, 2009, except for Turnpike I-576 and Turnpike 43 from Unionville to Brownsville, where toll rates did not increase.
- (2) A toll increase of 3% was implemented on January 3, 2010, except for Turnpike I-576.
- (3) An E-ZPass toll increase of 3% and a cash toll increase of 10% was implemented on January 2, 2011, except for Turnpike I-576.
- (4) A Cash Toll increase of 10% was implemented on January 1, 2012, except for Turnpike I-576.
- (5) An E-Zpass toll increase of 2% and a cash toll increase of 10% was implemented on January 6, 2013.
- (6) An E-Zpass toll increase of 2% and a cash toll increase of 12% was implemented on January 1, 2014, except for Turnpike I-576.

Table 2-13 presents monthly E-ZPass market share trends on the Ticket System for FY 2013-14. It is apparent from a comparison of Tables 2-12 and 2-13 that the E-ZPass participation is slightly higher on the Ticket System than on the Turnpike System as a whole. E-ZPass penetration averaged 72.0 percent for passenger cars, 86.0 percent for commercial vehicles, and 73.9 percent for all vehicles. Monthly trend data shows that E-ZPass penetration is lowest in the summer months, and peaks in the winter months of January and February.

Month	Passenger Cars	Commercial Vehicles	Total Vehicles
June 2013	66.7 %	83.0 %	68.8 %
July	66.0	83.0	68.2
August	66.5	83.4	68.7
September	69.1	84.0	71.1
October	70.3	84.7	72.2
November	70.4	85.4	72.3
December	70.1	86.0	72.1
January 2014	73.9	87.0	75.7
February	73.6	86.5	75.4
March	72.8	86.4	74.6
April	72.5	86.0	74.3
May	71.3	85.3	73.2
Average	72.0 %	86.0 %	73.9 %

Chapter 3

Socioeconomic Trends and Growth Forecasts

An evaluation of longer-term socioeconomic trends and forecasts for the areas along and surrounding the Pennsylvania Turnpike was conducted as part of this analysis. Such trends and forecasts serve as inputs to the demand growth analysis. Table 3-1 through Table 3-4 provide a summary of various socioeconomic measures reviewed, including population, employment, retail sales, and gross regional product. Additional trend information (shown in Figure 3-1 and Figure 3-2) is provided regarding unemployment rates and retail gasoline prices.

A socioeconomic trend analysis was conducted in order to identify any potential explanatory factors that may have influenced historical variations in toll transactions. Identification of such socioeconomic explanatory factors is necessary to produce a demand growth forecast that accounts for the unique nature of Turnpike usage. Socioeconomic trend data was applied within a regression-based analysis to derive demand growth projections.

In the subsequent tables, the socioeconomic growth rates are presented in compound average annual percent change (AAPC) terms, spanning decade increments from 1980 through 2040. Regarding geographic coverage, the United States is presented along with the Commonwealth of Pennsylvania and the surrounding states: New Jersey, New York, Ohio, and West Virginia. In addition to the larger geographies, the Pennsylvania counties along the Turnpike are presented, and grouped for ease of presentation into four aggregations, including the following counties:

- **Pittsburgh Area:** Allegheny, Armstrong, Beaver, Butler, Indiana, Lawrence, Washington, and Westmoreland;
- **Interurban Area:** Adams, Bedford, Blair, Cambria, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Mifflin, Perry, Somerset, and York;
- **Philadelphia Area:** Berks, Bucks, Chester, Delaware, Montgomery, and Philadelphia; and,
- **Northeastern Corridor:** Carbon, Lackawanna, Lehigh, Luzerne, Northampton, and Wyoming.

3.1 Population

Historical population data were obtained from the United States Census Bureau (census years and intercensal 2013 estimates), and forecast population growth was obtained from various other public and private sector sources, depending on the geography. As presented in Table 3-1, forecast population growth rates were culled from two sources. Pennsylvania counties' population growth rates were obtained from the Pennsylvania State Data Center (via the Pennsylvania State University), and are available through year 2040; at the state and national geographic levels, population

growth was obtained from the Woods & Poole, Inc. 2014 Complete Economic and Demographic Data Source (CEDDS)¹, available through year 2040.

**Table 3-1
Population Trends and Forecasts**

Area	Average Annual Percent Change						
	1980 - 1990	1990 - 2000	2000 - 2013	2013 - 2020	2020 - 2030	2030 - 2040	2013 - 2040
Pittsburgh Area (1)	(0.7)	(0.2)	(0.2)	0.3	0.2	0.1	0.2
Interurban Area (2)	0.6	0.7	0.7	0.6	0.5	0.3	0.4
Philadelphia Area (3)	0.2	0.4	0.5	0.6	0.6	0.5	0.5
Northeastern Corridor (4)	0.0	0.1	0.4	0.4	0.3	0.1	0.2
Subtotal	0.0	0.3	0.3	0.5	0.4	0.3	0.4
New Jersey	0.5	0.8	0.4	0.6	0.6	0.6	0.6
New York	0.2	0.5	0.2	0.4	0.4	0.4	0.4
Ohio	0.0	0.5	0.2	0.3	0.3	0.3	0.3
Pennsylvania	0.0	0.3	0.3	0.3	0.2	0.4	0.3
West Virginia	(0.8)	0.1	0.2	0.3	0.3	0.3	0.3
Subtotal	0.1	0.5	0.3	0.4	0.4	0.4	0.4
United States	0.9	1.2	0.9	1.0	0.9	0.8	0.9

(1) Pittsburgh Area Counties: Allegheny, Armstrong, Beaver, Butler, Indiana, Lawrence, Washington, and Westmoreland.
(2) Interurban Area Counties: Adams, Bedford, Blair, Cambria, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Mifflin, Perry, Somerset, and York.
(3) Philadelphia Area Counties: Berks, Bucks, Chester, Delaware, Montgomery, and Philadelphia.
(4) Northeastern Corridor Counties: Carbon, Lackawanna, Lehigh, Luzerne, Northampton, and Wyoming.

Sources: Historical data are from the United States Census; county forecasts reflect PA SDC 2014 data; and state/national forecasts reflect Woods & Poole CEDDS, 2014.

As indicated in Table 3-1, population growth along the Pennsylvania Turnpike and in the surrounding states is tempered relative to the population growth in the nation as a whole, for both the historical trends and forecasts. Historically, population in Pennsylvania has increased annually by between 0.0 and 0.3 percent from 1980 through 2013; resident population growth along the Pennsylvania Turnpike has historically observed similar average annual growth rates as well, which are below the rates of resident population growth observed for the entire United States. For comparative purposes, historical population growth in the United States averaged about 1.0 percent per year over the same period.

It is interesting to note that, as shown in Table 2-4, traffic growth on the Pennsylvania Turnpike ticket system grew 2.3 percent per annum between 1993 and 2014 – a stronger rate than population growth (0.3 percent in Pennsylvania) – despite multiple toll increases that occurred. A divergence between average annual historical population growth and traffic growth demonstrates that the Pennsylvania Turnpike has likely attracted an increasing share of travel in the corridor geographies. It is also likely that traffic growth increased at a greater rate on the Turnpike System than the population growth in the state because 1) alternative roads became more congested so that motorists were increasingly

¹ Source: Woods & Poole Economics, Inc. Washington, D.C. Copyright 2014. Woods & Poole does not guarantee the accuracy of this data. The use of this data and the conclusion drawn from it are solely the responsibility of the consultant.

willing to pay a toll to use the Turnpike System, and 2) the patterns of growth in the state are resulting in more jobs and housing in areas served by Turnpike facilities.

Future population growth along the Pennsylvania Turnpike is forecast to remain at the relatively low historical levels. As shown, projections average 0.4 percent per annum through 2040, just slightly higher than historical averages since 1990. Pennsylvania is forecasted to gain in population by 0.3 percent per annum on average over the coming decades, closely comparable to the recent historical trends, but still below the expected population growth for the nation, which, on average, is projected to amount to 0.9 percent per annum through 2040.

3.2 Employment and Unemployment

Employment trends are exhibited in Table 3-2. Historical data are from the United States Department of Commerce (Bureau of Economic Analysis from 1980 through 2013), and the future growth rates are based on Woods & Poole data.

Area	Average Annual Percent Change						
	1980 - 1990	1990 - 2000	2000 - 2013	2013 - 2020	2020 - 2030	2030 - 2040	2013 - 2040
Pittsburgh Area (1)	0.4	0.8	0.4	0.9	0.9	0.9	0.9
Interurban Area (2)	1.8	1.1	0.4	1.2	1.2	1.2	1.2
Philadelphia Area (3)	1.3	0.7	0.6	1.3	1.3	1.3	1.3
Northeastern Corridor (4)	0.8	0.7	0.6	0.9	0.9	1.0	0.9
Subtotal	1.1	0.8	0.5	1.2	1.2	1.2	1.2
New Jersey	1.8	1.0	0.6	1.0	1.0	1.0	1.0
New York	1.2	0.7	0.8	0.9	0.9	0.9	0.9
Ohio	1.2	1.5	(0.1)	1.1	1.1	1.1	1.1
Pennsylvania	1.1	0.9	0.5	1.1	1.1	1.1	1.1
West Virginia	(0.1)	1.2	0.3	1.1	1.1	1.1	1.1
Subtotal	1.3	1.0	0.5	1.0	1.0	1.0	1.0
United States	2.0	1.8	0.8	1.3	1.3	1.3	1.3

(1) Pittsburgh Area Counties: Allegheny, Armstrong, Beaver, Butler, Indiana, Lawrence, Washington, and Westmoreland.
 (2) Interurban Area Counties: Adams, Bedford, Blair, Cambria, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Mifflin, Perry, Somerset, and York.
 (3) Philadelphia Area Counties: Berks, Bucks, Chester, Delaware, Montgomery, and Philadelphia.
 (4) Northeastern Corridor Counties: Carbon, Lackawanna, Lehigh, Luzerne, Northampton, and Wyoming.

Sources: Historical data are from the Bureau of Economic Analysis; and forecasts reflect Woods & Poole CEDDS, 2014.

Historical employment growth for the presented geographies have almost universally decelerated in the three preceding decades from 1980 through 2013. It is important to note that the average annual growth in the 2000 to 2013 period is mostly reflective of the economic downturn realized during the recent severe recession, which officially began in late 2007. In the counties comprising the four aggregated groupings, the per annum employment growth decelerated from 1.1 percent in the 1980's to 0.8 percent in the 1990's, and to just 0.5 percent since 2000. Pennsylvania as a whole exhibited historical employment growth trends practically identical to the groupings' subtotal. Comparatively, the United States also exhibited historical employment growth deceleration through the recent decades; although, similar to population trends, the overall employment growth rates were higher for the nation than for Pennsylvania.

The relatively stagnant employment growth observed since 2000 (including the deep recession) is not realistically expected to continue; in fact, the recent (from the bottom levels in 2010) gradual rebound is already in place. As shown, employment growth across all presented geographies is forecasted to largely bounce back, with average annual growth for the entire 2013 through 2040 period amounting to 1.2 percent for the corridor groupings' subtotal, 1.1 percent for Pennsylvania, 1.0 percent for the subtotal of the five states, and 1.3 percent per annum for the United States.

Figure 3-1 depicts seasonally-unadjusted monthly unemployment rates over the last decade (from January 2005 through December 2014) for the three major Metropolitan Statistical Areas (MSA) in Pennsylvania located along the Turnpike Mainline: Philadelphia-Camden-Wilmington, Harrisburg-Carlisle, and Pittsburgh. In addition, unemployment data is also included pertaining to the entire Commonwealth of Pennsylvania and for the United States. Given that the data are seasonally-unadjusted, the graph depicts both the cyclical seasonal variations, as well as the longer-term trends.

Historically, the Harrisburg-Carlisle MSA has generally exhibited the lowest relative unemployment rates of the select geographies presented, which is probably reflective of the more stable government employment in the State Capital (compared to more volatile private-sector employment). Of the remaining two MSAs, Philadelphia-Camden-Wilmington recently exhibited higher unemployment rates than either Pittsburgh or Pennsylvania as a whole.

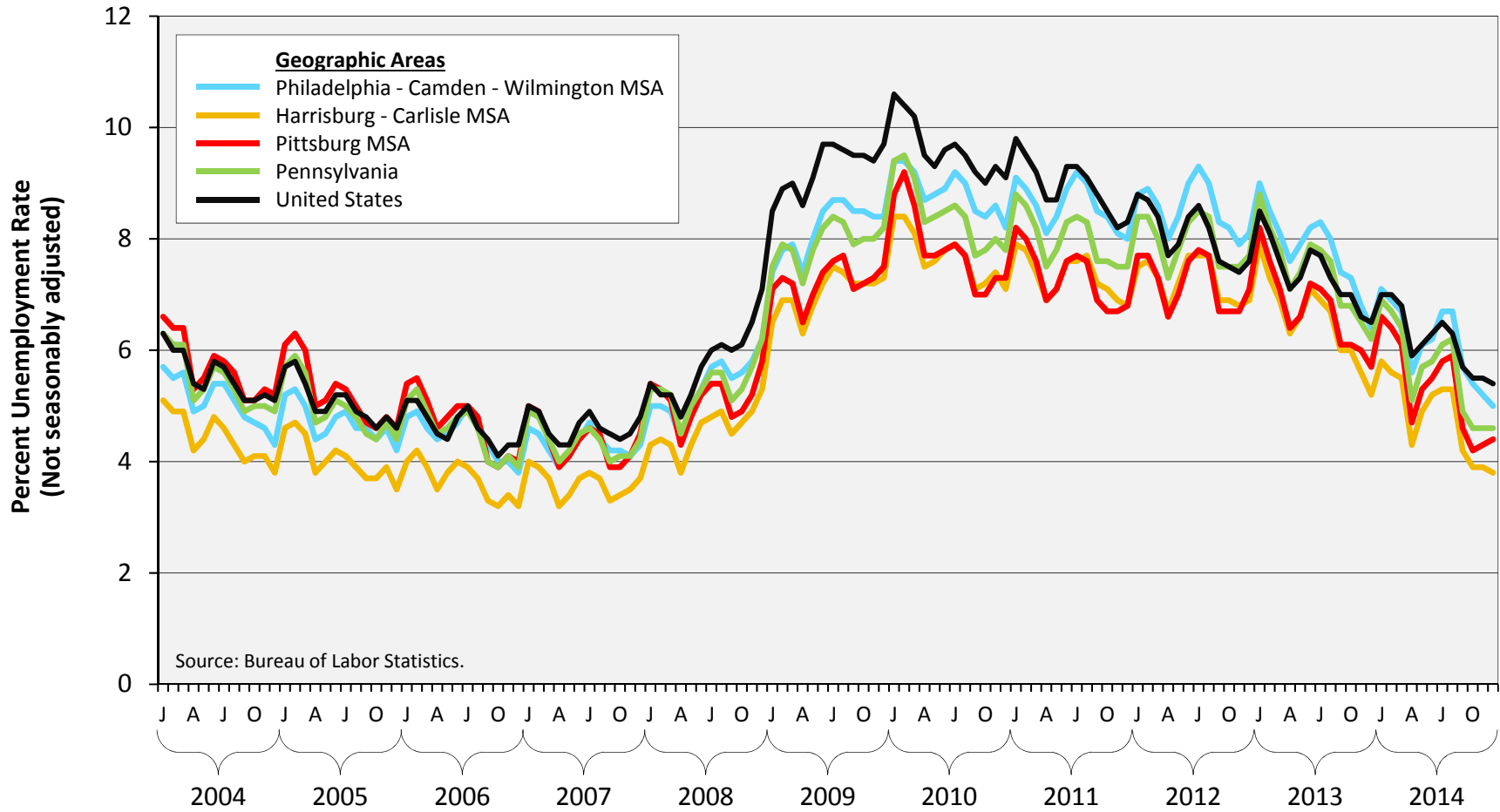
Unemployment rate trends for the entire Commonwealth (and key metro areas) have generally followed those for the nation. While directionally very similar, the Pennsylvania rates have, for most of the recent decade, been below that of the United States. This indicates that the study area geographies have, overall, not suffered during the recent recession as much of the rest of the nation. December 2014 unemployment rates reached 5.4 percent for the United States, while Pennsylvania's was 4.6 percent. Unemployment rates in that same month for the Philadelphia, Harrisburg, and Pittsburgh MSAs were 5.0 percent, 3.8 percent, and 4.4 percent, respectively.

While the data show variations from month to month, the recent general trends are clear. Unemployment levels in 2014 have clearly declined from their recent highs in 2009 and 2010. As the national labor market builds on its recent momentum, the unemployment levels are expected to continue to improve in the near-term.

3.3 Retail Sales

Retail sales (in real, or constant dollar terms) trends and forecasts are presented by decade and geography in Table 3-3. Both Pennsylvania and PTC corridor counties exhibit very similar patterns of average annual growth for real retail sales (both historically and forecasted), which is also similar to the aggregated subtotal of the five states. In the 2000 to 2013 period, real retail sales registered growth of 0.9 percent per annum, in the PTC corridor, which is a deceleration from the preceding decade in the 1990's, during which the average annual growth in real retail sales was 2.6 percent. In contrast, the United States observed historical real retail sales growth higher than the geographies surrounding the Pennsylvania Turnpike, with real growth of 3.4 percent in the 1990's and 1.2 percent since 2000. As with employment trends, the weak performance in real retail sales growth between 2000 and 2013 is largely the result of the recent severe economic recession.

Growth in real retail sales is projected to rebound relative to the most recent historical decade. However, the forecast is not expected to approach the relatively stronger historical growth observed during the 1990's. Over the future period from 2013 through 2040, real retail sales are projected to



grow by an average annual 1.4 percent for the county groupings and state subtotals, while the United States' retail sales over the same period is projected to grow by 2.0 percent per annum.

**Table 3-3
Retail Sales Trends and Forecasts**

Area	Average Annual Percent Change						
	1980 - 1990	1990 - 2000	2000 - 2013	2013 - 2020	2020 - 2030	2030 - 2040	2013 - 2040
Pittsburgh Area (1)	0.3	2.4	0.6	1.0	0.9	0.9	0.9
Interurban Area (2)	2.2	2.7	0.6	1.8	1.7	1.7	1.7
Philadelphia Area (3)	2.1	2.6	1.0	1.4	1.4	1.4	1.4
Northeastern Corridor (4)	1.5	2.7	1.5	1.2	1.1	1.1	1.1
Subtotal	1.6	2.6	0.9	1.4	1.4	1.3	1.4
New Jersey	2.2	2.7	0.7	1.5	1.5	1.4	1.5
New York	1.5	2.4	1.1	1.4	1.4	1.4	1.4
Ohio	1.2	3.0	(0.2)	1.4	1.4	1.4	1.4
Pennsylvania	1.6	2.5	0.7	1.4	1.3	1.3	1.3
West Virginia	(0.2)	2.9	0.4	1.3	1.3	1.3	1.3
Subtotal	1.5	2.6	0.6	1.4	1.4	1.4	1.4
United States	2.0	3.4	1.2	2.0	2.0	2.0	2.0

(1) Pittsburgh Area Counties: Allegheny, Armstrong, Beaver, Butler, Indiana, Lawrence, Washington, and Westmoreland.
 (2) Interurban Area Counties: Adams, Bedford, Blair, Cambria, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Mifflin, Perry, Somerset, and York.
 (3) Philadelphia Area Counties: Berks, Bucks, Chester, Delaware, Montgomery, and Philadelphia.
 (4) Northeastern Corridor Counties: Carbon, Lackawanna, Lehigh, Luzerne, Northampton, and Wyoming.

Source: Woods and Poole CEDDS, 2014.

3.4 Real Gross Regional Product (GRP)

Another key economic indicator that has bearing on traffic demand is real gross regional product (or gross state product/gross domestic product, depending on the geographic focus). Historical and forecast rates of growth for real (inflation-adjusted) GRP are shown in Table 3-4. National real gross domestic product has historically decelerated from an annual average rate of 3.6 percent in the 1990's to half that (1.8 percent) since 2000. As with the other socioeconomic metrics presented, the deceleration within the last decade is reflective of the recent severe economic recession.

Pennsylvania's real gross state product growth also decelerated over the same period, from 2.7 percent in the 1990's to 1.5 percent per annum more recently; the corridor groupings' subtotal exhibited nearly identical growth patterns as the entire Commonwealth. Similar to the trends observed in the other variables already presented, the Commonwealth and the constituent counties exhibit growth patterns that generally parallel the nation in terms of recent deceleration, but at levels universally below the United States as a whole.

Future real GRP growth rates are projected to average 2.3 percent per annum for the United States from 2013 through 2040, with Pennsylvania averaging 1.7 percent per year. In the corridor counties, like the entire Commonwealth, the real GRP growth is projected to amount to 1.7 percent per annum. The Pittsburgh area counties exhibit the slowest relative growth at 1.1 percent and the Interurban Area counties exhibit the highest growth at 2.2 percent per annum through 2040.

Table 3-4
Gross Regional Product Trends and Forecasts

Area	Average Annual Percent Change						
	1980 - 1990	1990 - 2000	2000 - 2013	2013 - 2020	2020 - 2030	2030 - 2040	2013 - 2040
Pittsburgh Area (1)	0.8	2.9	1.3	1.1	1.1	1.1	1.1
Interurban Area (2)	2.9	2.6	1.4	2.2	2.2	2.2	2.2
Philadelphia Area (3)	3.2	2.8	1.6	1.7	1.7	1.7	1.7
Northeastern Corridor (4)	1.7	2.2	1.3	1.9	1.9	1.9	1.9
Subtotal	2.4	2.7	1.5	1.7	1.7	1.7	1.7
New Jersey	4.7	2.6	1.2	2.0	2.0	2.0	2.0
New York	3.2	2.4	1.8	1.9	1.9	1.9	1.9
Ohio	2.0	3.1	0.5	2.0	2.0	2.1	2.1
Pennsylvania	2.3	2.7	1.5	1.7	1.7	1.8	1.7
West Virginia	(0.2)	2.1	2.1	1.2	1.3	1.3	1.3
Subtotal	2.9	2.6	1.4	1.9	1.9	1.9	1.9
United States	3.1	3.6	1.8	2.2	2.3	2.3	2.3

(1) Pittsburgh Area Counties: Allegheny, Armstrong, Beaver, Butler, Indiana, Lawrence, Washington, and Westmoreland.

(2) Interurban Area Counties: Adams, Bedford, Blair, Cambria, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Mifflin, Perry, Somerset, and York.

(3) Philadelphia Area Counties: Berks, Bucks, Chester, Delaware, Montgomery, and Philadelphia.

(4) Northeastern Corridor Counties: Carbon, Lackawanna, Lehigh, Luzerne, Northampton, and Wyoming.

Source: Woods and Poole CEDDS, 2014.

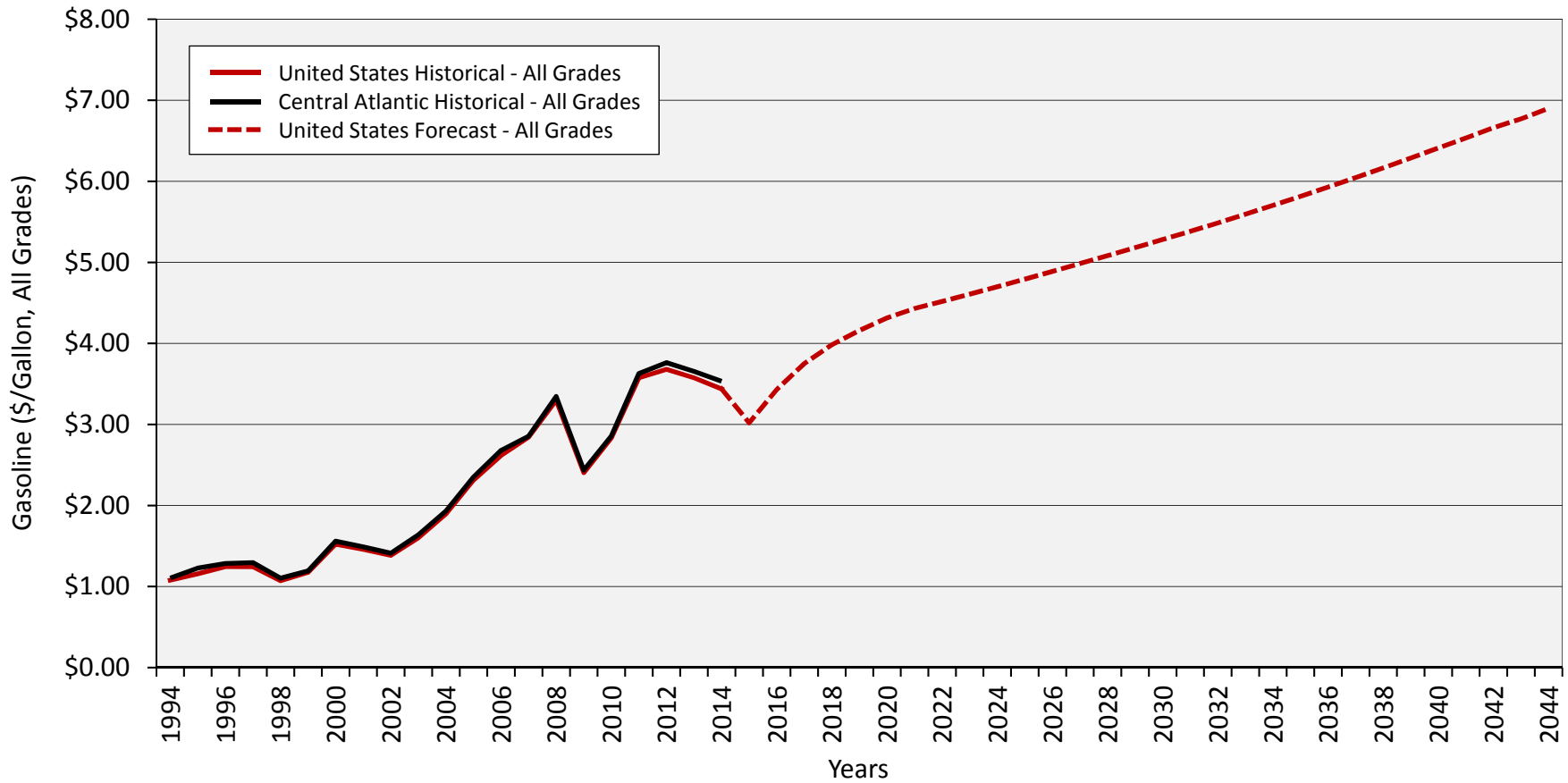
3.5 Motor Fuel Prices

Another factor that can influence travel demand is fuel prices. The left side of Figure 3-2 shows historical gasoline prices (in current dollars) of unleaded gasoline (all grades, all formulations) from 1994 through 2014 for both the Central-Atlantic region (NY, NJ, PA, DE, and D.C.) and for the United States. According to the U.S. Energy Information Administration (EIA) data, the average annual gas prices for the United States and the Central-Atlantic region have been nearly identical (differing by between \$0.02 and \$0.11 per gallon), and peaked on an annual basis at close to \$3.70 per gallon in 2012². The overall growth rate in prices between the averages in 1994 and 2014 was 6.0 percent per annum. Fuel prices decreased significantly in the second half of 2014 and into January 2015, with the most recent (as of late January 2015) low price of gas around the \$2.15 per gallon level.

Retail fuel prices are strongly influenced by bigger picture trends in crude oil prices. It should be noted that both can be quite volatile, are as function of multiple factors, and are challenging to precisely project into the future. For instance, in early 2014, major forecasters such as the EIA and OPEC forecasted crude oil prices to remain in around \$100 per barrel through 2025, recent crude oil prices in global markets dropped quite substantially to around \$50 per barrel.

According to Moody's Analytics recently generated (January 2015) forecast, U.S. retail gasoline prices are expected to increase by about 2.8 percent per year to about \$6.70 per gallon by the year 2044. The right side of Figure 3-2 shows average annual projections over this time period.

² Please note that in sub-annual terms, gas prices reached their high for the last two decades of around \$4.15 per gallon in July of 2008 (not shown in the Figure).



3.6 Current Regional Economic Conditions

To supplement the historical and forecasted socioeconomic quantitative data collection, additional qualitative inputs were collected through discussions with representatives of five major metropolitan areas within, or near, the PTC corridors, as well as research from other sources. The summary of this part of the data collection is provided in Appendix B.

3.7 General Trends

In assessing the various socioeconomic trends, certain patterns emerged, including the following:

- Western Pennsylvania (i.e., Pittsburgh) has exhibited overall weaker recent historical growth patterns for the presented socioeconomic variables than other corridor county groupings within the Commonwealth (i.e., Philadelphia, and the Northeast Corridor);
- Pennsylvania (and the surrounding states) has exhibited recent historical growth patterns for the presented socioeconomic variables below those for the United States; and,
- Longer-term expectations of socioeconomic growth are for a rebound relative to the recent decade, which reflects the recent economic recession; however, growth rates are generally forecasted to be tempered in comparison to the pace that occurred in the 1980's and 1990's.

In summary, the overall macroeconomic environment in the U.S., Pennsylvania, and the surrounding states is currently improving, with expectation for continued employment, real economic output, and income expansion, albeit at a pace slower relative to the pre-recessionary timeframe of the 1990's and 1980's. While labor markets, along with the larger economic activity measures, have continued to strengthen through 2014, the uneven nature of this improvement persists. A number of risks, including growth challenges and uncertainties among some of the major overseas trading partners still remain, calling for cautious optimism.

3.8 Econometric Growth Analysis

All of the socioeconomic data described above were evaluated for the purposes of determining the potential factors influencing traffic demand growth for the Pennsylvania Turnpike. Following the historical socioeconomic data analysis, CDM Smith applied ordinary-least-squared regression analysis to develop long-term demand growth forecast. In the regression modeling, the objective is to identify any independent variable (or variables) with historical trends that can explain, by way of statistical significance, corresponding traffic trends on the Turnpike. A resulting correlative relationship between historical trends in corridor traffic and one or more independent variables is, in turn, applied in forecasting corridor growth, given available and credible forecasts for the independent variable(s). CDM Smith regression-tested annual transaction data for grouped plazas against geographically-weighted independent socioeconomic data (separately for passenger and commercial vehicles) to derive long-term demand growth estimates.

3.9 Socioeconomic Inputs

Data inputs requisite for conducting a regression analysis include currently-updated historical data and forecasts for the possible-explanatory independent variables, which include socioeconomic variables applicable to a defined geographic area of influence (i.e., Pennsylvania counties and other

states). Socioeconomic variables that may be hypothetically influential on corridor traffic demand include, but are not limited to: population, employment, gross regional product, income, and retail sales. Sources from which both historical and forecast data were collected included: the United States Census Bureau; the Bureau of Economic Analysis (BEA); the United States Department of Labor, Bureau of Labor Statistics (BLS); the Pennsylvania State Data Center (SDC); United States Energy Information Agency; Woods & Poole Complete Economic and Demographic Data Source (CEDDS) by Woods & Poole Economics, Inc., 2014 (Woods & Poole); Moody's Analytics, and the Pennsylvania Turnpike Commission.

Historical population and state-level forecast data were obtained from the U.S. Census Bureau and Woods & Poole Economics, respectively. County-level population forecasts for Pennsylvania were acquired from the Pennsylvania SDC. Historical employment data were obtained from the BEA. Employment growth rate forecasts were obtained from Woods & Poole and applied to the historical annual employment data obtained from the BEA. Fuel prices were procured from the EIA for the historical series, and from Moody's Analytics for the projections. The gross regional product, income, and retail sales data were obtained from Woods & Poole for both the historical and forecast components of the data sets, as the publicly available governmental sources do not supply sufficiently detailed and geographically comparable data.

3.10 Traffic and Travel Pattern Inputs

Historical traffic data were used (where available) as a continuous, annual time series from 1987 through 2013 by plaza and vehicle type (i.e., passenger and commercial vehicles). Annualized transaction data were available for most of the ticket-based system over that historical timeframe, exempting a few select ticket-based plazas that opened after 1987. However, the annualized barrier-system transaction data were far more limited for regression analysis applicability; historical data were available only as far back as 1994 and many of the barrier plazas have data gaps, or the plazas were opened too recently to provide a statistically defensible trend (insufficient number of data points). Historical transaction data were annually normalized to account for leap-years, etc.

3.11 Methodology

After compiling and scrutinizing the available socioeconomic and Pennsylvania Turnpike transaction data for regression analysis applicability, individual toll plazas (for only those with usable data series) were clustered into ten representative groupings:

- Gateway;
- Pittsburgh;
- Western Rural;
- Eastern Rural;
- Philadelphia;
- Delaware River Bridge (DRB)
- Northeast Extension (Ticket);
- Northeast Extension (Barrier);

- Turnpike 376; and,
- Turnpike 66.

In all, these ten groupings represent toll plazas where 97 percent of total Systemwide toll revenue is generated. Only two Turnpike facilities were excluded from this regression analysis due to insufficient historical data, including Turnpike 43 and the Southern Beltway. Both of these combined generate about 3 percent of Systemwide toll revenue. In the absence of using the regression analysis for these two facilities, recent growth trends were assumed for the near term and then gradually reduced over time.

Grouping the individual plazas was conducted to narrow the regression testing to a reasonably manageable data universe (i.e., narrowing to ten plaza groupings, down from 64 total toll plazas, of which 39 exhibited usable data series)³. Grouping toll plazas as such is generally justified by the close geographic proximity and similarity in traffic demand influence of the grouped plazas. An origin-destination (O-D) traffic survey provided data on the geographic influence on traffic by plaza and vehicle category, and that data set logically confirmed that the grouped toll plazas have similar geographic influences. While the collection of the O-D data was in 1999 and overall volumes are different today, the general market share distribution patterns should be relatively unchanged.

Utilizing the data compiled as part of the O-D survey, CDM Smith developed a profile (for both passenger and commercial vehicles) identifying the Pennsylvania counties and surrounding states that contribute traffic to each toll plaza interchange. As with the grouping of the individual toll plaza transaction data, the plaza-specific profiles of geographic influence were similarly clustered such that the plaza groupings could be regression tested against socioeconomic data that were appropriately geographically-weighted.

Independent (socioeconomic) regression variables at the state and county levels were then geographically-weighted (e.g., combinations of states and/or certain Pennsylvania counties) and each geographically-weighted subset data series was then regression-tested against the respective corresponding plaza grouping. Regression testing is conducted to determine the statistical influence of such socioeconomic variables (the independent variables) on traffic demand (the dependent variable).

According to the survey-based profiles, 46 counties in Pennsylvania (out of 67) logically serve as the predominate areas of influence for the Pennsylvania Turnpike traffic. As such, the geographically-weighted socioeconomic data for regression testing were consequently more heavily-weighted to account for those proximate geographies relative to the other areas of influence, including peripheral states. Generally, the non-Pennsylvania contributing geographies on traffic demand primarily pertain to those states immediately bordering the Commonwealth and the Turnpike corridors (i.e., NY, NJ, OH, MD, and WV), as would be intuitively expected. The remaining contributing states beyond Pennsylvania have a far smaller weighting.

³ Note that the 64 plazas include 13 pertaining to either the Mon Fayette (PA 43) or the I-576 corridors, both of which are being separately analyzed and, as such, dismissed from this demand growth evaluation. Regardless, the transaction data limitations for those excluded barrier plazas preclude the possibility of an econometric regression-based assessment; there are too few data points for a statistically-defensible regression fit.

With the independent socioeconomic variables appropriately weighted to reflect their relative geographic influence, each weighted independent variable was individually regressed against the corresponding grouped plaza transaction data. In most instances, a majority of the pertinent independent variables exhibited a high statistical coefficient of determination, though certain variables and certain plaza groupings exhibited much stronger statistical correlations than others.

All of the independent variables were tested against each other for significant statistical correlation. As expected, the geographically-weighted independent variables that were tested all exhibit high correlations with each other (because all the tested socioeconomic variables within a given geographic grouping are intuitively interrelated to a greater or lesser degree) and, as such, would result in a likely multicollinearity error in a multivariate regression equation. Therefore, in most of the cases, only one socioeconomic independent variable was deemed statistically necessary to identify the correlative relationship with corridor traffic and to develop a forecast growth profile. In addition to quantitatively assessing the data, a qualitative assessment was also conducted. This qualitative assessment considered the reliability of the available data sources, the extent of the historical time series, and the forecasting methodology for each data set.

After a careful review of the input data and regression tests results, one to two variables were identified as the best-suited correlative independent variable against historical corridor traffic transactions to forecast future long-term travel demand growth. This was done for each toll plaza grouping and vehicle category. Depending on the plaza grouping and vehicle category, the chosen weighted independent socioeconomic variables for the final regression-based projection were population, employment, retail sales, or GRP. Adjusted coefficients of determination (adjusted R²) for such regression equations range from 73.5% upwards to 97.5%, indicating relatively strong statistical significance⁴.

3.12 Demand Growth Results

Based on the econometric regression analysis, combined with updated forecasts of the explanatory socioeconomic variables, toll road corridor specific growth rates were developed for both passenger cars and commercial vehicles separately. Table 3-5 provides a summary of the average annual growth rates in 10 or 11-year increments, including for 2013 to 2023, 2023 to 2033, and 2033 to 2044. In addition, the total average annual percent growth between 2013 and 2044 is shown in the last column.

As shown in the table, average annual percent growth rates from 2013 through 2044 vary by component of the system and vehicle category, and time period. In summary, however, total passenger traffic demand is projected to increase by 1.1 percent per year through 2044, while the commercial vehicle demand growth is expected to grow faster – at 1.8 percent per year on average, with the total for both vehicle categories averaging about 1.2 percent per annum. It should also be noted that growth

⁴ Note that the Northeast Extension (Barrier) plaza grouping, comprised of the two barrier toll plazas at the far north end of the Northeast Extension corridor, for both passenger and commercial vehicles, did not have valid regression results for any of the tested weighted independent variables; as such, the regression-based approach was dismissed and the demand growth forecast for those two plazas were tagged to the regression-based growth results derived for the Northeast Extension (Ticket) system. Consequently, the presented results are for both the Northeast Extension barrier and ticket plazas.

on the barrier portion of the system is projected to outpace that of the ticket-based sections. In all cases, however, growth is expected to decelerate over time.

Table 3-5
Summary of Estimated Normal Annual Traffic Growth
Pennsylvania Turnpike System

Average Annual Percent Growth Rates Between Fiscal Years

Toll System	Estimated Normal Growth			
	2013-23	2023-33	2033-44	2013-44
	Passenger Cars			
Ticket System	1.2%	1.1%	0.8%	1.0%
Turnpike 66	2.5	2.1	1.8	2.0
Turnpike I-376	2.0	1.9	1.8	1.8
Northeast Extension Barrier Plazas	1.6	1.2	0.7	1.1
Total Turnpike System	1.3	1.2	0.9	1.1
	Commercial Vehicles			
Ticket System	1.8%	1.6%	1.5%	1.7%
Turnpike 66	1.8	1.7	1.6	1.7
Turnpike I-376	2.8	2.5	2.2	2.4
Northeast Extension Barrier Plazas	2.3	2.1	1.9	2.0
Total Turnpike System	1.9	1.7	1.6	1.8
	Total Vehicles			
Ticket System	1.3%	1.2%	1.0%	1.1%
Turnpike 66	2.4	2.0	1.8	2.0
Turnpike I-376	2.1	2.0	1.8	1.9
Northeast Extension Barrier Plazas	1.7	1.4	1.0	1.3
Total Turnpike System	1.4	1.3	1.0	1.2

Note: These growth rates exclude the future impacts associated with the PTC's capital improvement program, including the I-95 Interchange project. They also exclude manual adjustments in the early years of the forecast to account for weather recovery impacts.

It should be emphasized again that the regression analysis was used to develop longer-term normal demand growth estimates beyond 2013, and serve as a baseline forecast from which future traffic and revenue forecasts are derived. Further adjustments may be conducted in determining the final traffic and revenue projections from these long-term demand projections, to account for factors such as highway improvements, known construction timeframes, corrections for recent significant weather events, etc.

Since the traffic trend data used in the regression analysis includes the dampening impacts of historical toll rate increases, the resulting normal growth values in Table 3-5 already account for the proposed future toll increases identified Chapter 4 (Table 4-2).

CDM Smith has developed a spreadsheet model for each PTC toll facility, incorporating monthly variations, vehicle class (passenger car versus commercial vehicle), payment type (cash versus E-ZPass), and toll rate. Future year traffic growth assumptions developed from the economic analysis described in this chapter were used in the model to develop future estimates of traffic and toll revenue. The resulting traffic and toll revenue forecasts are provided in Chapter 4.

Chapter 4

Transaction and Toll Revenue Forecasts

Traffic and gross toll revenue forecasts are presented in this chapter for the Ticket System, the Barrier System, and the total Turnpike System. Forecasts are presented by fiscal year from 2014-15 through 2043-44. Also presented in this chapter are important inputs to the forecasts, including committed roadway projects, assumed future toll rate increases and assumed future E-ZPass market shares.

4.1 Committed Turnpike System Roadway Improvements

Through discussions with PTC personnel and by reviewing both the PTC Construction website and the Approved FY 2015 Ten Year Capital Plan project listing, CDM Smith identified the major committed roadway improvements that would potentially impact traffic and toll revenue on the Turnpike System. Projects were identified on the Mainline I-76/276 and the Northeast Extension. Table 4-1 lists the identified projects and Figure 4-1 presents the locations of the projects. A brief description of each project is provided below.

4.1.1 Mainline I-76/I-276 Roadway Improvement Projects

Milepost (MP) 12 to 14 Roadway and Bridge Reconstruction – This two-phase project involves the total reconstruction and widening of two miles of the mainline Interstate 76 between Milepost 12 and Milepost 14. Upon completion of this project the existing four-lane facility, will be upgraded to include six-twelve foot travel lanes, three in each direction, 12 foot shoulders and 10 foot medians in each direction. In order to accommodate the new six lane facility, three early action bridges including, two overhead Norfolk Southern railroad bridges will be replaced prior to the start of construction of the Turnpike mainline.

MP 28 to MP 31 Reconstruction and Widening - This project involves the full-depth reconstruction and widening of the Pennsylvania Turnpike from four travel lanes to six travel lanes from Milepost 28 to Milepost 31 in Cranberry Township, Butler County and Marshall Township, Allegheny County. The project will begin on the east side of the Cranberry Interchange, tying into the eastbound acceleration lane and westbound deceleration lane. The project will end on the west side of the Warrendale Toll Plaza and result in two lanes of Express E-ZPass in each direction.

MP 40 to MP 48 Reconstruction and Widening - Beginning in early 2013, the PTC started total roadway reconstruction and widening of eight miles of the PA Turnpike and replace six bridges crossing over the highway. With more than 40,000 cars and trucks traveling this stretch per day, it is one of the busiest parts of the Turnpike in the region. When complete, this project will tie directly into the newly constructed, three-lane Allegheny River Bridges completed in October 2010.

MP 149.5 to MP 155.5 Reconstruction and Widening - The Pennsylvania Turnpike Commission (PTC) plans to invest \$150 million to provide for the total roadway reconstruction and widening of six miles of the PA Turnpike, which includes replacing or eliminating bridges. The project area begins at Milepost 149.5 east of the Bedford Interchange (Exit 146), and continues to Milepost 155.5 west of the Breezewood Interchange (Exit 161), in Snake Spring and West Providence Townships, Bedford County.

Table 4-1
Major Committed Roadway Improvements on the Turnpike System (1)
Pennsylvania Turnpike

Milepost	Location	Description	Actual or Assumed Start Date	Assumed Completion Date
Mainline I-76/I- 276				
12 - 14	Beaver County	Widen to 3 lanes per direction and reconstruction	September 2013	December 2018
28 - 31	Butler County and Allegheny County	Widen to 3 lanes per direction and reconstruction	2015	2020
40 - 48	Butler Valley to Allegheny Valley	Widening and overhead bridge replacement	February 2013	Fall 2018
149.5 - 155.5	Bedford to Breezewood	Widen to 3 lanes per direction and reconstruction	2017	2019
215 - 226	Carlisle to Blue Mountain	Widen to 3 lanes per direction and reconstruction	Fall 2014	TBA
250 - 252	Harrisburg East to Lebanon-Lancaster	Widen to 3 lanes per direction and reconstruction	Fall 2013	Mid 2016
Mainline I-76/I- 276 and I-95 Interchange				
356 - 360	I-95 to Delaware River Bridge	<ul style="list-style-type: none"> Widen I-276 to 3 lanes per direction between I-95 and the Delaware River Bridge Construct and open a new westbound toll plaza on I-276 just west of the Delaware River Bridge. Construct and open new ramps between I-95 and I-276 (northbound I-95 to eastbound I-276, and westbound I-276 to southbound I-95). 	2010	2017
			2010	January 2016
			2010	January 2018
Northeast Extension I-476				
A20 - A26	Mid-County to Berks Road	Widen to 3 lanes per direction and reconstruction	Feb. 2011	Mid 2015
A26 - A31	Berks Road to Lansdale	Widen to 3 lanes per direction and reconstruction	May 2014	Late 2016
A31 - A38	Wambold to Clump	Widen to 3 lanes per direction and reconstruction	Fall 2016	2019
A74 - A95	Between Mahoning Valley and Pocono	Construct E-ZPass-only interchange with Route 903 (#87)	Spring 2013	Spring 2015
A89	Hawk Falls Bridge Replacement Project	Completely replace two existing bridges	June 2012	June 2020

(1) The roadway improvement projects shown in this table are a small subset of the projects listed in the PTC's Major Design and Construction Projects website and listed in the Proposed FY 2015 Ten Year Capital Plan.

MP 215 to MP 226 Reconstruction and Widening – With improvements completed between Milepost 215 and Milepost 220, the second stage of the project, which will rebuild and widen the Turnpike between Milepost 220 and Milepost 226 (Carlisle Interchange 226), is currently active.

MP 250 to MP 252 Roadway Improvements – The Pennsylvania Turnpike Commission is replacing three bridges and widening the roadway between Mileposts 250 and 252 in Middletown Borough and Lower Swatara and Londonderry townships in Dauphin County. The work zone is situated between the Harrisburg East (Exit 247) and Lebanon-Lancaster (Exit 266) interchanges.

4.1.2 Pennsylvania Turnpike I-276/I-95 Interchange Project

This is a major project that will be completed in three stages. The project includes the construction of a high-speed, full-access interchange between I-276 and a re-designated I-95, making I-95 continuous through the mid-Atlantic region. The project also includes roadway widening on I-276 from immediately west of Interchange 351 (Bensalem) eastward to the western side of the Delaware River Bridge. A new parallel bridge on I-276 will be constructed over the Delaware River. In addition, the project includes changes to the tolling locations and toll structure on I-276.

PTC Toll Roads

- █ Mainline I-76 / I-276
- █ Northeast Extension I-476
- █ Turnpike I-376 - Beaver Valley Expressway
- █ Turnpike I-576 - Southern Beltway
- █ Turnpike 43 - Mon/Fayette Expressway
- █ Turnpike 66 - Amos K. Hutchinson Bypass



- █ Under Construction (Roadway Widening & Reconstruction)
- █ Planned Construction (Roadway Widening & Reconstruction)

**PENNSYLVANIA TURNPIKE COMMISSION (PTC)
MAJOR ROADWAY IMPROVEMENT PROJECTS**

The following describes the three stages of the I-276/I-95 Interchange Project. Only Stage 1 is under active construction. Estimated traffic and toll revenue impacts associated with Stage 1 are included in this study. Stages 2 and 3 are described below only for informational purposes.

Stage 1: (Mile post 356 to 360)

- The new westbound mainline toll plaza on I-276 just west of the Delaware River Bridge will be opened in January 2016. Tolls be collected based on a vehicle's number of axles.
- Simultaneously with the opening of the new westbound toll plaza, will be the opening of the new eastern terminus of the I-276/I-76 Ticket System. This new mainline toll plaza will be located between the Street Road Interchange and I-95.
- I-276 roadway widening from Interchange 351 to the Delaware River Bridge is expected to be complete in 2017.
- New high-speed ramps between I-95 and I-276 (northbound I-95 to eastbound I-276, and westbound I-276 to southbound I-95) are anticipated to open in early 2018.

Stage 2 (MP 351 to MP 356) includes the remaining six ramp movements of the new interchange and completion of the mainline widening.

Stage 3 (MP 320) brings an additional bridge over the Delaware River parallel to the existing bridge.

4.1.3 Northeast Extension (I-476) Roadway Improvement Projects

MP A20 to MP A31 Total Reconstruction Project - This project includes the full depth total roadway reconstruction of 10.5 miles of the Pennsylvania Turnpike's Northeastern Extension, from the Mid-County Interchange to the Lansdale Interchange, Montgomery County. Upon completion of this project, the existing four-lane facility with a four-foot median and eight to 10-foot shoulders will be converted into a six-lane facility with three 12-foot travel lanes north and southbound, a 26-foot median, and 12-foot shoulders. This project will be constructed in two parts: the southern section, which includes the area between the Mid-County Interchange (Milepost A20) and Berks Road (Milepost A26) in Plymouth, Whitpain and Worcester Townships; and the northern section, which includes the area between Berks Road (Milepost A26) and the Lansdale Interchange (Milepost A31) in Worcester, Upper Gwynedd and Towamencin Townships. Construction will likely conclude in early 2015.

MP A31 to MP A38 Total Reconstruction Project - This section of the Turnpike will be completely reconstructed from the ground up and widened from two lanes in each direction with limited shoulders to three lanes in each direction with 12-foot right and left shoulders. The overhead bridges along the project corridor are only wide enough to accommodate the current roadway width, so they need to be replaced before the mainline Turnpike widening can occur. Construction on the overhead bridges began in the spring of 2013, and construction on the mainline Turnpike is expected to begin in fall 2016.

Route 903 Interchange Project (MP 74 to MP 95) – This project consists of the construction of a new E-ZPass-only interchange along the Northeast Extension between existing Mahoning Valley (MP 74) and Pocono (MP 95) exits. Construction will be performed in two-phases. Phase 1 will result in the construction of one-half of the new bridge to carry Route 903 over the Northeast Extension. Phase 2 includes all remaining work necessary to complete the interchange. Phase 1 began construction in spring 2009 and was completed approximately one year later. Phase two is scheduled to finish in spring 2015.

Hawk Falls Bridge Replacement Project (MP 89) – The goal of this project is to completely replace the Hawk Falls Bridge and the Hickory Run Bridge. The bridge carries two lanes of Turnpike traffic, in each direction, over Mud Run in Penn Forest Township and Kidder Township, Carbon County. The new bridge will carry two traffic lanes and shoulders in each direction. The existing Hickory Run Bridge, directly to the north of the Hawk Falls Bridge, will also be replaced. This three-span mainline bridge, measuring 111' in length, carries the Turnpike over Hickory Run Road (SR 0534). Estimated project completion is June 2020.

4.2 Construction Related Impacts on Turnpike System Traffic

Ongoing construction related impacts stemming from roadway widening and reconstruction projects on the Turnpike System are expected to be minimal. Construction projects on the Turnpike System are planned so as to minimize lane closures or any restrictions to the Turnpike. When such measures are necessary, they are conducted overnight to avoid interfering with heavier daytime traffic volumes. Generally, preference is given to Turnpike mainline traffic and construction-related disruptions are more likely to affect cross streets and Turnpike access points. Two travel lanes are maintained in both directions during construction activities.

For conservative purposes, the only positive traffic and toll revenue impacts that are included as part of this study are for the Mainline I-76/I-276 and I-95 Interchange Project. This project has significant impacts that are included in calendar years 2016 through 2018. For conservative purposes, impacts are not included for the new Route 903 AET interchange on I-476 that is anticipated to open in early 2015. The positive impacts are expected to be relatively small, as much of the traffic will be shifted from existing Turnpike toll plaza.

4.3 Assumed Toll Rate Increases on the Turnpike

At the direction of the PTC, annual toll rate increases are assumed to occur on the entire Turnpike System with the exception of Turnpike I-576. The toll rate increases are assumed to occur within several days of January 1 of each year. Table 4-2 presents actual and assumed percent increases in toll rates for each calendar year from 2009 through 2044. This table reflect assumed rate increases for the entire Turnpike System, with the exception of Turnpike I-576. For this facility, rates have historically been adjusted every five years. These rate adjustments are equal to the compound rate increases for the rest of the Turnpike System. Table 4-3 shows actual and assumed toll rate increases for Turnpike I-576 over the same time period.

As shown in Table 4-2, the assumed percent increases in toll rates are identical for cars and trucks, and for E-ZPass and cash transactions throughout the forecast period. Future toll-rate increases range from 3.0 to 6.0 percent per year between 2016 and 2044. On Turnpike I-576 (Table 4-3), rate increases for cash and E-ZPass are identical beginning in 2023. Rate adjustments are different between E-ZPass and cash in 2018 only because this period incorporates the 2014 increase on the rest of the system when E-ZPass and cash tolls were increased at different rates. Consistent with the PTC tolling policy, all E-ZPass tolls are rounded to the nearest cent, and cash toll rates are rounded up to the nearest nickel.

At the direction of the PTC, the toll rate increases shown in Tables 4-2 and 4-3 were used in the development of the traffic and toll revenue forecasts, including the assumption that the percent toll rate increases are the same for both E-ZPass and cash transactions. The PTC reserves the right to implement toll rate differentials between E-ZPass and cash in future years.

Table 4-2
Actual and Assumed Future Toll Rate Increases
Except Turnpike I-576 (1)

Calendar Year	Percent Increase		Sample Toll Rates (2)					
	For Cars and Trucks		\$1.00 Toll		\$2.50 Toll		\$10.00 Toll	
	Cash	E-ZPass	Cash	E-ZPass	Cash	E-ZPass	Cash	E-ZPass
2009 (3)	25.0	25.0	\$1.00	\$1.00	\$2.50	\$2.50	\$10.00	\$10.00
2010 (3)	3.0	3.0	1.05	1.03	2.60	2.58	10.30	10.30
2011 (3)	10.0	3.0	1.20	1.06	2.90	2.66	11.35	10.61
2012 (3)	10.0	0.0	1.35	1.06	3.20	2.66	12.50	10.61
2013 (3)	10.0	2.0	1.50	1.08	3.55	2.71	13.75	10.82
2014 (3)	12.0	2.0	1.70	1.10	4.00	2.76	15.40	11.04
2015 (3)	5.0	5.0	1.80	1.16	4.20	2.90	16.20	11.59
2016	6.0	6.0	1.95	1.23	4.50	3.07	17.20	12.29
2017	6.0	6.0	2.10	1.30	4.80	3.25	18.25	13.03
2018	6.0	6.0	2.25	1.38	5.10	3.45	19.35	13.81
2019	6.0	6.0	2.40	1.46	5.45	3.66	20.55	14.64
2020	6.0	6.0	2.55	1.55	5.80	3.88	21.80	15.52
2021	5.0	5.0	2.70	1.63	6.10	4.07	22.90	16.30
2022	5.0	5.0	2.85	1.71	6.45	4.27	24.05	17.12
2023	5.0	5.0	3.00	1.80	6.80	4.48	25.30	17.98
2024	5.0	5.0	3.15	1.89	7.15	4.70	26.60	18.88
2025	5.0	5.0	3.35	1.98	7.55	4.94	27.95	19.82
2026	4.0	4.0	3.50	2.06	7.90	5.14	29.10	20.61
2027	3.5	3.5	3.65	2.13	8.20	5.32	30.15	21.33
2028	3.0	3.0	3.80	2.19	8.45	5.48	31.10	21.97
2029	3.0	3.0	3.95	2.26	8.75	5.64	32.05	22.63
2030	3.0	3.0	4.10	2.33	9.05	5.81	33.05	23.31
2031	3.0	3.0	4.25	2.40	9.35	5.98	34.05	24.01
2032	3.0	3.0	4.40	2.47	9.65	6.16	35.10	24.73
2033	3.0	3.0	4.55	2.54	9.95	6.34	36.20	25.47
2034	3.0	3.0	4.70	2.62	10.25	6.53	37.30	26.23
2035	3.0	3.0	4.85	2.70	10.60	6.73	38.45	27.02
2036	3.0	3.0	5.00	2.78	10.95	6.93	39.65	27.83
2037	3.0	3.0	5.15	2.86	11.30	7.14	40.85	28.66
2038	3.0	3.0	5.35	2.95	11.65	7.35	42.10	29.52
2039	3.0	3.0	5.55	3.04	12.00	7.57	43.40	30.41
2040	3.0	3.0	5.75	3.13	12.40	7.80	44.75	31.32
2041	3.0	3.0	5.95	3.22	12.80	8.03	46.10	32.26
2042	3.0	3.0	6.15	3.32	13.20	8.27	47.50	33.23
2043	3.0	3.0	6.35	3.42	13.60	8.52	48.95	34.23
2044	3.0	3.0	6.55	3.52	14.05	8.78	50.45	35.26

- (1) Future toll rate increases are assumed to be implemented within several days of January 1. It is assumed that Turnpike I-576 toll rates only occur every fifth year when the toll increase reflects the cumulative toll increase for the Turnpike System. See Table 4-3 for the assumed toll rate increases on Turnpike I-576.
- (2) By PTC Policy, cash toll rates are rounded up to the nearest nickel and E-Zpass rates are rounded to the nearest penny.
- (3) Reflects actual toll rate increases on the Turnpike System, except that toll rate increases did not occur on Turnpike I-576 in 2009, 2010, 2011, 2012 or 2014, or on the section of Turnpike 43 between Uniontown and Brownsville in 2009.

Table 4-3
Turnpike I-576
Actual and Assumed Future Toll Rate Increases

Calendar Year	Percent Toll Increase For Cars and Trucks		Sample Toll Rates	
	Cash	E-ZPass	Cash	E-ZPass
2009 (1)	0.0	0.0	\$0.50	\$0.50
2010 (1)	0.0	0.0	0.50	0.50
2011 (1)	0.0	0.0	0.50	0.50
2012 (1)	0.0	0.0	0.50	0.50
2013 (1)	50.0	25.0	0.75	0.63
2014 (1)	0.0	0.0	0.75	0.63
2015 (1)	0.0	0.0	0.75	0.63
2016	0.0	0.0	0.75	0.63
2017	0.0	0.0	0.75	0.63
2018	40.1	27.6	1.10	0.80
2019	0.0	0.0	1.10	0.80
2020	0.0	0.0	1.10	0.80
2021	0.0	0.0	1.10	0.80
2022	0.0	0.0	1.10	0.80
2023	30.1	30.1	1.45	1.04
2024	0.0	0.0	1.45	1.04
2025	0.0	0.0	1.45	1.04
2026	0.0	0.0	1.45	1.04
2027	0.0	0.0	1.45	1.04
2028	22.2	22.2	1.80	1.27
2029	0.0	0.0	1.80	1.27
2030	0.0	0.0	1.80	1.27
2031	0.0	0.0	1.80	1.27
2032	0.0	0.0	1.80	1.27
2033	15.9	15.9	2.10	1.47
2034	0.0	0.0	2.10	1.47
2035	0.0	0.0	2.10	1.47
2036	0.0	0.0	2.10	1.47
2037	0.0	0.0	2.10	1.47
2038	15.9	15.9	2.45	1.70
2039	0.0	0.0	2.45	1.70
2040	0.0	0.0	2.45	1.70
2041	0.0	0.0	2.45	1.70
2042	0.0	0.0	2.45	1.70
2043	15.9	15.9	2.85	1.97
2044	0.0	0.0	2.85	1.97

(1) Actual Experience.

Tables 4-2 and 4-3 also show the actual percent increases in toll rates that were implemented between 2009 and 2015. Rate increases for E-ZPass and cash were identical until 2011 on most Turnpike facilities, when a toll rate increase of 10 percent for cash transactions and 3 percent for E-ZPass transactions was implemented. As shown in Table 4-3, no toll increases were implemented on Turnpike I-576 until 2013.

4.4 Estimated E-ZPass Market Shares in Future Years

Because a price differential has been established between cash and E-ZPass toll rates, it is important to estimate future year E-ZPass market shares in order to forecast gross toll revenues. Historically, cash and E-ZPass toll rates were virtually identical until 2011, differing only because cash rates were rounded up to the nearest nickel while E-ZPass rates were rounded up to the nearest cent. There was no reason for a customer to choose E-ZPass over cash based solely on the toll rate.

In 2011, 2012, 2013 and 2014, differential toll rate increases were implemented. As a result of these differential rate increases, cash toll rates are theoretically 39.5 percent greater than E-ZPass rates. The actual differential is even greater for lower price tolls due to the effect of rounding up to the nearest nickel for cash rates. The differential creates incentives for cash customers to shift to E-ZPass, and for new accounts to favor E-ZPass over cash.

Future year E-ZPass market shares were developed based on the assumed future toll rate increases shown in Tables 4-2 and 4-3, and the historic trends in E-ZPass market share. Table 4-4 presents the actual percent E-ZPass market shares from calendar years 2011 through 2014, and the estimated percent E-ZPass market shares from 2015 through 2044 for passenger cars and commercial vehicles. Also shown are the percentage point increases in the E-ZPass market share over the prior year.

In 2011, the E-ZPass market share totaled 60.6 percent for passenger cars and 79.1 percent for commercial vehicles. By 2014, those values increased to 72.4 percent for passenger cars and 86.1 percent for commercial vehicles. A large portion of those increases were the direct result of increasing discounts for E-ZPass trips versus cash trips implemented from 2011 through 2014.

The estimated E-ZPass market shares for calendar years 2015 through 2044 continues to increase, but at a lower rate than in the recent past. This is because the toll differential is assumed to remain constant over this time period and because the E-ZPass market share is reaching its saturation point. In practical terms, there will likely always be customers who choose not to use E-ZPass. As shown in Table 4-4, by 2044 passenger car E-ZPass market share is estimated at 86.1 percent and the commercial vehicle market share is estimated to be 95.0 percent. For purposes of this analysis, it was assumed that the maximum E-ZPass market share would be 95.0 percent. Given the already high participation rate by commercial vehicles, they reach this level by 2036.

4.5 Transaction and Gross Toll Revenue Forecasts

This section summarizes the forecasts of toll transactions and gross toll revenue based on the information provided in the preceding sections of this report. All previously discussed information regarding transaction growth rates in the various Turnpike corridors (Chapter 4) as well as assumed toll rates, E-ZPass market share, etc. are all brought together to develop the following forecasts.

A table similar to Table 4-5 was presented in Chapter 2 (Table 2-10). This table adds information regarding the near term forecast to show the relationship between GDP, GRP and GSP and estimated transaction growth on the Turnpike through 2017. These growth rates all show slightly higher than

Table 4-4
Actual and Estimated E-ZPass Market Share
Pennsylvania Turnpike System

Calendar Year	Passenger Cars		Commercial Vehicles		Total Vehicles	
	Percent	Percent Increase	Percent	Percent Increase	Percent	Percent Increase
	Market Share	in Market Share	Market Share	in Market Share	Market Share	in Market Share
2011 (1)	60.6		79.1		62.9	
2012 (1)	64.7	4.1	81.6	2.5	66.9	3.9
2013 (1)	69.1	4.4	84.3	2.6	71.1	4.2
2014 (1)	72.4	3.3	86.1	1.8	74.2	3.1
2015 (2)	73.7	1.3	87.1	1.0	75.5	1.3
2016 (2)	74.7	1.0	87.7	0.6	76.4	0.9
2017 (2)	75.3	0.7	88.2	0.6	77.1	0.7
2018 (2)	76.0	0.6	88.8	0.5	77.7	0.6
2019 (2)	76.6	0.6	89.3	0.5	78.4	0.6
2020 (2)	77.1	0.5	89.8	0.5	78.9	0.5
2021 (2)	77.7	0.5	90.3	0.5	79.4	0.5
2022 (2)	78.2	0.5	90.8	0.5	80.0	0.5
2023 (2)	78.7	0.5	91.3	0.5	80.5	0.5
2024 (2)	79.2	0.5	91.8	0.5	81.0	0.5
2025 (2)	79.7	0.5	92.2	0.5	81.5	0.5
2026 (2)	80.1	0.5	92.7	0.5	81.9	0.5
2027 (2)	80.6	0.4	93.2	0.5	82.4	0.5
2028 (2)	81.0	0.4	93.6	0.4	82.8	0.4
2029 (2)	81.5	0.4	94.0	0.4	83.3	0.4
2030 (2)	81.9	0.4	94.3	0.3	83.7	0.4
2031 (2)	82.3	0.4	94.5	0.2	84.1	0.3
2032 (2)	82.6	0.3	94.7	0.1	84.4	0.3
2033 (2)	82.9	0.3	94.8	0.1	84.7	0.3
2034 (2)	83.3	0.3	94.9	0.1	85.0	0.3
2035 (2)	83.6	0.3	94.9	0.1	85.3	0.3
2036 (2)	84.0	0.3	95.0	0.1	85.6	0.3
2037 (2)	84.3	0.3	95.0	0.0	85.9	0.3
2038 (2)	84.6	0.3	95.0	0.0	86.2	0.3
2039 (2)	84.9	0.3	95.0	0.0	86.4	0.3
2040 (2)	85.2	0.3	95.0	0.0	86.7	0.3
2041 (2)	85.4	0.2	95.0	0.0	86.9	0.2
2042 (2)	85.7	0.2	95.0	0.0	87.1	0.2
2043 (2)	85.9	0.2	95.0	0.0	87.3	0.2
2044 (2)	86.1	0.2	95.0	0.0	87.5	0.2

(1) Actual E-ZPass market shares.

(2) Estimated E-ZPass market shares.

Table 4-5
Actual and Forecast Measures of Commercial Activity
and Growth in Total Turnpike System Transactions

Percent Change Over Prior Year or
 From One Quarter to the Same Quarter in the Prior Year

Calendar Year	Gross Domestic Product Growth (1) (U.S.)	Gross Regional Product Growth (1) (NY, NJ, PA)	Gross State Product Growth (1) (PA)	PA Turnpike System Percent Transaction Growth (2)		
				Passenger Cars	Commercial Vehicles	All Vehicles
2011 (Actual)	1.6	0.9	1.4	(1.2)	1.0	(0.9)
1st Quarter	(0.4)	0.5	4.2			
2nd Quarter	0.7	0.3	3.9			
3rd Quarter	0.2	0.2	2.8			
4th Quarter	1.1	0.5	1.4			
2012 (Actual)	2.3	1.7	1.2	0.2	0.6	0.2
1st Quarter	0.6	0.5	(0.8)			
2nd Quarter	0.4	0.3	(0.1)			
3rd Quarter	0.6	0.8	(4.4)			
4th Quarter	0.0	0.0	2.4			
2013 (Actual)	2.2	0.8	0.7	0.8	3.0	1.0
1st Quarter	0.7	(0.9)	6.0			
2nd Quarter	0.4	1.2	(2.1)			
3rd Quarter	1.1	0.5	3.4			
4th Quarter	0.9	0.5	(1.5)			
2014 (GDP Actual)	2.4	0.7	0.3	(0.1)	4.1	0.5
GSP/GSP Forecast)						
1st Quarter	(0.5)	(1.4)	(1.5)			
2nd Quarter	1.1	0.8	0.8			
3rd Quarter	1.2	1.0	1.0			
4th Quarter	0.5	0.6	0.4			
2015 (Forecast)	2.8	2.8	2.4	1.3	2.5	1.4
2016 (Forecast)	3.0	3.1	3.0	1.9	2.2	1.9
2017 (Forecast)	2.7	2.1	2.2	1.2	1.9	1.3

(1) The percent changes in U.S. GDP, GRP, and GSP are based on constant 2009 dollars. The U.S. GDP is actual through 2014. The GRP and GSP are actual through 2013. Actual data was obtained from the U.S. Bureau of Economic Analysis. Forecast data was from Moody's Analytics (www.economy.com) baseline forecast (February 2015).

(2) Turnpike System growth rates are actual through 2014.

normal growth in the near term as economic activity continues to pick up after the severe recession. Table 4-5 shows that transaction growth is estimated to remain relatively subdued in 2015, growing by a total of about 1.4 percent. A somewhat larger recovery impact is then shown for 2016 with total growth amounting to an estimated 1.9 percent. In 2017, total Turnpike growth is estimated at 1.3 percent as a result of decreasing GDP and GRP forecasts for that year. Beyond this, total System toll transaction growth rates average about 1.2 percent through FY 2043-44.

Table 4-6 shows estimated Ticket System transactions and gross toll revenue through FY 2043-44. Actual data is shown for FY 2013-14 and for the first eight months of FY 2014-15 (through January 2015). As shown, total ticket toll transactions are estimated to increase from about 152.1 million in FY 2013-14 (the latest full year of actual experience) to just over 220.9 million by FY 2043-44; this represents an average annual growth rate of almost 1.3 percent. Annual gross toll revenue is estimated to increase from \$813.1 million in FY 2013-14 to nearly \$3.9 billion by FY 2043-44. This represents an average annual increase of about 5.3 percent and includes the impacts of normal growth, annual toll rate increases, and the impact of the I-95 Interchange.

As described in Section 4.1.2, the toll plaza modifications/toll changes associated with the Delaware River Bridge one-way toll plaza conversion are assumed to occur in January 2016. These are estimated to add approximately 3.2 percent to Ticket System toll revenue. The addition of Stage 1 I-95 Interchange impacts described in Section 4.1.2 are estimated to add an additional 1.0 percent to total Ticket System toll revenue beginning in January 2018.

Table 4-7 identifies the same transaction and gross toll revenue information for the Barrier System. As shown, total transactions are estimated to increase from about 34.8 million in FY 2013-14 to 57.1 million by FY 2043-44, an average annual increase of about 1.7 percent. This is slightly greater than the rate of growth for the Ticket System, but consistent with the historical relationship between the ticket and barrier systems. Estimated annual toll revenue is expected to increase from about \$51.5 million in FY 2013-14 to \$268.1 million by the end of the forecast period. This represents a 5.7 percent annual rate of increase.

Total Turnpike System transactions and gross toll revenue are shown in Table 4-8. Total transactions increase from just over 186.9 million in FY 2013-14 to about 278.0 million by FY 2043-44; this represents an average annual increase of 1.3 percent, or about half the rate of growth during the previous 30 years. Total gross revenue, after discounts and adjustments, is estimated to grow from approximately \$860.4 million in FY 2013-14 to just over \$4.1 billion by FY 2043-44, representing a 5.4 percent average annual rate of growth. Again, this includes normal growth, toll increase impacts, and additional revenue from the I-95 Interchange project and associated toll adjustments.

4.6 Disclaimer

Current accepted professional practices and procedures were used in the development of these updated traffic and revenue forecasts. However, as with any forecast of the future, it should be understood that there may be differences between forecasted and actual results caused by events and circumstances beyond the control of CDM Smith. In formulating its forecasts, CDM Smith has reasonably relied upon the accuracy and completeness of information provided (both written and oral) by the PTC and other local and state agencies. CDM Smith also has relied upon the reasonable assurances of some independent parties and is not aware of any facts that would make such information misleading.

Table 4-6
Ticket System: Estimated Annual Transactions and Gross Toll Revenue (1)
Pennsylvania Turnpike

Traffic and Toll Revenue in Thousands

Fiscal Year	Annual Transactions			Annual Gross Toll Revenue		
	Passenger Cars	Commercial Vehicles	Total Vehicles	Passenger Cars	Commercial Vehicles	Total Vehicles
2013-14 (2,4)	131,595	20,501	152,096	\$460,525	\$352,550	\$813,075
2014-15 (3,5)	133,098	21,279	154,377	490,409	380,723	871,132
2015-16 (6,7)	136,002	21,724	157,727	532,923	414,044	946,966
2016-17 (6,7)	137,300	22,053	159,354	580,057	452,995	1,033,052
2017-18 (6,8)	140,350	22,678	163,027	622,509	489,226	1,111,734
2018-19 (6,8)	144,179	23,429	167,608	669,183	528,955	1,198,138
2019-20 (6)	145,909	23,839	169,749	715,856	568,937	1,284,793
2020-21 (6)	147,660	24,256	171,917	763,309	609,516	1,372,824
2021-22 (6)	149,432	24,676	174,108	809,194	649,260	1,458,453
2022-23 (6)	151,226	25,095	176,321	857,802	691,392	1,549,194
2023-24 (6)	153,040	25,522	178,562	909,293	736,252	1,645,545
2024-25 (6)	154,877	25,951	180,828	963,835	783,856	1,747,691
2025-26 (6)	156,735	26,379	183,114	1,017,818	830,982	1,848,801
2026-27 (6)	158,616	26,814	185,430	1,066,527	874,276	1,940,803
2027-28 (6)	160,519	27,251	187,771	1,112,147	915,232	2,027,379
2028-29 (6)	162,446	27,687	190,133	1,156,226	955,299	2,111,525
2029-30 (6)	164,330	28,130	192,461	1,201,541	997,333	2,198,874
2030-31 (6)	166,073	28,575	194,648	1,247,782	1,041,709	2,289,491
2031-32 (6)	167,733	29,018	196,751	1,295,694	1,088,529	2,384,223
2032-33 (6)	169,411	29,468	198,878	1,345,403	1,137,729	2,483,132
2033-34 (6)	171,105	29,924	201,029	1,396,975	1,189,262	2,586,237
2034-35 (6)	172,816	30,382	203,198	1,450,477	1,243,145	2,693,622
2035-36 (6)	174,544	30,838	205,382	1,505,980	1,299,093	2,805,073
2036-37 (6)	176,151	31,300	207,451	1,562,365	1,357,688	2,920,053
2037-38 (6)	177,560	31,770	209,330	1,618,830	1,419,395	3,038,225
2038-39 (6)	178,980	32,246	211,227	1,677,281	1,483,906	3,161,188
2039-40 (6)	180,412	32,724	213,136	1,737,785	1,551,034	3,288,819
2040-41 (6)	181,856	33,198	215,054	1,801,092	1,620,730	3,421,822
2041-42 (6)	183,310	33,680	216,990	1,867,787	1,693,558	3,561,345
2042-43 (6)	184,777	34,168	218,945	1,936,913	1,769,658	3,706,571
2043-44 (6)	186,255	34,663	220,918	2,008,556	1,849,177	3,857,733

- (1) Includes Gateway Barrier Toll Plaza transactions and toll revenue.
- (2) Actual traffic and revenue experience.
- (3) Actual data through January 2015.
- (4) An E-Z Pass toll increase of 2% and a cash toll increase of 12% was implemented on January 5, 2014, except for Turnpike I-576.
- (5) A toll increase of 5% was implemented on January 4, 2015, except for Turnpike I-576.
- (6) Annual toll rate increases are assumed to occur at the first of the year, applicable to both cars and trucks. Toll rate increases on Turnpike I-576 are assumed to occur every fifth year beginning in 2018. Refer to Tables 4-2 and 4-3 for assumed toll rate increases.
- (7) Includes the impacts of the opening in early January 2016 of the new westbound toll plaza at the Delaware River Bridge.
- (8) Includes the impacts of opening of the new ramps between I-95 and I-276 (northbound I-95 to eastbound I-276 and westbound I-276 to southbound I-95).

Table 4-7
Barrier System: Estimated Annual Transactions and Gross Toll Revenue (1)
Pennsylvania Turnpike

Traffic and Toll Revenue in Thousands

Fiscal Year	Annual Transactions			Annual Gross Toll Revenue		
	Passenger Cars	Commercial Vehicles	Total Vehicles	Passenger Cars	Commercial Vehicles	Total Vehicles
2013-14 (2,4)	30,593	4,230	34,823	\$36,015	\$15,504	\$51,519
2014-15 (3,5)	30,984	4,543	35,527	38,350	17,206	55,556
2015-16 (6)	31,384	4,737	36,121	40,721	18,828	59,549
2016-17 (6)	31,831	4,893	36,723	42,845	20,530	63,375
2017-18 (6)	32,372	5,033	37,405	45,617	22,310	67,927
2018-19 (6)	32,942	5,162	38,104	50,112	24,184	74,296
2019-20 (6)	33,519	5,293	38,812	53,789	26,208	79,997
2020-21 (6)	34,102	5,425	39,527	57,542	28,285	85,827
2021-22 (6)	34,691	5,558	40,249	61,206	30,357	91,564
2022-23 (6)	35,282	5,692	40,974	65,091	32,590	97,681
2023-24 (6)	35,882	5,828	41,710	69,232	34,983	104,214
2024-25 (6)	36,486	5,966	42,452	73,633	37,545	111,178
2025-26 (6)	37,089	6,105	43,193	78,035	40,122	118,157
2026-27 (6)	37,692	6,243	43,936	82,102	42,534	124,636
2027-28 (6)	38,300	6,384	44,684	85,980	44,874	130,854
2028-29 (6)	38,913	6,527	45,440	89,765	47,204	136,969
2029-30 (6)	39,527	6,671	46,198	93,688	49,648	143,337
2030-31 (6)	40,137	6,817	46,954	97,747	52,211	149,957
2031-32 (6)	40,743	6,963	47,706	101,974	54,888	156,861
2032-33 (6)	41,354	7,110	48,464	106,404	57,692	164,096
2033-34 (6)	41,967	7,260	49,227	111,000	60,641	171,641
2034-35 (6)	42,588	7,412	50,000	115,804	63,739	179,543
2035-36 (6)	43,207	7,564	50,771	120,805	66,967	187,772
2036-37 (6)	43,814	7,715	51,529	125,996	70,336	196,332
2037-38 (6)	44,428	7,869	52,297	131,454	73,875	205,329
2038-39 (6)	45,048	8,025	53,073	137,132	77,587	214,719
2039-40 (6)	45,670	8,182	53,851	143,031	81,457	224,488
2040-41 (6)	46,301	8,337	54,638	149,181	85,480	234,662
2041-42 (6)	46,941	8,496	55,437	155,599	89,703	245,302
2042-43 (6)	47,591	8,658	56,249	162,300	94,136	256,436
2043-44 (6)	48,251	8,823	57,074	169,319	98,787	268,106

- (1) Excludes Gateway Barrier Toll Plaza transactions and toll revenue, which are included in the Ticket System.
- (2) Actual traffic and revenue experience.
- (3) Actual data through January 2015.
- (4) An E-Z Pass toll increase of 2% and a cash toll increase of 12% was implemented on January 5, 2014, except for Turnpike I-576.
- (5) A toll increase of 5% was implemented on January 4, 2015, except for Turnpike I-576.
- (6) Annual toll rate increases are assumed to occur at the first of the year, applicable to both cars and truck. Toll rate increases on Turnpike I-576 are assumed to occur every fifth year beginning in 2018. Refer to Tables 4-2 and 4-3 for assumed toll rate increases.

Table 4-8
Total System: Estimated Annual Transactions and Gross Toll Revenue
Pennsylvania Turnpike

Traffic and Toll Revenue in Thousands

Fiscal Year	Annual Transactions				Annual Gross Toll Revenue				Discounts and Adjustments (11)	Adjusted Annual Gross Revenue	Percent Change
	Passenger Cars	Commercial Vehicles	Total Vehicles	Percent Change	Passenger Cars	Commercial Vehicles	Total Vehicles	Percent Change			
2013-14 (1,3)	162,188	24,731	186,919		\$496,539	\$368,054	\$864,593		(\$4,220)	\$860,373	
2014-15 (2,4)	164,083	25,822	189,904	1.6 %	528,758	397,929	926,688	7.2 %	(1,592)	925,096	7.5 %
2015-16 (6,7)	167,387	26,461	193,848	2.1	573,643	432,872	1,006,515	8.6	(1,731)	1,004,784	8.6
2016-17 (6,7)	169,131	26,946	196,077	1.2	622,902	473,525	1,096,427	8.9	(1,894)	1,094,533	8.9
2017-18 (6,8)	172,721	27,711	200,432	2.2	668,126	511,536	1,179,662	7.6	(2,046)	1,177,616	7.6
2018-19 (6,8)	177,121	28,591	205,713	2.6	719,295	553,139	1,272,434	7.9	(2,213)	1,270,221	7.9
2019-20 (6)	179,428	29,132	208,560	1.4	769,645	595,145	1,364,790	7.3	(2,381)	1,362,409	7.3
2020-21 (6)	181,762	29,681	211,443	1.4	820,850	637,801	1,458,651	6.9	(2,551)	1,456,100	6.9
2021-22 (6)	184,123	30,234	214,357	1.4	870,400	679,617	1,550,017	6.3	(2,718)	1,547,299	6.3
2022-23 (6)	186,507	30,788	217,295	1.4	922,893	723,981	1,646,875	6.2	(2,896)	1,643,979	6.2
2023-24 (6)	188,922	31,350	220,272	1.4	978,525	771,234	1,749,759	6.2	(3,085)	1,746,674	6.2
2024-25 (6)	191,363	31,917	223,280	1.4	1,037,468	821,401	1,858,869	6.2	(3,286)	1,855,583	6.2
2025-26 (6)	193,824	32,484	226,308	1.4	1,095,853	871,104	1,966,958	5.8	(3,484)	1,963,474	5.8
2026-27 (6)	196,308	33,057	229,366	1.4	1,148,629	916,810	2,065,440	5.0	(3,667)	2,061,773	5.0
2027-28 (6)	198,819	33,636	232,455	1.3	1,198,127	960,106	2,158,233	4.5	(3,840)	2,154,393	4.5
2028-29 (6)	201,359	34,214	235,573	1.3	1,245,991	1,002,503	2,248,494	4.2	(4,010)	2,244,484	4.2
2029-30 (6)	203,858	34,801	238,659	1.3	1,295,230	1,046,981	2,342,211	4.2	(4,188)	2,338,023	4.2
2030-31 (6)	206,210	35,392	241,601	1.2	1,345,529	1,093,919	2,439,448	4.2	(4,376)	2,435,072	4.2
2031-32 (6)	208,476	35,981	244,457	1.2	1,397,667	1,143,417	2,541,084	4.2	(4,574)	2,536,510	4.2
2032-33 (6)	210,764	36,578	247,342	1.2	1,451,807	1,195,422	2,647,229	4.2	(4,782)	2,642,447	4.2
2033-34 (6)	213,071	37,185	250,256	1.2	1,507,975	1,249,903	2,757,878	4.2	(5,000)	2,752,878	4.2
2034-35 (6)	215,404	37,794	253,198	1.2	1,566,281	1,306,884	2,873,165	4.2	(5,228)	2,867,937	4.2
2035-36 (6)	217,751	38,402	256,153	1.2	1,626,785	1,366,060	2,992,845	4.2	(5,464)	2,987,381	4.2
2036-37 (6)	219,964	39,015	258,980	1.1	1,688,360	1,428,024	3,116,385	4.1	(5,712)	3,110,673	4.1
2037-38 (6)	221,988	39,639	261,627	1.0	1,750,284	1,493,270	3,243,554	4.1	(5,973)	3,237,581	4.1
2038-39 (6)	224,028	40,272	264,300	1.0	1,814,413	1,561,494	3,375,907	4.1	(6,246)	3,369,661	4.1
2039-40 (6)	226,082	40,905	266,987	1.0	1,880,816	1,632,491	3,513,307	4.1	(6,530)	3,506,777	4.1
2040-41 (6)	228,156	41,536	269,692	1.0	1,950,273	1,706,211	3,656,484	4.1	(6,825)	3,649,659	4.1
2041-42 (6)	230,251	42,176	272,427	1.0	2,023,386	1,783,261	3,806,647	4.1	(7,133)	3,799,514	4.1
2042-43 (6)	232,368	42,826	275,194	1.0	2,099,213	1,863,793	3,963,007	4.1	(7,455)	3,955,552	4.1
2043-44 (6)	234,506	43,486	277,992	1.0	2,177,875	1,947,965	4,125,839	4.1	(7,792)	4,118,047	4.1

(1) Actual traffic and revenue experience.

(2) Actual data through January 2015.

(3) An E-Z Pass toll increase of 2% and a cash toll increase of 12% was implemented on January 5, 2014, except for Turnpike I-576.

(4) A toll increase of 5% was implemented on January 4, 2015, except for Turnpike I-576.

(6) Annual toll rate increases are assumed to occur at the first of the year, applicable to both cars and trucks. Toll rate increases are assumed to occur every fifth year beginning in 2018. Refer to Tables 4-2 and 4-3 for assumed toll rate increases.

(7) Includes the impacts of the opening in early January 2016 of the new westbound toll plaza at the Delaware River Bridge.

(8) Includes the impacts of opening the new I-95 Interchange ramps on I-276 (northbound I-95 to eastbound I-276 and westbound I-276 to southbound I-95).

(9) This reflects actual discounts and adjustments through FY 2013-14 and for the first eight months of FY 2014-15. Under the current Commercial Volume Discount Program in 2015, commercial vehicle accounts that generate more than \$20,000 in monthly tolls are eligible for a 3.0 percent discount.

CDM Smith has made qualitative judgments related to several key variables in the development and analysis of the traffic and revenue forecasts that must be considered as a whole; therefore selecting portions of any individual result without consideration of the intent of the whole may create a misleading or incomplete view of the results and the underlying methodologies used to obtain the results. CDM Smith gives no opinion as to the value or merit to partial information extracted from this report.

All forecasts and projections reported herein are based on CDM Smith's experience and judgment and on a review of information obtained from multiple state and local agencies, including PTC, by an independent third party. These estimates and projections may not be indicative of actual or future values, and are therefore subject to substantial uncertainty. Future developments cannot be predicted with certainty, and may affect the forecasts or projections expressed in this report, such that CDM Smith does not specifically guarantee or warrant any forecasts or projections contained within this report.

While CDM Smith believes that some of the projections or other forward-looking statements contained within the report are based on reasonable assumptions as of the date in the report, such forward looking statements involve risks and uncertainties that may cause actual results to differ materially from the results predicted. Therefore, following the date of this report, CDM Smith will take no responsibility or assume any obligation to advise of changes that may affect its assumptions contained within the report, as they pertain to: socioeconomic and demographic forecasts, proposed residential or commercial land use development projects and/or potential improvements to the regional transportation network.

CDM Smith is not, and has not been, a municipal advisor as defined in Federal law (the Dodd Frank Bill) to PTC and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to PTC with respect to the information and material contained in this report. CDM Smith is not recommending and has not recommended any action to PTC. PTC should discuss the information and material contained in this report with any and all internal and external advisors that it deems appropriate before acting on this information.

Appendix A

Monthly Transaction and Revenue Trends for Barrier Facilities

**Table A-1
Tunpike 43 - Mon/Fayette Expressway - Monthly Transaction and Revenue Trends**
Transactions Include Only Toll Transactions - Non-Revenue Transactions Are Not Included

Month	Passenger Cars				Commercial Vehicles				Total Vehicles					
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15
June	835	17.1	978	4.6	1,023	2.1	1,044	49	33.5	66	20.0	79	19.9	95
July	914	14.0	1,042	0.9	1,052	3.1	1,084	50	34.9	67	30.1	87	16.5	101
August	1,000	13.4	1,134	(1.7)	1,114	1.3	1,129	59	26.0	74	20.6	90	12.1	101
September	1,006	5.2	1,059	1.1	1,070	2.7	1,099	55	10.8	61	34.6	82	22.7	101
October	1,029	6.7	1,098	3.0	1,132	2.3	1,158	53	30.6	69	39.0	96	11.4	107
November	966	4.3	998	(1.3)	985	0.1	986	50	20.8	60	27.2	76	14.2	87
December	939	0.7	946	1.1	957	3.9	994	44	13.6	50	29.7	65	23.4	81
January	836	5.4	881	(3.2)	852	5.5	899	45	23.1	55	14.3	63	26.0	79
February	885	(1.0)	876	(2.7)	853			50	11.9	56	12.1	62		
March	973	1.2	984	0.0	985			58	9.9	64	29.7	82		
April	968	6.8	1,034	(0.9)	1,026			61	20.0	73	15.2	84		
May	1,022	6.8	1,092	(0.9)	1,082			66	16.2	77	19.5	92		
Total Year	11,365	6.7	12,122	0.1	12,129	0.1	8,394	639	20.7	772	24.3	959	17.7	752
June-Jan	7,516	8.2	8,136	0.6	8,184	2.6	8,394	405	24.2	503	27.0	639	17.7	752

Month	Passenger Cars				Commercial Vehicles				Total Vehicles					
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15
June	\$896	23.4	\$1,105	13.3	\$1,253	7.1	\$1,341	\$153	37.8	\$210	30.1	\$274	23.8	\$339
July	982	22.3	1,201	7.4	1,290	8.2	1,397	154	44.3	222	33.7	297	20.6	358
August	1,073	23.4	1,325	2.8	1,362	6.8	1,454	186	35.1	251	21.6	305	16.3	355
September	1,096	15.3	1,225	5.7	1,295	7.6	1,393	172	21.2	209	34.2	280	26.5	354
October	1,023	12.4	1,149	3.2	1,186	5.2	1,248	167	41.4	236	36.7	323	17.0	378
November	1,008	8.5	1,093	5.7	1,156	9.0	1,259	156	31.8	206	25.4	258	19.0	307
December	940	12.3	1,056	1.2	1,069	10.0	1,176	142	21.8	173	33.1	230	26.0	290
January	995	6.4	1,059	1.8	1,077			148	33.2	198	15.1	228	30.4	297
February	1,096	9.0	1,195	4.6	1,250			162	21.9	197	14.1	225		
March	1,090	14.7	1,250	3.8	1,297			196	28.8	252	20.1	303		
April	1,153	15.1	1,326	4.4	1,385			214	25.5	268	23.2	330		
Total Year	\$12,427	14.6	\$14,247	5.2	\$14,994	5.2	\$10,731	\$2,036	29.9	\$2,644	26.4	\$3,342	22.0	\$2,678
June-Jan	8,094	16.4	9,418	5.9	9,974	7.6	10,731	1,278	33.4	1,705	28.7	2,195	22.0	2,678

NOTES:
 (1) On January 2, 2011, a 3% E-ZPass and a 10% cash toll increase was implemented on all toll facilities except Turnpike I-576.
 (2) On January 1, 2012, cash tolls were increased by 10% on all toll facilities except Turnpike I-576.
 (3) On January 6, 2013 a 2% E-Zpass and a 10% cash toll increase was implemented on all toll facilities.
 (4) On January 1, 2014 a 2% E-Zpass and a 12% cash toll increase was implemented on all toll facilities except Turnpike I-576.
 (5) On January 4, 2015, a 5% E-Zpass and cash toll increase was implemented on all toll facilities except Turnpike I-576.
 (6) On July 11, 2011, the West Virginia section of the Mon Fayette Expressway was completed.
 (7) Leap year occurred in 2012, resulting in negative traffic and toll revenue impacts in February 2013 compared to February 2012.
 (8) Abnormally severe winter weather negatively impacted traffic and toll revenue in January and February 2014, particularly among passenger cars.

**Table A-2
Tunpike 66 - Amos K. Hutchinson ByPass - Monthly Transaction and Revenue Trends**
Transactions include Only Toll Transactions - Non-Revenue Transactions Are Not Included

Month	Passenger Cars			Commercial Vehicles			Total Vehicles							
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15
June	608	(2.6)	593	(3.3)	573	(3.3)	584	699	(1.9)	685	(3.0)	664	2.6	681
July	614	(3.9)	590	(0.4)	588	0.8	592	704	(3.1)	704	(3.1)	684	1.2	692
August	631	(1.5)	622	(1.6)	612	(0.7)	608	730	(1.3)	721	(1.1)	713	(0.7)	707
September	612	(5.2)	581	0.1	581	3.3	601	706	(5.5)	667	1.2	675	4.3	704
October	623	(3.0)	604	1.3	612	4.4	639	721	(3.2)	699	1.7	710	5.2	747
November	586	(3.1)	568	(1.3)	561	(0.4)	559	677	(4.3)	648	(1.1)	641	1.6	651
December	598	(7.0)	556	1.0	561	0.9	566	676	(7.7)	624	1.4	633	2.6	649
January	528	(3.0)	512	(4.5)	489	4.2	509	603	(2.9)	585	(3.4)	566	3.3	585
February	518	(6.6)	483	(2.0)	474			591	(6.8)	551	(1.0)	546		
March	580	(5.6)	548	0.6	551			665	(6.4)	623	2.0	635		
April	569	1.1	575	(0.4)	573			657	1.0	664	0.3	666		
May	607	(1.0)	601	1.2	608			703	(0.8)	697	1.6	708		
Total Year	7,074	(3.4)	6,832	(0.7)	6,782	1.7	4,657	8,132	(3.5)	7,846	(0.1)	7,841		5,417
June-Jan	4,801	(3.7)	4,625	(1.0)	4,577		4,657	5,516	(3.7)	5,311	(0.5)	5,286	2.5	5,417

Month	Passenger Cars			Commercial Vehicles			Total Vehicles							
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15
June	\$745	2.5	\$764	2.0	\$780	6.9	\$833	\$1,074	3.5	\$1,111	2.3	\$1,137	9.1	\$1,240
July	755	1.1	763	4.9	800	6.3	831	1,086	2.1	1,109	5.7	1,172	7.8	1,264
August	774	3.6	802	3.7	831	4.8	871	1,138	3.0	1,172	4.0	1,219	4.7	1,276
September	750	(0.4)	747	5.1	785	7.9	846	1,096	(1.6)	1,078	6.7	1,150	10.6	1,272
October	761	1.5	772	6.7	824	8.6	895	1,127	0.3	1,130	6.9	1,208	10.0	1,329
November	718	1.0	726	3.7	753	4.7	788	1,057	(2.8)	1,027	3.4	1,062	9.7	1,164
December	729	(3.0)	707	6.3	751	5.8	795	1,018	(5.0)	968	7.5	1,040	8.8	1,131
January	674	0.7	678	(0.1)	678	9.0	739	960	0.7	967	3.7	1,003	4.9	1,052
February	661	(2.3)	646	2.6	663			945	(3.4)	913	5.9	967		
March	742	(0.8)	736	5.7	778			1,068	(3.3)	1,033	10.1	1,137		
April	729	5.9	773	4.9	810			1,057	5.9	1,120	7.5	1,204		
May	779	4.0	810	6.6	864			1,135	4.6	1,187	8.1	1,283		
Total Year	\$8,817	1.2	\$8,924	4.4	\$9,317		\$6,618	\$12,761	0.4	\$12,814	6.0	\$13,582		\$9,729
June-Jan	5,905	0.9	5,959	4.1	6,201	6.7	6,618	8,555	0.1	8,562	5.0	8,991	8.2	9,729

NOTES:

- (1) On January 2, 2011, a 3% E-ZPass and a 10% cash toll increase was implemented on all toll facilities except Turnpike 576.
- (2) On January 1, 2012, cash tolls were increased by 10% on all toll facilities except the Findlay Connector.
- (3) On January 6, 2013 a 2% E-Zpass and a 10% cash toll increase was implemented on all toll facilities.
- (4) On January 1, 2014 a 2% E-Zpass and a 12% cash toll increase was implemented on all toll facilities.
- (5) On January 4, 2015, a 5% E-Zpass and cash toll increase was implemented on all toll facilities except Turnpike I-576.
- (6) Leap year occurred in 2012, resulting in negative traffic and toll revenue impacts in February 2013 compared to February 2012.
- (7) Abnormally severe winter weather negatively impacted traffic and toll revenue in January and February 2014, particularly among passenger cars.

**Table A-3
Northeast Extension Barrier Plazas - Monthly Transaction and Revenue Trends**
Transactions Include Only Toll Transactions - Non-Revenue Transactions Are Not Included

Month	Passenger Cars			Commercial Vehicles			Total Vehicles								
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	% Chg	2013-14	% Chg	2014-15				
June	435	3.6	451	4.0	469	(4.0)	450	94	520	3.9	540	3.7	560	(2.8)	544
July	549	(4.3)	526	6.6	560	0.6	563	60	634	(2.9)	615	7.5	662	1.2	670
August	522	5.8	553	8.8	602	1.7	612	109	612	5.8	647	8.8	704	2.4	721
September	419	(4.0)	402	8.8	438	(0.5)	436	81	506	(4.4)	483	9.6	530	1.3	537
October	444	(8.6)	406	11.7	453	3.5	469	85	531	(7.5)	491	11.9	549	4.4	573
November	407	(1.2)	403	0.3	404	(0.5)	402	81	481	0.5	483	0.3	485	(0.6)	482
December	367	(4.5)	350	10.8	388	(8.3)	356	78	436	(3.7)	420	11.3	467	(7.0)	434
January	295	2.3	302	1.6	307	(4.3)	294	77	360	4.7	377	2.5	387	(4.1)	371
February	296	(1.1)	293	(4.9)	279				361	0.3	363	(3.0)	352		
March	346	8.3	375	(6.2)	352				421	7.5	452	(3.8)	435		
April	423	(4.7)	403	(1.3)	398				510	(3.3)	493	(1.6)	485		
May	470	6.0	498	(9.7)	450				570	5.7	602	(9.5)	545		
Total Year	4,976	(0.3)	4,963	2.8	5,101		3,583	750	5,941	0.5	5,968	3.2	6,160	(0.3)	4,333
June-Jan	3,440	(1.4)	3,393	6.8	3,622	(1.1)	3,583	750	4,079	(0.5)	4,058	7.0	4,344	(0.3)	4,333

Month	Passenger Cars			Commercial Vehicles			Total Revenue (in \$1,000s)									
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	% Chg	2013-14	% Chg	2014-15					
June	\$318	9.5	\$348	9.1	\$379	1.0	\$383	\$351	3.8	\$364	7.7	\$392	6.4	\$743	4.2	\$775
July	402	0.9	405	12.1	454	6.2	483	330	8.1	346	16.6	403	4.1	751	14.2	857
August	381	11.4	425	14.5	486	7.7	524	343	6.0	445	11.4	405	8.8	789	13.0	891
September	305	0.7	307	14.1	350	4.4	366	335	(5.3)	318	16.2	369	(2.4)	625	15.2	719
October	323	(4.4)	309	17.0	361	8.9	393	341	(0.6)	339	16.3	394	(2.4)	648	16.6	755
November	296	3.2	305	4.9	320	4.6	335	292	11.0	327	2.8	336	7.1	632	3.8	657
December	266	(0.3)	266	15.7	307	(3.9)	295	285	1.2	285	16.2	331	2.3	551	16.0	599
January	225	5.4	237	7.7	255	(0.8)	253	269	18.1	318	8.3	344	0.6	494	12.3	555
February	225	3.2	232	0.0	232			266	9.8	283	8.1	316	6.8	492	6.8	525
March	265	13.3	301	(1.2)	297			302	8.0	326	9.9	358	10.5	627	4.6	655
April	326	(0.3)	325	4.0	338			351	7.4	377	(1.1)	373	3.7	702	1.3	711
May	362	11.1	402	(5.2)	381			398	6.8	425	(6.8)	396	8.8	826	(6.0)	777
Total Year	\$3,693	4.5	\$3,861	7.8	\$4,162		\$3,032	\$3,835	6.1	\$4,067	8.0	\$4,391	5.3	\$7,928	7.9	\$8,553
June-Jan	2,516	3.4	2,601	12.0	2,914	4.0	3,032	2,517	5.1	2,647	11.4	2,947	4.3	5,248	11.7	5,861

NOTES:

- (1) On January 2, 2011, a 3% E-ZPass and a 10% cash toll increase was implemented on all toll facilities except Turnpike 576.
- (2) On January 1, 2012, cash tolls were increased by 10% on all toll facilities except the Friday Connector.
- (3) On January 6, 2013 a 2% E-Zpass and a 10% cash toll increase was implemented on all toll facilities.
- (4) On January 1, 2014 a 2% E-Zpass and a 12% cash toll increase was implemented on all toll facilities.
- (5) On January 4, 2015, a 5% E-Zpass and cash toll increase was implemented on all toll facilities except Turnpike I-576.
- (6) Leap year occurred in 2012, resulting in negative traffic and toll revenue impacts in February 2013 compared to February 2012.
- (7) Abnormally severe winter weather negatively impacted traffic and toll revenue in January and February 2014, particularly among passenger cars.

Table A-4
Turnpike I-376 - Beaver Valley Expressway - Monthly Transaction and Revenue Trends
 Transactions include Only Toll Transactions - Non-Revenue Transactions Are Not Included

Month	Passenger Cars			Commercial Vehicles			Total Vehicles							
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15
June	638	(1.9)	625	(9.4)	567	4.4	592	739	(0.8)	733	(10.1)	659	6.0	699
July	674	(3.5)	650	(7.5)	601	2.3	615	772	(1.9)	757	(7.2)	703	3.9	730
August	664	(1.5)	654	(6.3)	612	3.1	631	776	(1.2)	767	(6.3)	718	3.5	743
September	613	(4.1)	588	(4.1)	564	1.1	570	716	(4.4)	684	(3.0)	664	3.0	684
October	653	(7.2)	606	(1.9)	595	(2.2)	582	758	(6.3)	710	(1.0)	703	(1.1)	696
November	586	(2.9)	569	(6.1)	534	(3.0)	518	679	(2.7)	660	(5.3)	625	(2.9)	607
December	585	(6.7)	546	(1.0)	541	(1.4)	533	670	(6.1)	629	(0.6)	625	(0.4)	622
January	497	(0.7)	493	(7.2)	458	0.5	460	578	0.5	581	(6.5)	543	0.3	544
February	496	(6.6)	463	(5.3)	439			581	(6.9)	541	(3.6)	521		
March	570	(5.6)	538	(2.9)	523			663	(6.2)	622	(0.9)	617		
April	573	(3.8)	551	(0.0)	551			667	(2.8)	648	0.5	651		
May	614	(4.4)	587	1.6	597			717	(3.9)	689	2.2	704		
Total Year	7,162	(4.1)	6,871	(4.2)	6,580	0.7	4,501	8,315	(3.5)	8,021	(3.6)	7,733	1.6	5,326
June-Jan	4,909	(3.6)	4,731	(5.5)	4,471		4,501	5,687	(2.9)	5,521	(5.1)	5,240	1.6	5,326

Month	Passenger Cars			Commercial Vehicles			Total Vehicles							
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15
June	\$641	3.1	\$661	(3.1)	\$640	11.4	\$713	\$931	4.8	\$976	(6.4)	\$914	13.6	\$1,038
July	680	1.8	692	(1.6)	681	9.6	747	960	4.9	1,007	(2.9)	978	12.6	1,101
August	666	4.3	695	(0.9)	688	11.1	764	994	3.3	1,026	(2.3)	1,003	9.4	1,097
September	612	1.7	622	1.4	631	7.8	680	908	(0.5)	904	2.8	929	10.2	1,024
October	651	(1.8)	639	3.6	662	4.2	690	953	(1.8)	936	5.3	986	4.2	1,027
November	583	2.7	599	(0.7)	595	3.5	616	853	1.7	868	0.0	868	2.1	886
December	584	(1.5)	575	4.9	604	5.1	635	834	(1.7)	820	4.9	860	6.2	913
January	524	3.8	544	(1.4)	536	5.6	566	772	5.4	813	(0.8)	807	4.2	841
February	523	(1.2)	517	0.5	519			784	(3.3)	758	3.0	781		
March	603	(0.0)	603	3.4	623			881	(2.0)	863	6.8	922		
April	605	1.7	616	6.6	657			883	3.3	912	6.5	971		
May	651	1.7	662	8.3	717			952	1.5	967	7.7	1,042		
Total Year	\$7,323	1.4	\$7,424	1.7	\$7,553	7.4	\$5,411	\$10,705	1.4	\$10,850	1.9	\$11,058	7.9	\$7,926
June-Jan	4,941	1.7	5,027	0.2	5,037		5,411	7,205	2.0	7,350	(0.1)	7,343	7.9	7,926

NOTES:

- (1) On January 2, 2011, a 3% E-ZPass and a 10% cash toll increase was implemented on all toll facilities except Turnpike 576.
- (2) On January 1, 2012, cash tolls were increased by 10% on all toll facilities except the Findlay Connector.
- (3) On January 6, 2013 a 2% E-Zpass and a 10% cash toll increase was implemented on all toll facilities.
- (4) On January 1, 2014 a 2% E-Zpass and a 12% cash toll increase was implemented on all toll facilities.
- (5) On January 4, 2015, a 5% E-Zpass and cash toll increase was implemented on all toll facilities except Turnpike I-576.
- (6) Leap year occurred in 2012, resulting in negative traffic and toll revenue impacts in February 2013 compared to February 2012.
- (7) Abnormally severe winter weather negatively impacted traffic and toll revenue in January and February 2014, particularly among passenger cars.

**Table A-5
Turnpike I-576 - Beaver Valley Expressway - Monthly Transaction and Revenue Trends**
Transactions Include Only Toll Transactions - Non-Revenue Transactions Are Not Included

Month	Passenger Cars				Commercial Vehicles				Total Vehicles					
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15
June	146	1.8	149	(5.9)	140	4.4	146	158	1.6	161	(4.5)	154	4.9	161
July	148	3.3	153	(5.0)	146	5.9	154	160	3.1	165	(3.4)	159	8.3	172
August	152	2.6	156	(4.2)	150	6.6	159	165	2.5	170	(3.5)	164	8.6	178
September	145	34.4	195	(31.3)	134	8.7	145	157	33.3	209	(29.4)	147	10.4	163
October	151	14.8	174	(19.1)	140	8.9	153	171	17.0	187	(17.0)	155	10.1	171
November	143	(3.3)	138	(9.3)	125	5.8	133	14	155	(3.3)	150	(6.5)	140	4.5
December	140	(6.4)	131	(2.5)	128	9.8	140	151	(6.7)	141	(0.8)	140	10.9	155
January	127	(2.8)	123	(3.7)	119	4.6	124	137	(2.7)	133	(2.4)	130	5.8	137
February	123	(8.8)	112	(2.4)	110	11.0	119	134	(9.0)	121	(1.1)	120		
March	141	(9.3)	128	1.2	129		133	152	(9.0)	139	2.5	142		
April	137	(3.7)	132	3.0	135		148	148	(3.0)	143	4.5	150		
May	150	(2.5)	146	(0.2)	146		162	162	(1.9)	159	0.1	159		
Total Year	1,703	2.0	1,737	(7.8)	1,601	6.8	1,155	1,843	1.9	1,878	(6.3)	1,760	8.0	1,284
June-Jan	1,152	5.8	1,219	(11.3)	1,081	6.8	1,155	1,247	5.4	1,315	(9.6)	1,189	8.0	1,284

Month	Passenger Cars				Commercial Vehicles				Total Revenue (in \$1,000s)					
	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15	2011-12	% Chg	2012-13	% Chg	2013-14	% Chg	2014-15
June	\$69	8.5	\$75	33.5	\$100	3.5	\$103	\$86	10.1	\$94	35.3	\$128	5.4	\$135
July	74	3.4	77	35.0	104	5.1	109	93	3.0	96	37.7	132	10.3	146
August	76	2.7	78	35.8	106	5.9	113	98	2.1	100	35.5	135	10.9	150
September	73	34.3	98	(3.0)	95	8.1	102	92	31.5	121	2.0	123	12.4	138
October	76	14.2	87	14.4	99	8.5	107	97	12.3	109	19.9	131	10.9	145
November	72	(3.3)	69	28.0	89	5.1	93	30	92	(2.7)	89	34.3	120	2.6
December	70	(6.3)	66	37.9	90	8.9	98	88	(6.4)	83	40.9	117	12.3	131
January	64	31.0	83	0.3	84	4.0	87	80	30.1	104	3.8	108	7.0	116
February	62	28.8	79	(3.2)	77		79	79	26.9	100	0.9	101		
March	71	28.5	91	0.2	91		91	87	28.3	115	3.8	119		
April	68	36.2	93	2.2	95		95	89	36.8	119	6.5	127		
May	75	38.2	104	(1.0)	103		103	96	37.7	132	0.4	132		
Total Year	\$848	17.7	\$999	13.3	\$1,131	6.1	\$813	\$1,077	17.2	\$1,262	16.7	\$1,473	9.0	\$1,084
June-Jan	573	10.3	632	21.2	766	6.1	813	726	9.7	796	24.8	994	9.0	1,084

NOTES:

- (1) On January 2, 2011, a 3% E-ZPass and a 10% cash toll increase was implemented on all toll facilities except Turnpike 576.
- (2) On January 1, 2012, cash tolls were increased by 10% on all toll facilities except the Findlay Connector.
- (3) On January 6, 2013 a 2% E-Zpass and a 10% cash toll increase was implemented on all toll facilities.
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- (6) Leap year occurred in 2012, resulting in negative traffic and toll revenue impacts in February 2013 compared to February 2012.
- (7) Abnormally severe winter weather negatively impacted traffic and toll revenue in January and February 2014, particularly among passenger cars.

Appendix B

Current Regional Economic Conditions

The purpose of this Appendix section is to provide a general overview of current economic conditions along the Pennsylvania Turnpike Commission's (PTC's) facilities based on outreach with representatives of the five major metropolitan areas located in the vicinity of the PTC corridors. These areas include: Greater Pittsburgh in the Southwest of the Commonwealth; the Harrisburg Tri-County area in the South Central State Capital region; Scranton/Wilkes-Barre at the northern terminus of the Northeast Extension; Lehigh Valley, near the midpoint of the Northeast Extension; and Greater Philadelphia, which includes the intersection of both major Turnpike facilities, I-76 and the Northeast Extension. In addition to a series of interview discussions with pertinent staff representing the five Metropolitan Planning Organizations (MPOs), this section relies heavily on local and national news sources, as well as local planning documents, to investigate a variety of issues affecting these regions. The investigated characteristics include growth indicators or inhibitors such as housing demand, location and movements of major employers, local policy changes, state and local economic development incentives, municipal finances, freight and shipping trends, and major land development projects. For each area, conclusions are drawn based on available information as to how future Turnpike traffic may be affected by recent historical and current trends in ways not anticipated by the travel demand and econometric models.

Southwestern Pennsylvania Commission

The Southwestern Pennsylvania Commission (SPC) ten-County region is anchored by Pittsburgh, the second largest city in the Commonwealth, located in Allegheny County. In recent years, Pittsburgh, traditionally known as the Steel City, experienced a transition to a post-manufacturing economy, something few former "rust belt" cities have experienced. This change was driven heavily by growth in education (the area is home to major research universities such as Carnegie Mellon and the University of Pittsburgh), healthcare (the University of Pittsburgh Medical Center's Hospital system), advanced manufacturing (e.g., Carnegie Mellon, and General Motors racing to develop an autonomous car)¹, as well as energy, financial services, and communications & information technology².

As a result of these factors, Pittsburgh and Allegheny County have begun to focus on facilitating redevelopment and reuse of the older areas of the city and County³, in order to accommodate an increase in housing demand. Increased investment in local start-ups⁴, facilitating use of the Allegheny River as recreation⁵, and enhanced nightlife and hospitality planning⁶ all serve to increase the desirability of the urban core with potentially net positive impact on the real estate market, the effects of which are already being seen. For example, Oxford Development currently plans to invest nearly \$400 million on 252,000 sq. ft. of office space, 300 apartment units, and a multi-modal transportation

¹ Thrush, G. (2014, February 4). *The robots that saved Pittsburgh*. Retrieved from: <http://www.politico.com/magazine/story/2014/02/pittsburgh-robots-technology-103062.html#.VKwJGivF81p>

² Allegheny Conference on Community Development. (2013). *2013 Annual report*. Pittsburgh. Retrieved from: <http://www.alleghenyconference.org/PDFs/AnnualReports/AnnualReport13.pdf>

³ County of Allegheny. (2014). *Allegheny County launches 2014 side yard and blighted structure program*. Pittsburgh. Retrieved from: <http://www.county.allegheny.pa.us/2014/20140523.aspx>

⁴ Riverfront Ventures. (2015). *About*. Retrieved from: <http://www.riverfrontventures.com/about>

⁵ Friends of the Riverfront. (2015). *Three Rivers Water Trail*. Retrieved from: <http://friendsoftheriverfront.org/trails/three-rivers-water-trail/>

⁶ Pittsburgh Department of City Planning. (2014). *Pittsburgh Sociable City Plan*. Retrieved from: <http://www.pgh-sociablecity.org/>

center within the Strip District⁷, directly northeast of downtown. Also in this district, Buncher Co. is on track to replace 37 acres of underutilized land (currently surface parking) with 750 housing units plus retail and office space⁸. Elsewhere in downtown, Millcraft Investments will redevelop the old Saks Fifth Avenue site with 77 Condos atop a 578 space parking garage⁹. Development in close proximity to Pittsburgh International Airport is surpassing expectations as well, with previous plans more than two years ahead of anticipated schedule¹⁰.

Outside of Pittsburgh, the metro picture of future development is more varied, which has historically been the case in the suburbs and factory towns outside of the core. While active, these manufacturing centers employed many people, but once closed the workers in the surrounding areas were left with few options, resulting in long-lasting, systemic poverty in many areas¹¹.

The other major factor affecting the SPC region is the development of the Marcellus Shale oil and gas industry, through the process known as hydraulic fracturing or “fracking”. Washington, Greene, Butler, Westmoreland, and Fayette Counties are all among the top 10 counties in Pennsylvania for the number of these wells in operation¹². There are some advocates of shale oil and gas development citing its significant economic development potential¹³, which has been observed in low population rural areas like North Dakota. However, there is also some opposition to it based on the environmental and health impacts of the process, which backed by research, has identified links between fracking and groundwater quality within one kilometer of well sites¹⁴. However, based on the current fluctuations in global oil prices, the future of this industry is clouded, and declines are already being seen in areas which once experienced the largest boom¹⁵. Initial economic impacts in Washington and Green (the two largest shale well Counties in the region) are positive with significant new development in the areas of retail/hospitality, banking, healthcare, and other commercial properties; these are all secondary industries linked to shale gas employment¹⁶.

The Turnpike facilities in the region - Interstate 76, I-376 from Beaver Falls to New Castle, SR 576, SR 66, and SR 43 north of Uniontown - tend to circumvent the major growth locations (Pittsburgh, Washington, and Green Counties). With the exception of SR 576 near Pittsburgh International Airport, the strength of potential impacts of new development on increased traffic along the aforementioned

⁷ Fontaine, T. (2014, December 9). *Oxford Development's confidence in Pittsburgh builds with new project*. Retrieved from: <http://triblive.com/news/alleggheny/7340454-74/million-oxford-development#axzz3M4rZcT9s>

⁸ Belko, M. (2014, September 19). *Buncher Co. making progress on Strip District land*. Retrieved from: Pittsburgh Post-Gazette: <http://www.post-gazette.com/business/2014/09/19/Buncher-Co-making-progress-on-Strip-District-land/stories/201409190069>

⁹ Belko, M. (2014, December 12). *Millcraft pushes condo plans for former Saks site in Downtown Pittsburgh*. Retrieved from: Pittsburgh Post-Gazette: <http://www.post-gazette.com/business/development/2014/12/12/Washington-County-developer-pushes-condo-plans-for-former-Saks-site/stories/201412120077>

¹⁰ Belko, M. (2014, October 2). *Pittsburgh airport-area development exceeding expectations*. Retrieved from: Pittsburgh Post-Gazette: <http://www.post-gazette.com/business/2014/10/02/Pittsburgh-airport-area-development-exceeding-expectations/stories/201410020254>

¹¹ Vitale, P. (2013, December 8). *Poverty by design: Pittsburgh suburbs have long been home to the poor*. Retrieved from: <http://www.post-gazette.com/opinion/2013/12/08/Poverty-by-design/stories/201312080009>

¹² Natural Gas Intelligence. (2014). *Study examines pennsylvania population trends link to marcellus shale development*. Retrieved from: Natural Gas Intelligence: <http://www.naturalgasintel.com/articles/100541-study-examines-pennsylvania-population-trends-link-to-marcellus-shale-development>

¹³ Energy from Shale. (2015). *America's energy economy*. Retrieved from: EnergyFromShale.org: <http://www.energyfromshale.org/americas-energy/economy>

¹⁴ Jackson, R. B., Vengosh, A., Darrah, T. H., Warner, N. R., Down, A., Poreda, R. J., . . . Karr, J. D. (2013, July 9). Increased stray gas abundance in a subset of drinking water wells near Marcellus shale gas extraction. *Proceedings of the National Academy of Sciences of the United States of America*, 110(28), 11250-11255.

¹⁵ Kemp, J. (2015, January 26). *North Dakota oil rigs drop points to U.S. output decline after May*. Retrieved from: <http://www.reuters.com/article/2015/01/26/us-shale-production-oil-kemp-idUSKBN0KZ1EZ20150126>

¹⁶ Bradwell, M., & Schum, R. (2014, December 21). *Project growth shines in Washington, Greene*. Retrieved from: Observer-Reporter.com: <http://www.observer-reporter.com/article/20141221/NEWS08/141229927#.VKwc0CvF81o>

facilities is difficult to ascertain. Given Pittsburgh’s central location relative to these facilities, it is plausible that additional growth in the core could facilitate traffic growth along I-76 and SR 43 in Allegheny County depending on new commuting patterns. Potential future development related to fracking could serve to draw new commuters to Washington and Green Counties, but should have negligible impacts on Turnpike traffic due to the limited number of facilities providing access to counties in the Southwest area of the region.

Lehigh Valley Planning Commission

The Lehigh Valley Planning Commission (LVPC) covers the Counties of Lehigh and Northampton with the two major municipalities of Allentown and Bethlehem. The cities in the valley have historically been based around steel, manufacturing, and other related industries. However, in the 1980s suburban relocation of industries and the decline of manufacturing caused a loss of population in the traditional city centers¹⁷. Historically home to Bethlehem Steel, an industrial anchor for Lehigh Valley, the region was left with many abandoned industrial parcels in the central city areas following the bankruptcy of the company in 2002¹⁸. As of 2011, manufacturing still remains the 4th largest industry in the region, behind healthcare, retail, and government; but Bethlehem Steel is nowhere to be found among the top employers¹⁹.

Lehigh Valley has more recently earned a reputation as being a relatively affordable location with easy access to major metro areas, particularly Philadelphia and New York City. Because of this, it has become a popular location for warehousing and distribution facilities due to the accessibility to these major consumer and production markets²⁰, and has enabled a manufacturing and warehousing resurgence to occur within Lehigh Valley²¹. Another major success story has been the Sands Casino Resort in Bethlehem, which located just outside of downtown and redeveloped an old steel manufacturing site to provide a major entertainment and tourism site for the region. Busloads of visitors drawn from Philadelphia and New York City provide a boost to the local economy. Initial opponents worried about crime and other negative impacts associated with casinos, but those issues have not materialized²².

New development in the region has been heavily focused on revitalizing the central city area of Allentown, which is seeing redevelopment with the potential to shift future development away from the suburbs²³. A new state program, the Neighborhood Improvement Zone, would channel taxes from new development in 128 acres of downtown Allentown back to the area they were collected from in order to subsidize rents and make urban development more competitive with suburban

¹⁷ Lehigh Valley Planning Commission. (2013). *Lehigh Valley profile & trends (p9)*. Allentown, PA. Retrieved from: <http://www.lvpc.org/pdf/profilesTrends/profilesTrends-2013-01.pdf>

¹⁸ Loomis, C. J., Neering, P., & Tkaczyk, C. (2004, April 5). *The sinking Of Bethlehem Steel*. Retrieved from: Fortune: http://archive.fortune.com/magazines/fortune/fortune_archive/2004/04/05/366339/index.htm

¹⁹ Lehigh Valley Planning Commission. (2013). *Lehigh Valley profile & trends (p34,35)*. Allentown, PA. Retrieved from: <http://www.lvpc.org/pdf/profilesTrends/profilesTrends-2013-01.pdf>

²⁰ Garner Economics. (2014, January 31). *A blueprint for success: An economic development strategy for sustainable growth in the Lehigh Valley*. Allentown, PA. Retrieved from: <http://www.lehighvalley.org/wp-content/uploads/2014/02/Garner-Economics-Lehigh-Valley-Analysis.pdf>

²¹ Pedersen, B. (2014, October 6). *Competitive costs and consumer awareness spur more manufacturers to set up shop in America — and the Greater Lehigh Valley*. Retrieved from: Lehigh Valley Business: <http://www.lvb.com/article/20141006/LVB01/310029999/USA-USA-Competitive-costs-and-consumer-awareness-spur-more-manufacturers--to-set-up-shop-in-America--and-the-Greater-Lehigh-Valley>

²² Olanoff, L. (2014, May 18). *Sands Casino Resort Bethlehem hits five-year mark with few complaints*. Retrieved from: Lehigh Valley Live: http://www.lehighvalleylive.com/bethlehem/index.ssf/2014/05/sands_casino_resort_bethlehem.html

²³ Pedersen, B. (2014, February 13). *Will Allentown rebirth end the suburbs?* Retrieved from: Lehigh Valley Business: <http://www.lvb.com/article/20140213/LVB01/140219934/Will-Allentown-rebirth-end-the-suburbs>

counterparts²⁴. Demand for downtown Allentown apartments has increased in recent years²⁵, with many new projects in the works, including a 300,000 sq. ft. office building with 200 apartments²⁶, a major hotel adjacent to the Hockey Arena²⁷, and a \$285 million mixed use (residential, commercial and industrial) redevelopment of the former Lehigh Structural Steel property along the waterfront²⁸. The City of Bethlehem, which lies in both Lehigh and Northampton Counties recently received a City Revitalization and Improvement Zone (CRIZ) designation. This 10-year, state funded, grant program enabled Bethlehem to fast track nearly \$600 million worth of projects, including a conference center, a state-of-the-art industrial facility, a technology center, and multiple professional mixed-use developments. The result is expected to generate nearly 3,000 temporary construction jobs and over 4,000 permanent jobs across Lehigh Valley, similar to past employment levels at Bethlehem Steel²⁹. Lehigh Valley's location and lower land cost has also led Federal Express to seek to locate a regional "MegaHub" near the area's airport. This has drawn concerns about adverse traffic impacts in the US 22 corridor³⁰.

The vast majority of new development set to occur within the Lehigh Valley appears to be focused on the two major urban cores of Allentown and Bethlehem rather than the suburbs³¹. Without speculating on commuting patterns to/from external regions, the majority of suburbs-to-city travel in the region will potentially focus along the US 22 and Interstate 78 east-west corridors. The FedEx MegaHub discussed above (if it comes to fruition) could generate additional trips along the Turnpike's Northeast Extension for trips headed south to Philadelphia or north to Scranton. But any traffic headed east to the New York City metro area would not utilize Turnpike facilities. Furthermore, its traffic impacts on US 22 may impede access to the Turnpike, resulting in negative effects. The biggest single positive impact on Turnpike traffic may be the existing distribution and warehousing cluster located west of the Turnpike within Lehigh County. The future of this industry in the region, which appears poised for steady growth, will potentially dictate future traffic growth along the Turnpike in the region more than any other single factor.

Lackawanna/Luzerne MPO

The Lackawanna-Luzerne MPO's area contains its two namesake counties along with the principal cities of Scranton and Wilkes-Barre³². Aside from the typical manufacturing industry historically prevalent in Pennsylvania cities, the region is home to the Northern and Eastern Middle Fields of the Pennsylvania Anthracite Coal region. Production peaked shortly after World War I, with the only

²⁴ Hurdle, J. (2014, March 4). *Tax program aims to reverse decades-long decline in Allentown*. Retrieved from: The New York Times: http://www.nytimes.com/2014/03/05/realestate/commercial/tax-program-aims-to-reverse-decades-long-decline-in-allentown.html?_r=3

²⁵ Olanoff, L. (2014, November 17). *Center City Allentown high-end apartments renting far faster than expected, developer says*. Retrieved from: Lehigh Valley Live: http://www.lehighvalleylive.com/allentown/index.ssf/2014/11/center_city_allentown_high-end.html

²⁶ Pedersen, B. (2014, December 17). *City Center proposes \$130M, 15-story tower in Allentown*. Retrieved from: Lehigh Valley Business: [http://www.lvb.com/article/20141217/LVB01/141219827/City-Center-proposes-\\$130M-15-story-tower-in-Allentown](http://www.lvb.com/article/20141217/LVB01/141219827/City-Center-proposes-$130M-15-story-tower-in-Allentown)

²⁷ McEvoy, C. (2013, October 21). *Allentown hockey arena hotel to be Marriott Renaissance Hotel*. Retrieved from: Lehigh Valley Live: http://www.lehighvalleylive.com/allentown/index.ssf/2013/10/allentown_hockey_arena_hotel_t.html

²⁸ McEvoy, C. (2013, November 13). *First phase of \$285 million Allentown waterfront project approved*. Retrieved from: Lehigh Valley Live: http://www.lehighvalleylive.com/allentown/index.ssf/2013/11/first_phase_of_285_million_all.html

²⁹ Satullo, S. K. (2013, December 30). *Bethlehem wins tax zone designation; mayor likens award to 'CRIZmas present'*. Retrieved from: Lehigh Valley Live: http://www.lehighvalleylive.com/bethlehem/index.ssf/2013/12/bethlehem_wins_pennsylvania_cr.html

³⁰ Petty, P. (2014, October 6). *FedEx megahub traffic concerns to be focus of special meeting in Lehigh County*. Retrieved from: Lehigh Valley Live: http://www.lehighvalleylive.com/breaking-news/index.ssf/2014/10/fedex_megahub_traffic_concerns.html

³¹ Lehigh Valley Planning Commission Staff Members. Phone Call, December 19, 2014.

³² Luzerne County. (2006). *Lackawanna/Luzerne Metropolitan Planning Organization*. Retrieved from: Luzerne County Website: http://www.luzernecounty.org/county/departments_agencies/planning_commission/lackawannaluzerne-metropolitan-planning-organization

renewed interest occurring during the energy crisis of the 1970's³³. After the decline of coal, the service and tourism industries emerged, beginning to fill the void³⁴. With healthcare and secondary industries related to the shale gas development, such as transportation and warehousing, developing in more recent years³⁵. A major driver of these activities is the large presence of shale gas wells in nearby Bradford and Susquehanna Counties³⁶.

Currently, the Lackawanna-Luzerne area is seeing limited reinvestment in its major urban cores of Scranton and Wilkes-Barre. However, the region is making use of two key state level tools that are designed to facilitate redevelopment of underutilized urban land. First is the Keystone Opportunity Zone, which aims to provide reductions to state and local taxes on underutilized areas in an attempt to facilitate redevelopment³⁷. This has seen some success as the Lackawanna-Luzerne region experienced the 3rd highest job creation in Keystone Zones at around 5,000 permanent jobs³⁸. More job creation is, however, needed in the region as it still has a relatively high unemployment rate compared to other key Pennsylvania metro areas and the state average³⁹.

The second tool is the State Land Bank which was created in 2012 to enable counties and municipalities to remove troubled properties from a vicious cycle of vacancy, abandonment, and foreclosure, in order to return them to productive use⁴⁰. However, the land bank system alone may fail if there is insufficient demand for properties⁴¹, and it is difficult to ascertain if the combined effects of the Keystone Zones and State Land Bank will help make blighted property attractive again.

The City of Scranton, however, has run into some financial issues including failure to make full pension payments⁴² and a struggling school district which may be broke within a few years⁴³. Attempts to balance its budget have led the city of Scranton to triple its local services tax to \$3 per week on all who work in the city⁴⁴, a move which has received criticism for disproportionately affecting low income workers. Furthermore, the Scranton/Wilkes-Barre metro area is reported to have the oldest housing stock in the entire nation⁴⁵; which makes reuse of existing stock increasingly difficult and potentially necessitates further redevelopment of an area with already low housing demand.

Despite these issues, there have been some modest successes in recent years. For instance, the United Neighborhood Center completed a rehabilitation of two blocks in South Scranton, an eight-year, \$15

³³ Mining History Association. (2011). *Scranton, PA*. Retrieved from: Mining History Association: <http://www.mininghistoryassociation.org/ScrantonHistory.htm>

³⁴ Lackawanna County. (2013). *Lackawanna County Lines Report*. Retrieved from: <http://www.lackawannacounty.org/uploads/communityaffairs/CountyLines.pdf>

³⁵ Lackawanna/Luzerne MPO Staff Members. Phone Call, December 15, 2014.

³⁶ Natural Gas Intelligence. (2014). *Study examines pennsylvania population trends link to marcellus shale development*. Retrieved from Natural Gas Intelligence: <http://www.naturalgasintel.com/articles/100541-study-examines-pennsylvania-population-trends-link-to-marcellus-shale-development>

³⁷ Commonwealth of Pennsylvania. (2015). *Keystone Opportunity Zones*. Retrieved from: Department of Community and Economic Development: <http://www.newpa.com/business/expansion-relocation/keystone-opportunity-zones>

³⁸ Commonwealth of Pennsylvania. (2012). *Keystone Opportunity Zone overview (2008 to 2010)*. Retrieved from: Department of Community and Economic Development: http://www.newpa.com/webfm_send/2082

³⁹ Lackawanna/Luzerne MPO Staff Members. Phone Call, December 15, 2014.

⁴⁰ Rolland, K. L. (2013). *Pennsylvania Legislation enables municipalities to create land banks*. Retrieved from: Federal Reserve Bank of Philadelphia: http://www.philadelphiafed.org/community-development/publications/cascade/82/03_pa-legislature-enables-municipalities-to-create-land-banks.cfm

⁴¹ Wind, K. (2014, December 22). *Movement underway in NEPA counties, cities to form land banks*. Retrieved from: CitizensVoice.com: <http://citizensvoice.com/news/movement-underway-in-nepa-counties-cities-to-form-land-banks-1.1806370>

⁴² Morgan-Besecker, T. (2014, December 11). *Scranton likely won't make full pension payment*. Retrieved from: TheTimes-Tribune.com: <http://thetimes-tribune.com/news/scranton-likely-won-t-make-full-pension-payment-1.1801050>

⁴³ Hall, S. H. (2014, December 22). *Board president: Scranton School District could be broke within 5 years*. Retrieved from: TheTimes-Tribune.com: <http://thetimes-tribune.com/news/board-president-scranton-school-district-could-be-broke-within-5-years-1.1806525>

⁴⁴ Russ, H. (2014, November 12). *A former Steel Town In Pennsylvania is tripling a local tax to survive*. Retrieved from: Reuters: <http://www.businessinsider.com/r-exclusive-as-cities-struggle-scranton-in-pennsylvania-to-triple-a-local-tax-2014-11>

⁴⁵ Thomas, G. S. (2014, August 13). *Which metro has America's oldest housing stock? Not Buffalo (though we're close)*. Retrieved from: Buffalo Business First: <http://www.bizjournals.com/buffalo/news/2014/08/13/which-metro-has-americas-oldest-housing-stock-not.html>

million project, with new rental housing as well as space for small businesses and start-ups⁴⁶. The number of railroad carloads to and from the area experienced a 6.5 percent increase in 2013 over 2012, which can be seen as a strong positive indicator of recent economic growth for the region⁴⁷. Additionally, a new multi-modal transportation center broke ground in downtown Scranton linking transit and commercial buses, taxis, and opening up the potential for future passenger rail into the region⁴⁸. Another major attraction includes the Mohegan Sun Casino in Wilkes-Barre, a development which created 1,500 jobs⁴⁹, but has also caused problems for local restaurants and small retail businesses by pulling customers away from downtown to the casino ‘resort’ area⁵⁰.

Future impacts from this area’s development on the Turnpike’s Northeast Extension traffic volumes are limited due to the economic uncertainty of this area economic potential. In any event, the Turnpike has relatively limited direct access to Scranton and Wilkes-Barre compared to the toll free alternative Interstate 81 for north-south trips.

Delaware Valley Regional Planning Commission

The Delaware Valley Regional Planning Commission (DVRPC) covers the greater Philadelphia area including five Pennsylvania Counties (Bucks, Chester, Delaware, Montgomery, and Philadelphia) and four in New Jersey (Burlington, Camden, Gloucester, and Mercer)⁵¹. There are 352 municipalities in the region with the largest being Philadelphia (a consolidated City-County). The region as a whole experienced population decline during the 1970’s, but has since returned to growth. As of 2010, the region’s largest industries include services, manufacturing, retail, and FIRE (finance, insurance and real estate)⁵². In 2013, the largest employers in Philadelphia were primarily in the education and healthcare industries, with a few other notables from other industries such as Comcast in telecommunications and US Airways in air transportation⁵³. As with many places across the U.S., employment locations have begun to shift from the urban core and older suburban areas to younger suburbs further from the core. But the strongest employment center remains in the central city area for now⁵⁴.

⁴⁶ Lockwood, J. (2014, December 13). *UNC revitalization projection transforms South Scranton neighborhood*. Retrieved from: TheTimes-Tribune.com: <http://thetimes-tribune.com/news/unc-revitalization-project-transforms-south-scranton-neighborhood-1.1802289>

⁴⁷ Luzerne County Planning Commission . (2014). *Connections Newsletter: Winter 2014*. Retrieved from: Lackawanna/Luzerne MPO: http://www.luzernecounty.org/uploads/images/assets/county/departments_agencies/planning_commission/LzPlan_Conn-03-14_35208_prf2.pdf

⁴⁸ Luzerne County Planning Commission . (2014). *Connections Newsletter: Summer 2014*. Retrieved from: Lackawanna/Luzerne MPO: [http://www.luzernecounty.org/uploads/images/assets/county/departments_agencies/planning_commission/MPO_Connecti ons_Summer_2014_\(Revised\).pdf](http://www.luzernecounty.org/uploads/images/assets/county/departments_agencies/planning_commission/MPO_Connecti ons_Summer_2014_(Revised).pdf)

⁴⁹ Allabaugh, D. (2011, November 19). *Mohegan Sun CEO celebrates casino’s economic impact*. Retrieved from: Citizens Voice: <http://citizensvoice.com/news/mohegan-sun-ceo-celebrates-casino-s-economic-impact-1.1234480>

⁵⁰ Allabaugh, D. (2014, March 23). *Restaurants say Mohegan Sun hurt business; charge unlevel playing field*. Retrieved from: TheTimes-Tribune.com: <http://thetimes-tribune.com/news/business/restaurants-say-mohegan-sun-hurt-business-charge-unlevel-playing-field-1.1655280>

⁵¹ Delaware Valley Regional Planning Commission. (2015, January 8). *Our region*. Retrieved from: <http://www.dvrpc.org/OurRegion/default.aspx>

⁵² Delaware Valley Regional Planning Commission. (2014, May 1). *Regional employment centers and sites, 2010*. Retrieved from: <http://www.dvrpc.org/reports/ADR021.pdf>

⁵³ Philadelphia Research Initiative. (2014, April 5). *Philadelphia: The State of the City*. Retrieved from: <http://www.pewtrusts.org/en/research-and-analysis/reports/2014/04/05/philadelphia-the-state-of-the-city-a-2014-update>

⁵⁴ Delaware Valley Regional Planning Commission. (2014, May 1). *Regional Employment Centers and Sites, 2010*. Retrieved from: <http://www.dvrpc.org/reports/ADR021.pdf>

One of the biggest factors currently affecting the region is the recent housing pick-up in the City of Philadelphia. Of the eleven zip codes in Philadelphia which saw the highest building permit activity in 2013, six are within the extended city center and four more are directly adjacent to it⁵⁵. There are also a number of redevelopment opportunities within the core of the Philadelphia region, including an old steel mill site⁵⁶, a historic site which is also the largest single piece of developable land in Philadelphia⁵⁷, and a master plan to develop Drexel University and the surrounding area in West Philadelphia⁵⁸. One of the single biggest redevelopment plans is that of the Naval Yard (which employed more than 40,000 people at its peak), located in South Philadelphia⁵⁹. Aside from occupying more than 1,200 acres, the yard redevelopment has already begun to attract small businesses despite only being in its early stages⁶⁰. Furthermore, millennials are shifting demand towards rental and multi-family housing (typically located in the center city areas) throughout the entire Metro Area⁶¹. The cores of suburban counties, townships and boroughs are experiencing a boom as well, with real estate firms recording substantial increases in business for 2013 in Conshohocken Borough (Montgomery County)⁶², Upper Makefield Township (Bucks County)⁶³, Spring City (Chester County)⁶⁴ and Washington Township, NJ⁶⁵.

The downside to strong demand for housing across the region is a notable increase in housing prices. One study gave the Philadelphia region a 'C' grade in affordable housing. A recent conference identified potential solutions such as regional transit improvements and inclusionary zoning policies. It was also identified that private developers are open to providing more options, but need more incentives beyond low-income housing tax credits⁶⁶. Commercial development trends are less positive than housing, as Philadelphia's CBD experienced zero office-related construction activity during the last quarter of 2013. Not only is this a potential indicator of poor growth conditions, but it is also an anomaly when compared to other major urban cores⁶⁷. Despite this, construction contracts of all types

⁵⁵ The Philadelphia Public Record. (2014, December 26). *Philadelphia's new housing boom - How far will it go?* Retrieved from: <http://www.phillyrecord.com/2014/12/philadelphias-new-housing-boom-how-far-will-it-go/>

⁵⁶ DiStefano, J. (2014, December 9). For ex-mill on the Delaware: Industry jobs - and boating, too? Retrieved from: <http://www.philly.com/philly/blogs/inq-phillydeals/Ex-steel-mill-on-the-Delaware-.html>

⁵⁷ DiStefano, J. (2014, November 6). Convert or demolish? 'Largest piece of development land in Phila.' on Wash. Ave. Retrieved from: http://www.philly.com/philly/blogs/inq-phillydeals/Convert_or_demolish_Wash_Ave_project_For_Sale.html

⁵⁸ DiStefano, J. (2014, February 26). Drexel, Amtrak, Brandywine weigh giant development plans. Retrieved from <http://www.philly.com/philly/blogs/inq-phillydeals/Drexel-Amtrak-Brandywine-weighing-giant-West-Philly-redevelopment.html>

⁵⁹ Philadelphia Industrial Development Corporation. (2014, January 1). History of the navy yard. Retrieved from: <http://www.navyyard.org/who-we-are/history>

⁶⁰ Jones, A. (2014, December 23). Small businesses relocate to The Navy Yard. Retrieved from: http://www.phillytrib.com/news/business/article_9e4028e8-e4c1-52a6-90a5-35eef22afb85.html

⁶¹ Arvedlund, E. (2014, November 23). Millennials are fueling a rental boom but when will the tide turn? Retrieved from: http://www.philly.com/philly/classifieds/real_estate/20141123_Millennials_are_fueling_a_rental_boom_but_when_will_the_tide_turn_.html

⁶² Heavens, A. (2014, October 6). Town by town: From steel town to youthful boomtown. Retrieved from: http://articles.philly.com/2014-10-06/business/54657594_1_fayette-street-tucciarone-steel-town

⁶³ Heavens, A. (2014, November 16). Town by town: Location and good schools make for high-end living. Retrieved from: http://www.philly.com/philly/classifieds/real_estate/town-by-town/20140615_Town_By_Town_Location_and_good_schools_make_for_high-end_living.html?c=r

⁶⁴ Heavens, A. (2014, December 1). Town by town: Spring City's location keeps it attractive to buyers. Retrieved from: http://articles.philly.com/2014-12-01/business/56586510_1_ryan-homes-houses-royersford

⁶⁵ Heavens, A. (2014, June 15). Town by town: In Gloucester's Washington Twp., lures are many. Retrieved from: http://www.philly.com/philly/classifieds/real_estate/town-by-town/20140615_Town_By_Town_In_Gloucester_s_Washington_Twp_lures_are_many.html?c=r

⁶⁶ Arvedlund, E. (2014, December 7). Conference to look at region's affordable housing. Retrieved from: http://articles.philly.com/2014-12-07/real_estate/56807054_1_affordable-housing-low-income-housing-tax-credits-affordability

⁶⁷ Center City District & Central Philadelphia Development Corporation. (2014, December 1). State of Center City Philadelphia 2014. Retrieved from: <http://www.centercityphila.org/docs/SOCC2014.pdf>

across the DVRPC region are up 54 percent versus 2013 with about two-thirds of all contract value coming from non-residential construction⁶⁸, which is indicative of strong office development in suburban areas. Two major developments which will continue to add to this are the VEVA office park in Blue Bell⁶⁹ and redevelopment of the King of Prussia Mall area⁷⁰. Furthermore, the recent closure of the Naval Air Base located in Willow Grove has opened the 800+ acre area to redevelopment⁷¹, which has seen substantial interest from a wide range of developers.

All in all, growth trends are somewhat mixed within the center city area, but a stronger potential appears to exist in the suburbs. Because of the location of Turnpike facilities north and west of the central city and the locations and availability of alternative transportation modes (commuter rail, subways, and transit in general) within the region, growth within the urban core whether it be population or employment, could have only a minor spillover effect on future traffic. Suburban growth however, holds the key to substantial ramping up of future traffic levels. This is especially true if employment locations continue to move further out from the core. This is already being seen, as the specific development examples mentioned previously all lie along the Turnpike's I-76 corridor. The result would be some increase in suburb-to-suburb commuting with heavy reliance on limited access roadway facilities such as I-76 and the Northeast Extension.

Tri-County Regional Planning Commission

The Tri-County Regional Planning Commission includes Perry, Cumberland, and Dauphin Counties in the State Capital Region with Harrisburg located in Southwest Dauphin County. Dauphin and Harrisburg anchor the region with the densest and most populous areas, while Cumberland possesses more suburban qualities, and Perry retains a distinctly rural character. Historically, Harrisburg was an iron and steel manufacturing center with many factory towns in the surrounding area⁷², all of which experienced significant population declines between 1970 and 2000 as residents relocated to suburban areas⁷³. Because the region is home to the state Capital, its economy is and will continue to be supported heavily by government employment. Penn State Hershey Medical Center, Giant Food Stores, and the Hershey Company Resort and Factory (which drew 3.1 million visitors in 2012⁷⁴) round out the top five employers with healthcare, retail and recreation/manufacturing respectively⁷⁵. The region is also home to several military facilities including the New Cumberland Army Depot, the Carlisle Barracks, and Naval Support Activity Mechanicsburg; all located in Cumberland County⁷⁶, as well as the Pennsylvania Air National Guard 193rd Special Operations Wing (SOW) operating out of

⁶⁸ Kanaley, R. (2014, December 2). Construction contracts up sharply for Philadelphia region. Retrieved from: http://www.philly.com/philly/business/20141203_Construction_contracts_up_sharply_for_Philadelphia_region.html?c=r

⁶⁹ Grecu, V. (2014, December 17). 425,000 Sq. Ft. Class A Office Space Unveiled in Suburban Philadelphia. Retrieved from: <http://www.cpexecutive.com/cities/philadelphia/425000-sq-ft-class-a-office-space-unveiled-in-suburban-philadelphia/1004109634.html>

⁷⁰ Laughlin, J. (2014, November 24). King of Prussia poised for burst of development. Retrieved from: http://articles.philly.com/2014-11-24/news/56459805_1_prussia-mall-valley-forge-golf-course-king

⁷¹ Kostelni, N. (2014, April 21). Willow Grove air base redevelopment. Retrieved from: <http://www.bizjournals.com/philadelphia/blog/real-estate/2014/04/ten-developers-vie-for-862-acre-site.html?page=all>

⁷² City-Data.com. (2009). Harrisburg: History. Retrieved from: <http://www.city-data.com/us-cities/The-Northeast/Harrisburg-History.html>

⁷³ Tri-County Regional Planning Commission. (2014, December 19). Harrisburg Area Transportation Study Chapter 2: Demographics. Retrieved from: <http://www.tcrpc-pa.org/HATS/Documents/03 RTP 2040 Demographics.pdf>

⁷⁴ Coaster Grotto. (2015, January 1). Theme Park Attendance. Retrieved from: <http://www.coastergrotto.com/theme-park-attendance.jsp>

⁷⁵ Capital Region Economic Development Corporation. (2014). Harrisburg-Carlisle MSA Business Patterns. Retrieved from: <https://app.box.com/s/o3getukhiq44lz911esu>

⁷⁶ MilitaryBases.com. (2012, January 1). Pennsylvania Military Bases. Retrieved from: <http://militarybases.com/pennsylvania/>

Harrisburg International Airport in Dauphin County⁷⁷. It is important to note that the future of these facilities is uncertain due to the potential for Base Realignment and Closure (BRAC) in the coming years.

There are a number of local developments in Harrisburg that have significant potential to affect the future economic climate of the region, the highlight of which being the financial issues that plagued the city starting in 2012⁷⁸. Because of these issues, Harrisburg became the first case in which a Securities Exchange Commission regulator has “charged a municipality for misleading statements made outside of its securities disclosure documents”⁷⁹. Despite financial troubles in the past, the city is currently looking at a 10-year tax abatement for new development within the city (in an attempt to incentivize infill and redevelopment). Concerns have been raised due to the fact that nearly half of all assessed property in the city is exempt from current taxes primarily due to the capitol and other state-owned facilities⁸⁰. At the same time, the city is attempting to move forward with a future land use plan and zoning code update, which has received pushback from local business owners and realtors for being more restrictive despite being a needed update to an outdated structure⁸¹. In light of these issues, it is unsurprising to find a lack of current or planned development projects.

Cumberland County, on the other hand, appears to have a more positive outlook for the immediate future, despite its proximity to financially troubled Harrisburg. Based on the County’s register of Developments of Regional Impact (or DRIs - projects defined as containing at least 25 dwelling units or 20,000 sq. ft. of commercial/industrial uses) there are 549 single family and 218 multi-family housing units and 213,000 sq. ft. of commercial space in development⁸². Furthermore, there appears to be a potentially positive long-term growth environment within Cumberland County, and its townships are currently investigating ways to streamline the land development process to better accommodate future growth while simultaneously conserving community characteristics and the natural environment⁸³. Based on conversations with Tri-County Planning Commission staff members, the regional governance is highly fragmented (there are over 100 municipalities)⁸⁴. There is also evidence of potential increases of freight activity from major carriers such as FedEx, operating out of Harrisburg International Airport⁸⁵. The current trends appear to show population shifting more into the suburbs of Carlisle in Cumberland County and away from Harrisburg.

As population moves away from Harrisburg, which will continue to be a major employment center as the largest city in the region and due to major government employment, travel distance throughout the region may increase. This holds the potential for increased traffic along the Turnpike, which forms

⁷⁷ Air National Guard. (2014, January 1). 193rd Special Operations Wing. Retrieved from: <http://www.193sow.af.mil/>

⁷⁸ Malawsky, N. (2012, May 29). Harrisburg’s eye-popping debt total is just one piece of city’s bleak financial puzzle. Retrieved from: http://www.pennlive.com/midstate/index.ssf/2012/05/harrisburgs_eye-popping_debt_t.html

⁷⁹ Malanga, S. (2013, May 31). The many ways that cities cook their bond books. Retrieved from: <http://www.wsj.com/news/articles/SB10001424127887324659404578501241181682894?mg=reno64-wsj&url=http://online.wsj.com/article/SB10001424127887324659404578501241181682894.html>

⁸⁰ Vendel, C. (2014, October 20). Tax breaks for Harrisburg development will be topic of meeting. Retrieved from: http://www.pennlive.com/midstate/index.ssf/2014/10/tax_breaks_harrisburg_developm.html

⁸¹ Vendel, C. (2014, June 26). Harrisburg business owners and Realtors fear impact of new zoning on development. Retrieved from: http://www.pennlive.com/midstate/index.ssf/2014/06/harrisburg_business_owners_and.html

⁸² Cumberland County. (2014, January 1). 2014 Developments of Regional Impact. Retrieved from: <http://www.ccpa.net/index.aspx?NID=3504>

⁸³ Walmer, D. (2014, September 17). Panel discusses streamlined land development in Cumberland County. Retrieved from: http://cumberlink.com/news/local/panel-discusses-streamlined-land-development-in-cumberland-county/article_7809dd1e-3eb8-11e4-9dba-ab2ed1341ea3.html

⁸⁴ Tri-County Regional Planning Commission. Phone Call, January 21, 2015.

⁸⁵ Tri-County Regional Planning Commission. Phone Call, January 21, 2015.

an east-west spine through Cumberland and Dauphin counties. I-81 is roughly parallel to the Turnpike in this area and would also likely experience increased traffic volumes from these developments.

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