

In the opinion of Bond Counsel, under existing law and assuming continuing compliance by the Commission with certain covenants intended to assure continuing compliance with the Internal Revenue Code of 1986, as amended (the "Code"), and all applicable regulations thereunder, interest on the 2003 Multi-Modal Senior Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. For the purpose of rendering such opinion, Bond Counsel has assumed compliance by the Commission with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2003 Multi-Modal Senior Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. Furthermore, in the opinion of Bond Counsel, under existing law, the 2003 Multi-Modal Senior Bonds are exempt from Pennsylvania personal property taxes and the interest on the 2003 Multi-Modal Senior Bonds is exempt from Pennsylvania personal income tax and corporate net income tax. For a discussion of other federal tax consequences arising with respect to the 2003 Multi-Modal Senior Bonds, see "Tax Exemption and Other Tax Matters"

\$160,000,000

PENNSYLVANIA TURNPIKE COMMISSION

**OIL FRANCHISE TAX MULTI-MODAL SENIOR REVENUE BONDS
SERIES C OF 2003**

CONSISTING OF

**\$50,000,000 SUBSERIES C-1
\$50,000,000 SUBSERIES C-2
\$30,000,000 SUBSERIES C-3
\$30,000,000 SUBSERIES C-4**

Dated: Date of Issuance

Due: December 1, 2032

The Oil Franchise Tax Multi-Modal Senior Revenue Bonds aggregate principal amount of \$160,000,000 Series C of 2003 (the "2003 Multi-Modal Senior Bonds"), consisting of aggregate principal amount of \$50,000,000 Subseries C-1 Bonds, aggregate principal amount of \$50,000,000 Subseries C-2 Bonds, aggregate principal amount of \$30,000,000 Subseries C-3 Bonds and aggregate principal amount of \$30,000,000 Subseries C-4 Bonds, are being issued as Senior Bonds (as herein defined) pursuant to a Second Supplemental Indenture dated as of August 1, 2003 (the "Second Supplement") to the Trust Indenture dated as of August 1, 1998 (as amended and supplemented, the "Indenture") between the Pennsylvania Turnpike Commission (the "Commission") and National City Bank of Pennsylvania, as trustee (the "Trustee"). Manufacturers & Traders Trust Company has been named as Paying Agent for the 2003 Multi-Modal Senior Bonds (the "Paying Agent"). The 2003 Multi-Modal Senior Bonds will be fully registered bonds and, when issued, will be registered in the name of CEDE & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2003 Multi-Modal Senior Bonds. Beneficial ownership interests in the 2003 Multi-Modal Senior Bonds will be recorded in book-entry-only form in denominations of \$25,000 or any integral multiple thereof. So long as CEDE & Co. is the registered owner of the 2003 Multi-Modal Senior Bonds, principal of, premium, if any, and interest on the 2003 Multi-Modal Senior Bonds will be paid to CEDE & Co., as nominee of DTC, which will, in turn remit such principal, interest and premium to the Participants and Indirect Participants for subsequent disbursement to the Beneficial Owners, as described herein. Purchasers will not receive certificates representing their ownership interest in the 2003 Multi-Modal Senior Bonds purchased.

The 2003 Multi-Modal Senior Bonds will initially be issued bearing interest at the Auction Rate. The method for determining the interest rate on the 2003 Multi-Modal Senior Bonds may be converted from time to time at the option of the Commission in accordance with the Second Supplement to a Daily Rate Period, a Weekly Interest Rate, a Short-Term Rate Period, a Long-Term Rate Period or a Fixed Interest Rate. This Official Statement provides information about the 2003 Multi-Modal Senior Bonds only while bearing interest at an Auction Rate.

The initial auction payment dates, the Initial Interest Payment Dates and the Auction Periods for the 2003 C-1 Bonds, the 2003 C-2 Bonds, the 2003 C-3 Bonds and the 2003 C-4 Bonds (all as herein defined) are set forth on the inside cover page.

Except with respect to the Subordinated Bonds Debt Service Reserve Fund, Senior Bonds and Additional Senior Bonds are senior in right of payment and security to the Subordinated Bonds (as herein defined). See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Security for the Bonds; Remedies - Additional Bonds" and APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS."

The 2003 Multi-Modal Senior Bonds are subject to optional and mandatory redemption prior to maturity as more fully set forth herein.

THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA (THE "COMMONWEALTH") HAS ALLOCATED A PORTION OF THE OIL FRANCHISE TAX IMPOSED BY THE COMMONWEALTH AND APPROPRIATED IT TO THE COMMISSION. THE 2003 MULTI-MODAL SENIOR BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION PAYABLE SOLELY FROM THAT PORTION OF THE OIL FRANCHISE TAX PAID TO THE COMMISSION OR THE TRUSTEE BY THE COMMONWEALTH AND CERTAIN FUNDS HELD UNDER THE INDENTURE AND THE EARNINGS THEREON. THE 2003 MULTI-MODAL SENIOR BONDS SHALL NOT BE DEEMED TO BE A DEBT OF THE COMMONWEALTH OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH AND SHALL NOT BE AN OBLIGATION OF THE COMMISSION PAYABLE FROM ANY SOURCE EXCEPT THAT PORTION OF THE OIL FRANCHISE TAX PAID TO THE COMMISSION OR THE TRUSTEE BY THE COMMONWEALTH AND CERTAIN FUNDS HELD UNDER THE INDENTURE AND THE EARNINGS THEREON.

Payment of the principal of and interest on the 2003 Multi-Modal Senior Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 2003 Multi-Modal Senior Bonds.

MBIA

The 2003 Multi-Modal Senior Bonds are being offered when, as and if issued and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, to certain legal matters being passed upon by Cohen & Grigsby, P.C., Pittsburgh, Pennsylvania, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Dilworth Paxson LLP, Philadelphia, Pennsylvania, counsel for the Underwriters, and for the Bond Insurer by Kutak Rock LLP, Irvine, California, counsel for the Bond Insurer. It is anticipated that the 2003 Multi-Modal Senior Bonds will be available for delivery in New York, New York on or about August 14, 2003.

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.

UBS FINANCIAL SERVICES INC.

J.P. MORGAN SECURITIES, INC

WACHOVIA BANK, NATIONAL ASSOCIATION

\$160,000,000
PENNSYLVANIA TURNPIKE COMMISSION
OIL FRANCHISE TAX MULTI-MODAL SENIOR REVENUE BONDS
SERIES C OF 2003

SUBSERIES C-1

| <u>Principal Amount</u> | <u>Initial Auction Payment Date</u> | <u>Initial Interest Payment Date</u> | <u>Auction Period</u> |
|-----------------------------|---|--|---------------------------|
| \$50,000,000 | August 25, 2003 | August 26, 2003 | 7 days |

SUBSERIES C-2

| <u>Principal Amount</u> | <u>Initial Auction Payment Date</u> | <u>Initial Interest Payment Date</u> | <u>Auction Period</u> |
|-----------------------------|---|--|---------------------------|
| \$50,000,000 | August 27, 2003 | August 28, 2003 | 7 days |

SUBSERIES C-3

| <u>Principal Amount</u> | <u>Initial Auction Payment Date</u> | <u>Initial Interest Payment Date</u> | <u>Auction Period</u> |
|-----------------------------|---|--|---------------------------|
| \$30,000,000 | September 15, 2003 | September 16, 2003 | 35 days |

SUBSERIES C-4

| <u>Principal Amount</u> | <u>Initial Auction Payment Date</u> | <u>Initial Interest Payment Date</u> | <u>Auction Period</u> |
|-----------------------------|---|--|---------------------------|
| \$30,000,000 | September 17, 2003 | September 18, 2003 | 35 days |

PENNSYLVANIA TURNPIKE COMMISSION

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Trustee and Authenticating Agent

MANUFACTURERS & TRADERS TRUST COMPANY
Paying Agent

CONSULTANTS

HOPKINS & COMPANY
PENN CAPITAL ADVISORS
Financial Advisors

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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 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 2003 Multi-Modal Senior 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 a representation by, the Underwriters or the Commission. 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.

IN CONNECTION WITH THE ISSUANCE OF THE 2003 MULTI-MODAL SENIOR BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2003 MULTI-MODAL SENIOR BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE 2003 MULTI-MODAL SENIOR BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.

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OFFICIAL STATEMENT

\$160,000,000
PENNSYLVANIA TURNPIKE COMMISSION
OIL FRANCHISE TAX MULTI-MODAL SENIOR REVENUE BONDS
SERIES C OF 2003

CONSISTING OF

\$50,000,000 SUBSERIES C-1
\$50,000,000 SUBSERIES C-2
\$30,000,000 SUBSERIES C-3
\$30,000,000 SUBSERIES C-4

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover page and the Appendices hereto, is furnished by the Pennsylvania Turnpike Commission (the "Commission"), an instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth"), in connection with the issuance of its Oil Franchise Tax Multi-Modal Senior Revenue Bonds, Series C of 2003 (the "2003 Multi-Modal Senior Bonds") aggregate principal amount of \$160,000,000 consisting of aggregate principal amount of \$50,000,000 Subseries C-1 Bonds (the "2003 C-1 Bonds"), aggregate principal amount of \$50,000,000 Subseries C-2 Bonds (the "2003 C-2 Bonds"), aggregate principal amount of \$30,000,000 Subseries C-3 Bonds (the "2003 C-3 Bonds") and aggregate principal amount of \$30,000,000 Subseries C-4 Bonds (the "2003 C-4 Bonds"). The outstanding 1998 Bonds (described below), the 2003 Fixed Rate Bonds (as hereinafter defined), the 2003 Multi-Modal Senior Bonds and any Additional Bonds issued under the provisions of the Indenture are herein called the "Bonds". All capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the definitions set forth in APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS." All references herein to the Enabling Acts, Chapters 90 and 95 of Title 75 of the Pennsylvania Consolidated Statutes, the 1998 Bonds, the 2003 Fixed Rate Bonds, the 2003 Multi-Modal Senior Bonds, the Indenture, the MBIA financial guaranty insurance policy and the Continuing Disclosure Agreement are qualified in their entirety by reference to the complete texts thereof. 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.

INDENTURE AND ENABLING ACTS. The 2003 Multi-Modal Senior Bonds are being issued pursuant to the Indenture and pursuant to an Act of the General Assembly of Pennsylvania approved May 21, 1937, P.L. 774, Act 211, as amended and supplemented by several Acts of the General Assembly approved on various dates, including 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"); and the Act of August 5, 1991, P.L. 238, No. 26 ("Act 26") (collectively, the "Enabling Acts"). The Act of April 17, 1997, No. 3 ("Act 3") revises certain of the provisions of Act 26 which contains the appropriation of the Commission Allocation of the Oil Franchise Tax. See "OIL FRANCHISE TAX - Act 3."

SECURITY. The 2003 Multi-Modal Senior Bonds are limited obligations of the Commission payable solely from (i) all Tax Revenues (as defined herein), (ii) the Commission's right to receive the Commission Allocation (as defined herein) and any portion of the Commission Allocation actually received by the Commission, (iii) all moneys deposited into accounts or funds created by the Indenture (other than the Rebate Fund and other than the Subordinated Bonds Debt Service Reserve Fund which is pledged only for the benefit of the Subordinated Bonds), and (iv) all investment earnings on all moneys held in accounts and funds established by the Indenture (other than the Rebate Fund and other than earnings on moneys held in the Subordinated Bonds Debt Service Reserve Fund which are pledged only for the benefit of the Subordinated Bonds) including Swap Receipts. The aforementioned (i), (ii), (iii) and (iv) are collectively herein referred to as the "Trust Estate". See "OIL FRANCHISE TAX". Pursuant to the Indenture, the Trust Estate has been pledged and assigned by the Commission to the Trustee to pay principal of and interest on the Bonds. The Commission has irrevocably directed the Treasurer of the Commonwealth (the "State Treasurer") to make payment

of all such amounts directly to the Trustee, and has directed the Trustee, upon receipt of such amounts, to deposit the moneys, as received, into the Revenue Fund created under the Indenture.

The General Assembly has allocated a portion of the Oil Franchise Tax imposed by the Commonwealth and appropriated it to the Commission. This allocation consists of the revenues from 14% of the additional 55 mills of the Oil Franchise Tax imposed beginning in 1991 and requires, along with other Oil Franchise Tax Revenues, to be deposited into the Commonwealth's Motor License Fund each month (the "Commission Allocation"). See "OIL FRANCHISE TAX".

Except with respect to the Subordinated Bonds Debt Service Reserve Fund, Senior Bonds, Additional Senior Bonds, certain amounts due on the Parity Swap Agreements, and all amounts due with respect thereto under the Insurance Agreement or successor agreement thereto are senior in right of payment and security to the Subordinated Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Security for the Bonds; Remedies - Additional Bonds" and APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS".

In addition to the other security described herein, there is a Subordinated Bonds Debt Service Reserve Fund for the benefit of the holders of the Subordinated Bonds. The Subordinated Bonds Debt Service Reserve Requirement is an amount equal to one-half the maximum Principal and Interest Requirements for any succeeding Fiscal Year on account of the Subordinated Bonds. See APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS."

THE 2003 MULTI-MODAL SENIOR BONDS SHALL NOT BE DEEMED TO BE A DEBT OF THE COMMONWEALTH OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH AND SHALL NOT BE AN OBLIGATION OF THE COMMISSION PAYABLE FROM ANY SOURCE EXCEPT THE COMMISSION ALLOCATION PAID TO THE COMMISSION OR THE TRUSTEE BY THE COMMONWEALTH AND CERTAIN FUNDS HELD UNDER THE INDENTURE AND THE EARNINGS THEREON.

INTEREST RATE SWAP AGREEMENTS. The Commission will at the closing enter into two floating to fixed interest rate swap agreements (the "Swap Agreement"), with respect to the 2003 Multi-Modal Senior Bonds, which will constitute Parity Swap Agreements under the Indenture permitting some of the amounts payable thereunder to be secured on a parity with the 2003 Multi-Modal Senior Bonds. The Swap Agreements in aggregate, will be of a notional amount equal to the amount of the 2003 Multi-Modal Senior Bonds and will be for the same term as the term of the 2003 Multi-Modal Senior Bonds. The counterparties for the Swap Agreements are JPMorgan Chase Bank and UBS AG respectively.

EXISTING OBLIGATIONS. The 2003 Multi-Modal Senior Bonds will be secured, as Senior Bonds, with all Bonds now or hereafter issued under or secured by the Indenture consisting of all senior bonds (the "Senior Bonds") and all subordinated bonds (the "Subordinated Bonds"). The Bonds issued under the Indenture and currently outstanding are the Commission's \$310,475,000 Oil Franchise Tax Senior Revenue Bonds, Series A of 1998, (the "1998 Senior Bonds") of which \$285,855,000 was outstanding as of June 30, 2003, and \$228,405,000 Oil Franchise Tax Subordinated Revenue Bonds, Series B of 1998, (the "1998 Subordinated Bonds" and, together with the 1998 Senior Bonds, the "1998 Bonds") of which \$212,225,000 was outstanding as of June 30, 2003. On July 16, 2003, the Commission deposited \$350,000,000 of available funds from Oil Franchise Tax Revenues and Registration Fee Revenues into an escrow account for the partial defeasance of the 1998 Senior Bonds and the 1998 Subordinated Bonds. This deposit defeased on July 30, 2003 \$195,345,000 of 1998 Senior Bonds and \$144,880,000 of 1998 Subordinated Bonds.

The Commission is also issuing, on the same date as the issuance of the 2003 Multi-Modal Senior Bonds, its \$124,730,000 aggregate principal amount of Oil Franchise Tax Senior Revenue Bonds, Series A of 2003 (the "2003 Fixed Rate Senior Bonds") and its \$197,955,000 aggregate principal amount of Oil Franchise Tax Subordinate Revenue Bonds, Series B of 2003 (the "2003 Fixed Rate Subordinate Bonds" and, together with the 2003 Fixed Rate Senior Bonds, the "2003 Fixed Rate Bonds") pursuant to a separate Official Statement dated July 31, 2003 and a First Supplemental Indenture to be dated as of August 1, 2003 to the Indenture.

AMENDMENTS TO INDENTURE. The purchasers of the 2003 Multi-Modal Senior Bonds and the 2003 Fixed Rate Senior Bonds, constituting greater than fifty percent of the (i) the 1998 Senior Bonds, the 2003 Fixed Rate Senior Bonds and the 2003 Multi-Modal Senior Bonds in the aggregate, and (ii) the 1998 Subordinated Bonds and the

2003 Fixed Rate Subordinated Bonds in the aggregate, respectively, outstanding on the Series Issue Date, their successors and assigns, shall be deemed to have approved and consented irrevocably to the amendments to the Indenture set forth in APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS" (the "Amendments") and the effectiveness of the Amendments by purchasing the 2003 Fixed Rate Senior Bonds, the 2003 Fixed Rate Subordinated Bonds, and the 2003 Multi-Modal Senior Bonds respectively, for purposes of the Indenture.

USE OF PROCEEDS. The proceeds of the 2003 Multi-Modal Senior Bonds will be used to (i) pay the costs of improvements and additions to the Pennsylvania Turnpike System as the Commission shall determine, (ii) fund necessary reserves to the extent required, (iii) pay the premium for bond insurance, and (iv) pay costs of issuance (the "Project").

Under the terms of Act 61, the Commission is authorized and empowered, among other things, to construct, operate and maintain certain turnpike extensions and turnpike improvements as listed in and in accordance with priorities established by Act 61. See "CAPITAL IMPROVEMENT PROGRAM." The proceeds of the 2003 Multi-Modal Senior Bonds will be available generally to finance a portion of the costs of the Turnpike extension and improvement projects designated in Act 61 and, specifically, are expected to pay a portion of the costs of environmental studies, design, right-of-way acquisition and construction for extensions of the Pennsylvania Turnpike System in southwestern Pennsylvania generally referred to as the "Mon/Fayette Project" and the "Southern Beltway Project".

REDEMPTION. The 2003 Multi-Modal Senior Bonds are subject to optional and mandatory redemption prior to maturity as more fully set forth herein. See "DESCRIPTION OF THE 2003 Multi-Modal Senior Bonds - Optional Redemption-Mandatory Redemption".

FINANCIAL GUARANTY INSURANCE. Payment of the principal of and interest on the 2003 Multi-Modal Senior Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 2003 Multi-Modal Senior Bonds. See "FINANCIAL GUARANTY INSURANCE."

BOOK-ENTRY-ONLY. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2003 Multi-Modal Senior Bonds. All 2003 Multi-Modal Senior Bonds will be issued as fully registered securities registered in the name of CEDE & Co. (DTC's partnership nominee). Fully registered Bond certificates will be issued and deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM".

PENNSYLVANIA TURNPIKE SYSTEM. The Pennsylvania Turnpike System consists of an east-west mainline section (the "Turnpike Mainline") traversing the southern portion of Pennsylvania and connecting with the Ohio Turnpike at the Turnpike Mainline's western terminus and the New Jersey Turnpike at the Turnpike Mainline's eastern terminus, and a north-south section (the "Northeast Extension") which connects the Turnpike Mainline at Plymouth Meeting with the area north of Scranton, Pennsylvania, where it connects with U.S. Route 6 - Interstate Route 81. The total length of the Turnpike Mainline is approximately 360 miles and the total length of the Northeast Extension is approximately 110 miles. The initial section of the Mon/Fayette Expressway, which extends from U.S. Route 40 to Interstate Route 70, is also part of the Pennsylvania Turnpike System. There are 39 interchanges connecting the Pennsylvania Turnpike System with traffic arteries and population centers and 22 service areas providing automotive supplies and restaurant services.

OTHER COMMISSION INDEBTEDNESS. Approximately \$1.147 billion of Turnpike Revenue Bonds (the "Turnpike Revenue Bonds") are outstanding under the Trust Indenture originally dated as of August 1, 1986 and amended and restated as of March 1, 2001, as supplemented (the "Turnpike Toll Revenue Indenture"). **The Turnpike Revenue Bonds are secured by tolls, receipts, revenues and other moneys from the Pennsylvania Turnpike System (collectively, the "Turnpike Revenues") separate and distinct from the security for the Bonds and do not and will not have any claim on the Commission Allocation or Trust Estate. Likewise the holders of the Bonds will have no claim on Turnpike Revenues.**

Additionally, under Act 3, the Commission is receiving that portion of vehicle registration fee revenues (the "Registration Fee Revenues") paid by the Commonwealth for the benefit of the Commission's \$467,735,000 of Registration Fee Revenue Bonds which are outstanding under the Commission's Indenture. **The holders of the 2003 Multi-Modal Senior Bonds will have no claim on Registration Fee Revenues.**

The Commission may, from time to time, also issue other notes, bonds and other forms of obligations payable from such sources as may be available including, but not limited to, federal grants, without restriction by the Indenture so long as the Commission Allocation is not pledged to such obligations.

DESCRIPTION OF THE 2003 MULTI-MODAL SENIOR BONDS

General Description

The 2003 Multi-Modal Senior Bonds are being issued initially as Auction Rate Certificates (“ARCs”)*. The following description and the description in APPENDIX C, “SUMMARY OF PROVISIONS RELATING TO ARCs”, contain information relating to the 2003 Multi-Modal Senior Bonds while they are in an ARCs Rate Period. You should not rely on such information or on the information in this Official Statement with respect to the terms or provisions of the 2003 Multi-Modal Senior Bonds after their conversion to a different Interest Rate Period. See APPENDIX C, “SUMMARY OF PROVISIONS RELATING TO ARCs”, for the definitions of certain terms relating to 2003 Multi-Modal Senior Bonds bearing interest at the ARCs Rate and for additional information as to the operation of the ARCs Interest Period.

The 2003 Multi-Modal Senior Bonds will be dated as of the date of their initial delivery and will bear interest from that date until the initial Auction Date at the initial rate established in connection with the initial offering and thereafter at the ARCs Rate established for the 2003 Multi-Modal Senior Bonds, as set forth in the Indenture and summarized in APPENDIX C, “SUMMARY OF PROVISIONS RELATING TO ARCs”. The initial Auction Dates for the 2003 Multi-Modal Senior Bonds are as follows: 2003 C-1 Bonds August 25, 2003; 2003 C-2 Bonds August 27, 2003; 2003 C-3 Bonds September 15, 2003; and 2003 C-4 Bonds September 17, 2003. The initial Interest Payment Dates will be as follows: 2003 C-1 Bonds August 26, 2003; 2003 C-2 Bonds August 28, 2003; 2003 C-3 Bonds September 16, 2003; and 2003 C-4 Bonds September 18, 2003. The initial ARCs Interest Period will be from the date of the initial delivery of the 2003 Multi-Modal Senior Bonds through the day prior to the initial Interest Payment Date. Interest Payment Dates and Auction Dates will generally occur each 7 days for the 2003 C-1 Bonds, each 7 days for the 2003 C-2 Bonds, each 35 days for the Series C-3 Bonds, and each 35 days for the Series C-4 Bonds, in each case after the initial Interest Payment Date and the initial Auction Date, respectively, subject to adjustment pursuant to the provisions of the Indenture as described in APPENDIX C, “SUMMARY OF PROVISIONS RELATING TO ARCs”. The 2003 Multi-Modal Senior Bonds will mature, subject to the redemption provisions described below, on December 1, 2032. The 2003 Multi-Modal Senior Bonds, while outstanding as ARCs, are issuable in denominations of \$25,000 and any integral multiple thereof.

Principal of the 2003 Multi-Modal Senior Bonds will be payable at the Principal Office of the Trustee. Interest on the 2003 Multi-Modal Senior Bonds will be payable to Bondowners registered at the close of business on the Record Date, which, for 2003 Multi-Modal Senior Bonds outstanding as ARCs, is the number of Business Days immediately preceding each Interest Payment Date which is equal to the greater of two Business Days or one Business Day plus the number of Business Days by which the Auction Date precedes the first day of the next succeeding Interest Period, as described in APPENDIX C, “SUMMARY OF PROVISIONS RELATING TO ARCs”.

The 2003 Multi-Modal Senior Bonds will remain in the ARCs Rate Period until converted to a Daily Rate Period, a Weekly Rate Period, a Short-Term Rate Period, a Long-Term Rate Period or a Fixed Rate Period, as described herein. The 2003 Multi-Modal Senior Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC, and no beneficial owner will receive certificates representing its interest in the 2003 Multi-Modal Senior Bonds, except in the event the Trustee issues replacement bonds as provided in the Indenture. Payment of the principal of, premium, if any, and interest on each Bond will be made and notices and other communications to Bondowners will be given, directly to DTC or its nominee, Cede & Co., by the Trustee. See “Book-Entry System” below.

Auction Agent

Deutsche Bank Trust Company Americas will enter into an Auction Agent Agreement for each subseries of the 2003 Multi-Modal Senior Bonds (together, the “Auction Agent Agreement”), under which Deutsche Bank Trust Company Americas, as Auction Agent, will determine the ARCs Rate for each Auction in accordance with the Auction

*ARCs is a trademark of UBS Financial Services Inc.

Procedures and will perform the duties of Auction Agent with respect to the 2003 Multi-Modal Senior Bonds. See APPENDIX C, "SUMMARY OF PROVISIONS RELATING TO ARCs", for additional information regarding the Auction Procedures.

Order Procedures for Existing Owners and Potential Owners

The procedure for submitting orders prior to the Submission Deadline on each Auction Date is described in APPENDIX C, "SUMMARY OF PROVISIONS RELATING TO ARCs", as are the particulars with regard to the determination of the ARCs Rate and the allocation of 2003 Multi-Modal Senior Bonds bearing interest at ARCs Rates (collectively, the "Auction Procedures").

Amendment of Auction Procedures

The Auction Procedures, including, without limitations, the definitions of Default Rate, Maximum Rate, All-Hold Rate and the Applicable Percentage, may be amended by obtaining the consent of the Bond Insurer and the registered owners of all Outstanding 2003 Multi-Modal Senior Bonds bearing interest at an ARCs Rate, except as described below in the case of certain changes that do not require Bondowner consent. The ARCs provisions may be amended with the prior written consent of the Bond Insurer, but only (a) if on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such amendment to the registered owners of the Outstanding 2003 Multi-Modal Senior Bonds bearing interest at an ARCs Rate, (i) the ARCs Rate for the 2003 Multi-Modal Senior Bonds determined on such date is the Winning Bid Rate and (ii) there is delivered to the Commission and the Trustee a favorable Opinion of Bond Counsel, or (b) to make any other change which, in the sole judgment of the Trustee, does not materially adversely affect the interests of the Bondowners.

Changes to the ARCs Interest Periods and Auction Dates and certain changes to the Applicable Percentages do not require the amendment of the Auction Procedures or any Bondholder consents although changes in the ARCs Interest Periods may be made only with the consent of the Bond Insurer. See "Changes in Auction Periods or Auction Dates" and "Adjustment of Percentages" in APPENDIX C, "SUMMARY OF PROVISIONS RELATING TO ARCs".

Market Agent

There will be a Market Agent Agreement for each subseries of the 2003 Multi-Modal Senior Bonds (together, the "Market Agent Agreements") with UBS Financial Services Inc. (together with any successor as market agent entering into a similar agreement with the Trustee, the "Market Agent") which sets forth the Market Agent's duties and responsibilities. The Market Agent will not receive any compensation for acting as Market Agent. The Commission may remove the Market Agent at any time.

Broker Dealer

The Auction Agent will enter into a Broker Dealer Agreement for each subseries of the 2003 Multi-Modal Senior Bonds (together, the "Broker Dealer Agreements") with UBS Financial Services Inc., which sets forth the duties and responsibilities of the Broker Dealer with respect to orders for the ARCs.

Special Considerations Relating to 2003 Multi-Modal Senior Bonds Bearing Interest at ARCs Rates

The ability of any Holder of ARCs to sell such ARCs in any auction is directly contingent upon the Auction Agent's receipt of Sufficient Clearing Bids. If Sufficient Clearing Bids are not received, Submitted Orders will be accepted or rejected as summarized in APPENDIX C, "SUMMARY OF PROVISIONS RELATING TO ARCs", under "Auction Procedures – Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of ARCs," and an Owner of ARCs who submits a Sell Order may be required to continue to hold such ARCs.

Auctions will be suspended and the ARCs Rate will equal the Default Rate for the ARCs Interest Period commencing on or after any Payment Default and for each ARCs Interest Period thereafter to and including the ARCs Interest Period, if any, during which, or commencing less than the Applicable Number of Business Days after, such Payment Default is cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

The Auction Agent Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving at least 90 days notice, or 45 days notice if it has not been compensated for its services for more than 30 days after such fee is due, to the Commission, the Bond Insurer, the Market Agent and the Trustee and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place if its compensation has not been paid. The Broker-Dealer Agreement provides that the Broker-Dealer thereunder may terminate the Broker-Dealer Agreement upon thirty days notice and requires, as a condition to the effectiveness of such termination, that a replacement Broker-Dealer Agreement be in place. For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, it will not be possible to hold Auctions, with the result that the interest rate on the Auction Bonds will be the No Auction Rate.

The Broker-Dealer Agreement will provide that a Broker-Dealer may submit an Order in Auctions for its own account. If a Broker-Dealer submits an Order for its own account in any Auction, it might have an advantage over other Bidders in that it would have knowledge of Orders placed through it in that Auction; such Broker-Dealer, however, would not have knowledge of Orders submitted by other Broker-Dealers (if any) in that Auction. In the Broker-Dealer Agreement, Broker-Dealers will agree to handle customer orders in accordance with their duties under applicable securities laws and rules.

UBS Financial Services Inc. has advised the Commission that it intends initially to make a market for the ARCs between Auctions; however, UBS Financial Services Inc. is not obligated to make such market, and no assurance can be given that secondary markets for the ARCs will develop.

During an ARCs Rate Period, so long as the ownership of the ARCs is maintained in book-entry form by the Securities Depository, an Existing Holder or a beneficial owner may sell, transfer or otherwise dispose of an ARCs Bond only pursuant to a Bid or Sell Order in accordance with APPENDIX C, "SUMMARY OF PROVISIONS RELATING TO ARCs" (sometimes referred to as the "ARCs Provisions") or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions such Existing Holder or its Broker-Dealer or its Participant advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of ARCs from a customer of a Broker-Dealer or another customer of that Broker-Dealer will not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Holder of the ARCs so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Conversions between Interest Rate Periods

The Commission may elect to convert all of the 2003 Multi-Modal Senior Bonds from one type of Interest Rate Period (other than from a Fixed Rate Period) to another type of Interest Rate Period as follows:

Notices by Commission. The Commission shall give written notice of any proposed conversion to the Trustee not fewer than seven Business Days prior to the date the notice to affected Owners must be given of the proposed conversion.

Notices by Trustee. Upon receipt of notice from the Commission, the Trustee shall promptly give written notice of the proposed conversion to the Tender Agent, the Bond Insurer, the Auction Agent, the Broker-Dealer, and any rating service that has notified the Trustee in writing that it has established a rating for the 2003 Multi-Modal Senior Bonds (there is no Remarketing Agent or Liquidity Provider while the 2003 Multi-Modal Senior Bonds are ARCs). The Trustee shall give notice (which may be combined, where applicable, with any required mandatory tender notice) by first class mail of the proposed conversion to the affected Owners of 2003 Multi-Modal Senior Bonds not less than 10 days before the proposed Conversion Date. Such notice shall state:

- (1) the proposed Conversion Date and the proposed Interest Rate Period to be effective on such date;
- (2) that the 2003 Multi-Modal Senior Bonds will be subject to mandatory tender for purchase on the Conversion Date;
- (3) the conditions, if any, to the conversion, and the consequences of such conditions not being fulfilled;

(4) if the 2003 Multi-Modal Senior Bonds are in certificated form, information with respect to required delivery of Bond certificates and payment of the purchase price; and

(5) the new Interest Payment Dates and Regular Record Dates.

Conditions to Conversion. No conversion of Interest Rate Periods will become effective unless:

(1) If the conversion is from a Short-Term Rate Period, the Trustee has received, prior to the date on which notice of conversion is required to be given to Owners, written consent of the Bond Insurer and written confirmation from the Remarketing Agent that it has not established and will not establish any Short-Term Interest Periods extending beyond the day before the Conversion Date; and

(2) If the conversion is from an ARCs, Short-Term, Weekly or Daily Rate Period to a Long-Term Rate or Fixed Rate Period, or from a Long-Term Rate Period to an ARCs, Short-Term, Weekly or Daily Rate Period, the Trustee, the Bond Insurer and the Commission have been provided, no later than one day before the Conversion Date, with a Favorable Opinion of Bond Counsel, which opinion shall be confirmed in writing on the Conversion Date and the prior written consent of the Bond Insurer shall have been obtained other than from a conversion from a Daily Rate to a Weekly Rate or from a Weekly Rate to a Daily Rate; and

(3) If the conversion is to a Daily Rate Period, a Weekly Rate Period, a Short-Term Rate Period or a Long-Term Rate Period and the prior written consent of the Bond Insurer shall have been obtained other than from a conversion from a Daily Rate Period to a Weekly Rate Period or from a Weekly Rate Period to a Daily Rate Period, (A) the Commission shall have appointed (i) UBS Financial Services Inc. or another underwriting firm acceptable to Bond Insurer to act as the Remarketing Agent for the 2003 Multi-Modal Senior Bonds and (ii) a Qualified Financial Institution or, with the prior written consent of the Bond Insurer, the Commission shall act as Liquidity Provider in accordance with the Indenture and the Loan Agreement; and (B) the Commission shall have furnished to the Trustee and the Bond Insurer (i) an executed Remarketing Agreement whereby the Remarketing Agent agrees to perform the duties of the Remarketing Agent under the Indenture, and (ii) a Liquidity Facility in form and substance reasonably satisfactory to the Remarketing Agent and the Bond Insurer, in an amount equal to the aggregate principal amount of all Outstanding 2003 Multi-Modal Senior Bonds, plus an amount equal to at least 34 days interest (183 days interest if the conversion is to Long-Term Rate Period, or, if the conversion is to Short-Term Rate Bonds, the maximum number of days of a Short-Term Interest Period, plus five days) on all 2003 Multi-Modal Senior Bonds at the Maximum Rate for the 2003 Multi-Modal Senior Bonds other than Liquidity Provider Bonds, under which the Liquidity Provider is required to purchase 2003 Multi-Modal Senior Bonds tendered for purchase in accordance with the Indenture, together with an Opinion of Counsel, to the effect that the Liquidity Facility has been duly authorized, executed and delivered by the Liquidity Provider, is a valid and binding and enforceable obligation of the Liquidity Provider (subject as to enforcement to customary exceptions regarding bankruptcy, insolvency and similar laws and principles of equity), and that the Liquidity Facility will not require any 2003 Multi-Modal Senior Bonds (or any securities evidenced thereby) to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified under the Trust Indenture Act of 1939, as amended (there is no Remarketing Agent or Liquidity Provider while the 2003 Multi-Modal Senior Bonds are ARCs); and

(4) If the conversion is to a Short-Term Rate, in addition to the requirements of (3) above, (A) the Commission shall have obtained the prior written consent of the Bond Insurer and must engage, at its expense, a commercial paper issuing and paying agent (the "Issuing Agent"), reasonably acceptable to the Trustee and the Bond Insurer and the Paying Agent, having access to the Securities Depository's electronic money market issuing and payment system and otherwise eligible to serve as an issuing and paying agent under the Securities Depository's policies and procedures for the issuance and payment of commercial paper; and (B) the Remarketing Agent must arrange for the execution and delivery to the Securities Depository of its required letter of representation for the eligibility of the 2003 Multi-Modal Senior Bonds in the Short-Term Rate Period in the Securities Depository's book entry system and the provision of any needed CUSIP numbers; and (C) the Commission shall take all other action needed to comply with the Securities Depository's requirements applicable to the issuance and payment of the 2003 Multi-Modal Senior Bonds while in the Short-Term Rate Period; and (D) the Commission shall enter into any amendment of this Indenture and the Agreement, as applicable, that is needed to comply with the Securities Depository's or any rating agency's requirements concerning the issuance and payment of the 2003 Multi-Modal Senior Bonds in the Short-Term Rate Period; and

(5) If the conversion is to an ARCs Rate Period and the Commission shall have obtained the written consent of the Bond Insurer, (A) the Commission shall have appointed an Auction Agent, Broker-Dealer and Market Agent and (B) the Commission shall have furnished to the Trustee and the Bond Insurer an Auction Agent Agreement, a Broker-Dealer Agreement and Market Agent Agreement in substantially the forms initially executed in connection with the issuance of the 2003 Multi-Modal Senior Bonds; and

(6) If the conversion is to a Fixed Rate Period and the Commission shall have obtained the written consent of the Bond Insurer, the Commission shall notify in writing the Trustee of its irrevocable election to effect such a conversion, specifying in the notice the Conversion Date on which the Fixed Rate Period is to commence, and delivering with such notice a firm underwriting or purchase contract from a recognized firm of bond underwriters or recognized institutional investors, which can be the Remarketing Agent, to underwrite or purchase all of the 2003 Multi-Modal Senior Bonds at a price of 100% of the principal amount thereof at an agreed upon interest rate which such underwriter or institutional investor certifies is the lowest rate that will permit the 2003 Multi-Modal Senior Bonds to be sold at par on the first day of the Fixed Rate Period and containing a mandatory sinking fund redemption schedule prepared in accordance with the Indenture. Upon receipt by the Trustee of such notice from the Commission, the Trustee shall promptly cause the same information contained in such notice to be delivered to the Tender Agent, the Remarketing Agent, the Bond Insurer, the Liquidity Provider and any rating service that it has notified the Trustee in writing that it has established a rating for the 2003 Multi-Modal Senior Bonds.

(7) The conversion shall not occur unless the Conversion Date is a date on which the 2003 Multi-Modal Senior Bonds being converted could be redeemed without premium pursuant to the optional redemption provisions of the Indenture.

Failure of Conditions to Conversion. In the event any condition precedent to a conversion is not fulfilled, (i) the Conversion Date shall not occur, (ii) the mandatory tender shall not occur, (iii) any affected ARCs Rate Bond shall continue to be an ARCs Rate Bond and shall continue to be payable at the applicable ARCs Rate for the balance of the ARCs Interest Period then applicable thereto (without regard to the attempted conversion) and shall bear interest for the next succeeding ARCs Interest Period at (1) the applicable ARCs Rate determined in accordance with the ARCs Provisions if the Commission withdraws notice of the exercise of its option to effect conversion and the next succeeding Auction Date occurs more than two Business Days after the Business Day on which the Trustee receives notice of withdrawal of the conversion from the Commission or (2) the Maximum Rate determined by the Auction Agent as provided in the ARCs Provisions in all other cases, and (iii) any other affected 2003 Multi-Modal Senior Bond shall continue in the then existing Interest Rate Period with the length of the interest period and the interest rate being determined in accordance with the Indenture. Notice of withdrawal of conversion notice shall be given by the Commission to the Trustee, the Remarketing Agent, the Tender Agent, the Bond Insurer, the Liquidity Provider (there is no Remarketing Agent or Liquidity Provider while the 2003 Multi-Modal Senior Bonds are ARCs) and the Auction Agent (in the case of conversion of ARCs) by telephone, promptly confirmed in writing, and shall thereafter be promptly given to the Bondowners by the Trustee by first-class mail. No cancellation of conversion pursuant to the foregoing provisions shall constitute an Event of Default.

Terms Upon Conversion. 2003 Multi-Modal Senior Bonds in an Interest Rate Period other than an ARCs Rate Period shall have interest rate, redemption, and other terms as set forth in the Indenture. This Official Statement does not describe many of those terms and is not intended to be used in connection with any offer to sell 2003 Multi-Modal Senior Bonds in any such other Interest Rate Period unless supplemented to describe such terms for such other Interest Rate Period.

Transfer and Exchange of 2003 Multi-Modal Senior Bonds; Persons Treated as Owners

The person in whose name any 2003 Multi-Modal Senior Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, except as provided in the next caption, and payment of principal of or interest thereon will be made only to or upon the order of the registered owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon that 2003 Multi-Modal Senior Bond to the extent of the sum or sums so paid.

So long as the 2003 Multi-Modal Senior Bonds are held in book-entry form, transfers of the 2003 Multi-Modal Senior Bonds by Beneficial Owners may only be made as described under "BOOK-ENTRY-ONLY SYSTEM". At any

other time, any 2003 Multi-Modal Senior Bond may be transferred or exchanged only upon the books kept for the registration and transfer of 2003 Multi-Modal Senior Bonds as provided in the Indenture.

Bond Insurer Deemed Owner of 2003 Multi-Modal Senior Bonds; Direction of Remedies

The Bond Insurer shall be deemed to be the sole registered owner of the 2003 Multi-Modal Senior Bonds for purposes of any right of such registered owner under the Indenture to consent to the execution of any supplement or amendment to the Indenture or the Loan Agreement and any right of such registered owner under such documents to direct or consent to any action or remedy to be undertaken by the Trustee or any other party under the Indenture or the Loan Agreement. The Bond Insurer acting alone shall have the right to control and direct all remedies upon default and to waive Events of Default. The foregoing rights of the Bond Insurer are subject to certain conditions, including that the Bond Insurer is not insolvent and is not in default of any of its payment obligations under the Bond Insurance Policy. See APPENDIX B: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE; DEFINITIONS OF CERTAIN TERMS—Bond Insurer Deemed to be Owner of 2003 Multi-Modal Senior Bonds" and "Rights of Bond Insurer."

Mandatory Tenders of ARCs

ARCs are subject to mandatory tender upon not fewer than 10 days' notice, by first-class mail to the Owners of the ARCs at their addresses shown on the Bond Register, upon the conditions described under "Conversion between Interest Rate Periods" above. Any ARCs subject to conversion and not tendered on the Conversion Date will be deemed tendered and, upon payment of the Purchase Price for such ARCs, will not be entitled to any further interest thereon. The Purchase Price of ARCs tendered for purchase is equal to their principal amount plus (if such Purchase Date is not an Interest Payment Date therefor) accrued and unpaid interest to such Purchase Date.

For so long as DTC is effecting book-entry transfers of the 2003 Multi-Modal Senior Bonds, the Trustee will provide the mandatory tender notice described above to DTC. It is expected that DTC will, in turn, notify its participants, and that the participants, in turn, will notify or cause to be notified the Beneficial Owners of the 2003 Multi-Modal Senior Bonds. The Commission and the Trustee will have no responsibility or liability in connection with the failure on the part of DTC or a participant, or failure on the part of a nominee of a Beneficial Owner of a 2003 Multi-Modal Senior Bond, to notify the Beneficial Owner of the Bond so affected, and such failure shall not affect the validity of a mandatory tender for such 2003 Multi-Modal Senior Bond. See "BOOK-ENTRY-ONLY SYSTEM".

No Optional Tenders of ARCs; Sales on Interest Payment Dates

ARCs are not subject to optional tender. The ability of Owners of ARCs to sell ARCs at par on an Interest Payment Date is subject to the procedures described in APPENDIX C, "SUMMARY OF PROVISIONS RELATING TO ARCs". No assurance can be given that any sale will be consummated.

Redemption of ARCs

Optional Redemption. The ARCs are subject to redemption and payment prior to maturity, at the option of the Commission, in whole or in part on any Interest Payment Date at the redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

Extraordinary Optional Redemption. The ARCs are subject to redemption and payment prior to the stated maturity thereof, at the option of the Commission, in whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium, upon the occurrence of any of the following events:

(1) all or a substantial portion of the facilities financed or refinanced with the proceeds of the 2003 Multi-Modal Senior Bonds are damaged or destroyed by fire or other casualty, or title to, or the temporary use of, all or a substantial portion of such facilities are condemned or taken for any public or quasi-public use by any authority exercising or threatening the exercise of the power of eminent domain or title thereto is found to be deficient, to such extent that in the determination of the Commission (A) such facilities cannot be reasonably restored or replaced to the condition thereof preceding such event, or (B) the Commission is thereby prevented from carrying on its normal

operations of such facilities, or (C) the cost of restoration or replacement thereof would exceed the net proceeds of any casualty insurance, title insurance, condemnation awards or sale under threat of condemnation with respect thereto; or

(2) as a result of any changes in the Constitution of the Commonwealth of Pennsylvania or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final direction, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Commission in good faith, the Indenture or the Loan Agreement becomes void or unenforceable or impossible of performance.

Scheduled Mandatory Redemption. The ARCs are subject to scheduled mandatory redemption by the Commission on December 1 (or, if that date is not an Interest Payment Date, on the Interest Payment Date immediately preceding that date) in the years set forth below in the amounts set forth below at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium:

| <u>Year</u> | <u>2003 Subseries C-1</u> | <u>2003 Subseries C-2</u> | <u>2003 Subseries C-3</u> | <u>2003 Subseries C-4</u> |
|-------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| 2024 | \$1,650,000 | \$1,650,000 | \$1,000,000 | \$1,000,000 |
| 2025 | 5,200,000 | 5,200,000 | 3,125,000 | 3,100,000 |
| 2026 | 5,425,000 | 5,425,000 | 3,250,000 | 3,250,000 |
| 2027 | 5,650,000 | 5,650,000 | 3,400,000 | 3,375,000 |
| 2028 | 5,900,000 | 5,900,000 | 3,525,000 | 3,525,000 |
| 2029 | 6,150,000 | 6,150,000 | 3,675,000 | 3,675,000 |
| 2030 | 6,400,000 | 6,400,000 | 3,850,000 | 3,850,000 |
| 2031 | 6,675,000 | 6,675,000 | 4,000,000 | 4,025,000 |
| 2032* | 6,950,000 | 6,950,000 | 4,175,000 | 4,200,000 |

*Maturity

Credits against Scheduled Mandatory Redemption Obligations. At the option of the Commission, to be exercised by delivery of a written certificate to the Trustee on or before the 45th day next preceding any scheduled mandatory redemption date, it may (1) deliver to the Trustee for cancellation 2003 Multi-Modal Senior Bonds subject to scheduled mandatory redemption on that date or portions thereof in Authorized Denominations or (2) specify a principal amount of 2003 Multi-Modal Senior Bonds or portions thereof in Authorized Denominations which prior to said date have been purchased or redeemed (otherwise than pursuant to this Section) and cancelled by the Trustee at the request of the Commission and not theretofore applied as a credit against any scheduled mandatory redemption payment. Each Bond or portion thereof so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof against the obligation of the Commission to redeem 2003 Multi-Modal Senior Bonds on the scheduled mandatory redemption date or dates designated in writing to the Trustee by the Commission Representative occurring at least 45 days after delivery of such designation to the Trustee, provided that if no such designation is made, such credit shall not be credited against such obligation.

Selection of 2003 Multi-Modal Senior Bonds to be Redeemed. 2003 Multi-Modal Senior Bonds shall be redeemed only in Authorized Denominations. If less than all of the 2003 Multi-Modal Senior Bonds are to be redeemed and paid prior to maturity, such 2003 Multi-Modal Senior Bonds shall be selected by the Trustee by such method the Trustee shall deem fair and appropriate. In the case of a partial redemption of 2003 Multi-Modal Senior Bonds when 2003 Multi-Modal Senior Bonds of denominations greater than the minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each principal amount equal to the minimum Authorized Denomination shall be treated as though it was a separate 2003 Multi-Modal Senior Bond of minimum Authorized Denomination. If the Owner of any 2003 Multi-Modal Senior Bond shall fail to present such 2003 Multi-Modal Senior Bond to the Trustee for payment and exchange as aforesaid, said 2003 Multi-Modal Senior Bond shall, nevertheless, become due and payable on the redemption date to the extent of the principal amount called for redemption.

Notice and Effect of Call for Redemption. Official notice of any redemption shall be given by the Trustee on behalf of the Commission by mailing a copy of an official redemption notice by first-class mail at least 30 days and not more than 60 days prior to the redemption date to each Owner of the 2003 Multi-Modal Senior Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Owner to the Trustee.

Any notice of optional redemption or extraordinary optional redemption of 2003 Multi-Modal Senior Bonds may specify that the redemption is contingent upon the deposit of monies with the Trustee in an amount sufficient to pay the redemption price of all the 2003 Multi-Modal Senior Bonds or portions of 2003 Multi-Modal Senior Bonds which are to be redeemed on that date. Official notice of redemption having been given as aforesaid, the 2003 Multi-Modal Senior Bonds or portions of 2003 Multi-Modal Senior Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Commission shall default in the payment of the redemption price) such 2003 Multi-Modal Senior Bonds or portions of 2003 Multi-Modal Senior Bonds shall cease to bear interest. A second notice of redemption shall be given within 60 days after the redemption date to the registered owners of redeemed 2003 Multi-Modal Senior Bonds, which have not been presented for payment within 30 days after the redemption date.

In addition to the foregoing notices, further notice shall be given by the Trustee on behalf of the Commission at least 30 days before the redemption date by registered or certified mail, overnight delivery service or facsimile to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the 2003 Multi-Modal Senior Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the 2003 Multi-Modal Senior Bonds. Failure to give any notice to any registered owner, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other 2003 Multi-Modal Senior Bonds. Any notice mailed shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any registered owner received the notice.

For so long as DTC is affecting book-entry transfers of the 2003 Multi-Modal Senior Bonds, the Trustee will provide the redemption notice described above to DTC. It is expected that DTC will, in turn, notify its participants, and that the participants, in turn, will notify or cause to be notified the Beneficial Owners of the 2003 Multi-Modal Senior Bonds to be redeemed. The Commission and the Trustee and will have no responsibility or liability in connection with any failure on the part of DTC or a participant, or failure on the part of a nominee of a Beneficial Owner of a 2003 Multi-Modal Senior Bond, to notify the Beneficial Owner of the 2003 Multi-Modal Senior Bond so affected, and such failure shall not effect the validity of the redemption of such 2003 Multi-Modal Senior Bond. See "BOOK-ENTRY-ONLY SYSTEM".

Interest Rate Swap Agreement

The Commission will at the closing enter into two floating to fixed interest rate swap agreements (the "Swap Agreement"), with respect to the 2003 Multi-Modal Senior Bonds, which will constitute Parity Swap Agreements under the Indenture permitting some of the amounts payable thereunder to be secured on a parity with the 2003 Multi-Modal Senior Bonds and all amounts due under the Insurance Agreement or successor agreement thereto. The Swap Agreements in aggregate, will be of a notional amount equal to the amount of the 2003 Multi-Modal Senior Bonds and will be for the same term as the term of the 2003 Multi-Modal Senior Bonds. The counterparties for the Swap Agreements are JPMorgan Chase Bank and UBS AG, respectively.

ESTIMATED SOURCES AND USES OF FUNDS⁽¹⁾

The following table sets forth the estimated sources and uses of funds with respect to the 2003 Multi-Modal Senior Bonds and the 2003 Fixed Rate Bonds:

| | 2003 Fixed Rate <u>Senior Bonds</u> | 2003 Fixed Rate <u>Subordinated Bonds</u> | 2003 Multi-Modal <u>Senior Bonds</u> | 2003 Bonds <u>Aggregate</u> |
|--|--|--|---|--------------------------------|
| <i>Sources of Funds:</i> | | | | |
| Par amount | \$124,730,000 | \$197,955,000 | \$160,000,000 | \$482,685,000 |
| Net Original Issue Premium | 5,388,231 | 366,021 | - | 5,754,252 |
| Accrued Interest | <u>213,142</u> | <u>331,983</u> | - | <u>545,125</u> |
| Total Sources of Funds | \$130,331,373 | \$198,653,005 | \$160,000,000 | \$488,984,378 |
| <i>Use of Funds:</i> | | | | |
| Project Fund | \$128,618,062 | \$194,658,657 | \$157,831,572 | \$481,108,291 |
| Debt Service Fund | | | - | |
| Accrued Interest | 213,142 | 331,983 | - | 545,125 |
| Subordinated Bonds Debt Service Reserve Fund | - | 1,050,831 | - | 1,050,831 |
| Costs of Issuance ⁽²⁾ | <u>1,500,169</u> | <u>2,611,534</u> | <u>2,168,428</u> | <u>6,280,131</u> |
| Total Uses of Funds | \$130,331,373 | \$198,653,005 | \$160,000,000 | \$488,984,378 |

⁽¹⁾Figures Rounded.

⁽²⁾Includes Underwriters' discount, legal fees, bond insurance premium, initial Trustee's and Paying Agent's fees, fees for the rating agencies, Financial Advisors' fees, printing, miscellaneous and out-of-pocket expenses.

PLAN OF FINANCING

The proceeds of the 2003 Multi-Modal Senior Bonds will be used to (i) pay the costs of improvements and additions to the Pennsylvania Turnpike System as the Commission shall determine, (ii) fund necessary reserves to the extent required, (iii) pay the premium for bond insurance, and (iv) pay costs of issuance.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Sources of Payment; Oil Franchise Tax

Funds received by the Trustee from Oil Franchise Tax revenues in the amount of the Commission Allocation (as hereinafter defined) will be the primary source of payment of the Bonds. The Commission Allocation of the Oil Franchise Tax consists of 14% of the additional 55 mills of the Oil Franchise Tax which 55 mills became effective pursuant to Act 26. Information concerning the Oil Franchise Tax, its collection and distribution to the Commission and the Commonwealth's Motor License Fund are described in this Official Statement under the caption "OIL FRANCHISE TAX."

The Bonds are limited obligations of the Commission payable solely from the Trust Estate which consists of the following: (i) all Tax Revenues (as hereinafter defined), (ii) the Commission's right to receive the Commission Allocation and any portion of the Commission Allocation actually received by the Commission, (iii) all moneys (including Swap Receipts) deposited into accounts or funds created by the Indenture (other than the Rebate Fund and other than the Subordinated Bonds Debt Service Reserve Fund which is pledged only for the benefit of the Subordinated Bonds), and (iv) all investment earnings on all moneys held in accounts and funds established by the Indenture (other than the Rebate Fund and other than earnings on moneys held in the Subordinated Bonds Debt Service Reserve Fund which are pledged only for the benefit of the Subordinated Bonds).

Security for the Bonds; Remedies

The Trust Estate is pledged in the Indenture to the Trustee as security for the payment of the Bonds and the interest thereon and as security for the satisfaction of any other obligation assumed by the Commission in connection with the Bonds, including certain amounts under any Parity Swap Agreements (including certain termination payments) and Reimbursement Obligations (including amounts payable under any insurance agreement).

Except with respect to the Subordinated Bonds Debt Service Reserve Fund, Senior Bonds, Additional Senior Bonds, certain amounts payable under Parity Swap Agreements, and all amounts due under the Insurance Agreement or successor agreement thereto are senior in right of payment and security to the Subordinated Bonds. See APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS". Upon any failure to make a principal, interest or redemption payment with respect to the Senior Bonds, the Trustee may, and upon the written request of the holders of not less than 25% in principal amount of the Senior Bonds then outstanding shall, declare the principal of all of the Bonds, including the Senior Bonds and the Subordinated Bonds, to be due and payable. The failure to make any payment with respect to the Subordinated Bonds shall not constitute a default with respect to the Senior Bonds. Upon any other default specified in the Indenture including any failure to make a principal, interest or redemption payment with respect to the Subordinated Bonds, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Bonds Outstanding (provided that if said event of default pertains only to one series of Bonds, then the written request of the holders of 25% or more of the principal amount of such series of Bonds) shall proceed to protect and enforce its rights and the rights of the Bondholders under the laws of the Commonwealth or under the Indenture by such suits, actions or special proceedings either for the specific performance of any covenant or agreement in the Indenture or in aid of execution of any power granted in the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee shall deem reasonable or necessary to protect and enforce such rights. See APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS-Remedies".

Upon the occurrence and continuance of a debt service or mandatory redemption payment event of default described in the Indenture, the Trustee shall, and upon the occurrence and continuance of any other event of default, the Trustee may (and upon the written direction of the Commission or the holders of not less than 25% of the outstanding principal amount of either the Senior Bonds or the Subordinated Bonds, shall) appoint a co-trustee to represent the holders of the Subordinated Bonds.

Financial Guaranty Insurance Policy

Payment of principal of and interest on the 2003 Multi-Modal Senior Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 2003 Multi-Modal Senior Bonds. See "FINANCIAL GUARANTY INSURANCE".

Flow of Funds

The Oil Franchise Tax is collected by the Commonwealth Department of Revenue and deposited into the Motor License Fund of the Commonwealth held by the Department of Transportation. Once each month on or prior to the 20th day of the month, the Department of Transportation pays to the Commission the Commission Allocation collected and deposited into the Motor License Fund during the immediately preceding calendar month; provided, however, that if in any year the actual Commission Allocation distributed to the Commission exceeds the amount included in the Governor's executive authorization at the beginning of such year, distribution of the excess amount to the Commission may be delayed until a new executive authorization is obtained, which may not occur until the beginning of the next fiscal year of the Commonwealth. The Commission has irrevocably directed the Treasurer to make payment of all such amounts directly to the Trustee, and the Trustee, upon receipt of such amounts, shall deposit the moneys, as received, into the Revenue Fund created under the Indenture. See "OIL FRANCHISE TAX - Commission Allocation."

The Indenture also creates a Senior Bonds Debt Service Fund and a Subordinated Bonds Debt Service Fund and, within such funds, Interest Accounts, Principal Accounts the Insured Swap Payment Account. The Commission Allocation and any other Tax Revenues received by the Trustee, whether directly from the Commonwealth or received by the Commission and paid to the Trustee, are to be deposited into the Revenue Fund. The Indenture provides that the Trustee shall withdraw from the Revenue Fund and deposit to the applicable accounts in the debt service funds, on an equal monthly basis, such amounts as shall be sufficient to make the required semi-annual interest payments and the required annual redemption or maturity payments on the Bonds.

The Trustee shall withdraw from the Revenue Fund and deposit into the applicable Fund, on or before the last Business Day of each calendar month, or at such other time as withdrawal is required under a Parity Swap Agreement or a financial guaranty or bond insurance agreement, in the following order of priority:

(1) In the same order of priority, (a) an amount equal to one-sixth of the interest due on the Senior Bonds on the next succeeding Interest Payment Date and certain amounts due on the Parity Swap Agreements and all amounts due with respect thereto under the Insurance Agreement or successor agreement thereto; (b) an amount equal to one-twelfth of the amount necessary to pay the principal amount of any Senior Bonds maturing on the next succeeding maturity date occurring on or before the second Interest Payment Date following such deposit; and (c) without duplication, an amount equal to one-twelfth of the principal amount required on the next succeeding mandatory redemption date of the Senior Bonds occurring on or before the second Interest Payment Date following such deposit;

(2) In the same order of priority, (a) an amount equal to one-sixth of the interest due on the Subordinated Bonds on the next succeeding Interest Payment Date and all amounts due with respect thereto under the Insurance Agreement or successor agreement thereto; (b) an amount equal to one-twelfth of the amount necessary to pay the principal amount of any Subordinated Bonds maturing on the next succeeding maturity date occurring on or before the second Interest Payment Date following such deposit; (c) an amount equal to one-twelfth of the principal amount required on the next succeeding mandatory redemption date of the Subordinated Bonds occurring on or before the second Interest Payment Date following such deposit;

(3) The amount, if any, required to make the funds deposited in the Subordinated Bonds Debt Service Reserve Fund equal to the Subordinated Bonds Debt Service Reserve Requirement to be made on or before the Business Day immediately preceding an Interest Payment Date.

The Trustee shall make payments from the applicable Funds, without further authorization from the Commission, for the purposes for which such Funds were established.

After making all the aforesaid deposits, the Trustee is required to transfer from the Revenue Fund, on or before the Business Day immediately preceding an Interest Payment Date, to the credit of the Oil Franchise Tax General Fund the balance, if any, in excess of \$10,000,000 remaining in the Revenue Fund. On June 11, 2003, \$6.6 million was transferred from the Revenue Fund to the Oil Franchise Tax General Fund. These funds represented excess revenues not required for Debt Service. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Revenue Fund Excess Balance and Oil Franchise Tax General Fund."

SEE "EXHIBIT B, SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS- THE INDENTURE - Senior Bonds Debt Service Fund - Senior Bonds Sinking Fund - Subordinated Bonds Debt Service Fund - Subordinated Bonds Sinking Fund - Subordinated Bonds Debt Service Reserve Fund - Oil Franchise Tax General Fund."

Subordinated Bonds Debt Service Reserve Fund

In addition to the other security described herein, there is a Subordinated Bonds Debt Service Reserve Fund (the "Subordinated Bonds Debt Service Reserve Fund") for the benefit of the holders of the Subordinated Bonds on a parity basis. The Subordinated Bonds Debt Service Reserve Requirement for the Subordinated Bonds Debt Service Reserve Fund is an amount equal to one-half of the maximum Principal and Interest Requirements for any succeeding Fiscal Year on account of the Subordinated Bonds. Upon the issuance of the 2003 Fixed Rate Bonds, the Subordinated Bonds Debt Service Reserve Fund will be fully funded with cash.

Moneys held for the credit of the Subordinated Bonds Debt Service Reserve Fund shall be used for the purpose of paying interest on maturing principal of and mandatory sinking fund redemption prices of the Subordinated Bonds whenever and to the extent that the moneys held for the credit of the Subordinated Bond Debt Service Fund or any applicable account in any Sinking Fund shall be insufficient for such purpose.

In lieu of the deposit of money into the Subordinated Bonds Debt Service Reserve Fund, the Commission may, with the written consent of the Bond Insurer, cause to be provided a surety bond or surety bonds or an insurance policy or policies (which surety bond, the issuer hereof, and the amount thereof shall be approved in writing by the Bond Insurer) payable to the Trustee for the benefit of the holders of the Subordinated Bonds or a letter of credit in an amount equal to the difference between the Subordinated Bonds Debt Service Reserve Requirement and the amounts then on deposit in the Subordinated Bonds Debt Service Reserve Fund. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of one Business Day's notice) on any Interest Payment Date on which moneys will be required to be

withdrawn from the Subordinated Bonds Debt Service Reserve Fund and applied to the payment of the principal of or interest on the Subordinated Bonds to the extent that such withdrawals cannot be made from amounts credited to the Subordinated Bonds Debt Service Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues result in such issues being rated in the highest rating category by each Rating Agency. The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category by the Rating Agency, and the letter of credit itself shall be rated in the highest category of such Rating Agency.

If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Subordinated Bonds Debt Service Reserve Fund shall cease to have a rating described in the immediately preceding paragraph, the issuer of such surety bond, insurance policy or letter of credit shall immediately notify the Commission, the Bond Insurer and the Trustee in writing, and the Commission shall use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an issuer having a rating so described consented to in writing by the Bond Insurer, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Tax Revenues in the Subordinated Bonds Debt Service Reserve Fund in lieu of replacing such surety bond, insurance policy or letter of credit with another provided, however, that the Commission shall at all times fund the Subordinated Bonds Debt Service Reserve Fund with cash or with a Surety Bond at a rating acceptable to the Bond Insurer.

See APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS – THE INDENTURE- Subordinated Bonds Debt Service Reserve Fund."

Revenue Fund Excess Balance and Oil Franchise Tax General Fund

The Commission transferred \$10,000,000 from the Oil Franchise Tax General Fund into the Revenue Fund on the date of issuance of the 1998 Bonds. All Tax Revenues to be received from the Commonwealth are to be paid to the Trustee for deposit into the Revenue Fund. The Indenture provides that, after first having made the required debt service and sinking fund payments out of the Revenue Fund, the Trustee shall transfer from the Revenue Fund on or before the Business Day immediately preceding an Interest Payment Date to the credit of the Oil Franchise Tax General Fund the balance, if any, in excess of \$10,000,000 remaining in the Revenue Fund.

The Oil Franchise Tax General Fund shall be used to make up deficiencies in any funds or accounts created under the Indenture and, in the absence of any such deficiency, may be expended by the Commission (a) to purchase or redeem Bonds or any other obligations issued by the Commission; (b) to make payments into the Construction Fund; (c) to fund improvements, extensions and replacements of the Pennsylvania Turnpike System; (d) to make any payment due under the Parity Swap Agreements that were not paid by moneys withdrawn from the Revenue Fund (provided the Commission has moneys available to pay debt service on the Senior Obligations for the next 12 months); or (e) to further any lawful corporate purpose permitted by Act 61. See APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS."

Additional Bonds

The Indenture provides for the issuance of Additional Senior Bonds and Additional Subordinated Bonds. The Additional Bonds may be issued under and secured by the Indenture at any time or times for the purpose of paying the cost of all or any part of any Project or completion of any Project or for the purpose of refunding or advance refunding all or any portion of the Bonds then outstanding and, in each case, paying costs incurred in connection with the issuance of such Additional Bonds and making any necessary contributions to the Subordinated Bonds Debt Service Reserve Fund. The following things, among others, must be filed with the Trustee as a condition to the issuance of any Additional Bonds except with respect to certain Additional Bonds issued for refunding purposes, as described under the immediately following heading, a certificate signed by the Treasurer, Assistant Treasurer or of the Commission (the "Treasurer's Certificate") demonstrating and concluding that the Historic Tax Revenues (as described below) were not less than 200% of the Maximum Principal and Interest Requirements on account of all Senior Bonds to be outstanding under the Indenture after the issuance of the Additional Senior Bonds and not less than 115% of the Maximum Principal and Interest Requirements on account of all Bonds to be outstanding under the Indenture after the issuance of the Additional Subordinated Bonds.

In any computation of Historic Tax Revenues for purposes of the test described above, if the rate or rates at which the Oil Franchise Tax are imposed or the percentage of Tax Receipts to be received by the Commission during all or any part of the period for which any such calculation is made shall be different from the rate or rates at which the Oil Franchise Tax is imposed or the percentage of Tax Receipts received by the Commission in effect at the time such calculation is made, there shall be added to or deducted from said Tax Revenues so calculated, any increase or decrease in the Tax Revenues for such period which would result from such different rate or rates or percentage.

“Tax Receipts” are defined in the Indenture as the amounts received by the Trustee from the Commonwealth and paid from the Oil Franchise Tax.

"Tax Revenues" are defined in the Indenture as the Tax Receipts or any receipts, revenues and other money received by the Trustee on or after the date of the Indenture from any tax or other source of funds from the Commonwealth in substitution and/or replacement of the Tax Receipts and the interest and income earned on any fund or account where said interest or income is required to be credited to the Revenue Fund pursuant to the Indenture, but excluding any moneys received by way of grant or contribution from any governmental agency or other entity specifically designated by the grantor or contributor for a particular purpose.

"Historic Tax Revenues" are defined in the Indenture, as the Tax Revenues for any 12 consecutive calendar months during the then previous 24 calendar months with such adjustments as may be required pursuant to the Indenture and shall exclude the Initial Deposit.

Additional Bonds for Refunding Purposes

If the Additional Senior Bonds to be issued are for refunding purposes, the Commission shall not be required to deliver the Treasurer's Certificate if there is delivered to the Trustee a Certificate signed by the Treasurer, Assistant Treasurer or Chief Financial Officer of the Commission demonstrating that the percentage derived by dividing the amount of the Historic Tax Revenues by the Maximum Annual Principal and Interest Requirements on Senior Bonds outstanding after delivery of such Additional Senior Bonds shall be either (i) at least 200% or (ii) not less than the percentage obtained by dividing such amounts prior to delivery of such Additional Senior Bonds. If the Additional Subordinated Bonds to be issued are for refunding purposes, the Commission shall not be required to deliver the Treasurer's Certificate if there is delivered to the Trustee a Certificate signed by the Treasurer, Assistant Treasurer or Chief Financial Officer of the Commission demonstrating that the percentage derived by dividing the amount of the Historic Tax Revenues by the Maximum Principal and Interest Requirements on Bonds outstanding after delivery of such Additional Subordinated Bonds shall be either (i) at least 115% or (ii) not less than the percentage obtained by dividing such amounts prior to delivery of such Additional Subordinated Bonds.

OIL FRANCHISE TAX

The Oil Franchise Tax was first imposed in 1981 by Section 4 of Act 1981, June 23, P.L. 98, No. 35 in the amount of 35 mills on each dollar of petroleum revenues. The tax was increased by an additional 25 mills in 1983, an additional 55 mills in 1991, and an additional 93.5 mills in 1997 to a total of 208.5 mills. 153.5 of these mills is a tax imposed on liquid fuels and fuels and 55 mills (a part of the tax added in 1997) is a tax imposed on fuels alone.

The additional 55 mills added in 1991, imposed on liquid fuels and fuels, is distributed as follows:

- (i) 42% to county maintenance districts for highway maintenance;
- (ii) 17% for highway capital projects;
- (iii) 13% for bridges;
- (iv) 2% for bridges identified as county or forestry bridges;
- (v) 12% to municipalities for local roads; and
- (vi) 14% for toll roads designated pursuant to Act 61 as the Commission Allocation.

Commission Allocation

The Commission Allocation of the Oil Franchise Tax consists of 14% of the additional 55 mills of the Oil Franchise Tax which 55 mills became effective pursuant to Act 26 beginning on September 1, 1991. The law provides for monthly payments to the Commission. As the Oil Franchise Tax Revenues are collected by the Department of Revenue, they are required to be deposited into a restricted account of the Motor License Fund of the Commonwealth held by the Department of Transportation. No administrative fees or expenses are deducted and no earnings are added.

The administrative process for paying the Commission Allocation involves an executive authorization, based on official revenue estimates, executed by the Governor each year at or prior to the beginning of the Commonwealth's fiscal year which ends on June 30 each year. The Commission's fiscal year ends on May 31 each year. The Governor is required by law to authorize payment of the Commission Allocation. Such authorization is based on estimated Oil Franchise Taxes at the beginning of the year and authorizes payment of the Commission Allocation monthly as described above based on such estimates. If the amount collected during the year varies from the estimate, a reconciliation is prepared by the Commonwealth and there is a subsequent adjustment of payments. Payments to the Commission are made in accordance with the current Department of Revenue administrative procedure, on a priority basis over other uses of the Oil Franchise Tax. This priority procedure is not mandated by statute.

Pledge and Appropriation

Section 9511(h) of Chapter 95 of Title 75 of the Pennsylvania Consolidated Statutes provides as follows:

The Commonwealth does hereby pledge to and agrees with any person, firm or corporation acquiring any bonds to be issued by the Pennsylvania Turnpike Commission and secured in whole or in part by a pledge of the portion of the tax known as the "oil company franchise tax for highway maintenance and construction" which is imposed by Section 9502(a)(2) and distributed in the manner indicated in that section, including 14% for toll roads designated under the Turnpike Organization, Extension and Toll Road Conversion Act, that the Commonwealth will not limit or alter the rights vested in the Pennsylvania Turnpike Commission to the appropriation and distribution of such tax revenues.

In the opinion of Bond Counsel, pursuant to the Oil Franchise Tax Act, the Commission Allocation has been appropriated by the Commonwealth and does not require further legislative appropriation or approval. See the form of Bond Counsel opinion attached hereto as APPENDIX D, "FORM OF OPINION OF BOND COUNSEL"

In the Indenture, the Commission also covenants it will seek to enforce the pledge and appropriation of the Commonwealth with respect to the Oil Franchise Tax and covenants that the Commission will petition the General Assembly for additional funds in the event that the Tax Revenues are inadequate to pay amounts due under the Indenture.

The Trustee or the holders of not less than 25% of the principal amount of the Bonds then outstanding may, and the Trustee shall, upon the request of the holders of not less than 10% in principal amount of Bonds then outstanding and upon being indemnified to its satisfaction, institute and prosecute any appropriate action to enforce the pledge and appropriation of the Commonwealth with respect to the Oil Franchise Tax.

Act 3

Act 3 revises certain of the provisions of Act 26 which contains the appropriation of the Commission Allocation of the Oil Franchise Tax. These revisions include the clarification of the definitions of liquid fuels and fuels as the subjects of the tax. In addition, Act 3 designated distributors rather than the previously designated dealers as payors of the Oil Franchise Tax.

Act 3 requires that each distributor obtain an annual fuels permit in order to engage in the sale and delivery of liquid fuels within the Commonwealth. The renewal of such permit is conditioned on the filing of a surety bond or letter of credit as security for its obligation to pay the tax and the distributor faithfully complying with the requirement to pay the Oil Franchise Tax. The amount of the surety bond or letter of credit is based on each distributor's historic tax payments.

Act 3 further provides that all appropriate Oil Franchise Taxes collected by the distributors shall constitute a trust fund for the Commonwealth. The trust is enforceable against the distributor and any person receiving any part of the funds, without consideration or knowing that the distributor is committing a breach of trust, is personally responsible to the Commonwealth. Unpaid taxes for which a trust is enforced against the officers of the distributor is a lien upon the franchise and property of such distributor and officer.

Liquid Fuels and Fuels as the Subjects of Oil Franchise Tax

The Oil Company Franchise Tax, which is designated as a tax for highway maintenance and construction, is imposed by Section 9502 of Chapter 95 of Title 75 of the Pennsylvania Consolidated Statutes upon all "liquid fuels" and "fuels".

"Liquid fuels" are defined as all products derived from petroleum, natural gas, coal, coal tar, vegetable ferments, and other oils. The term includes gasoline, naphtha, benzol, benzine, or alcohol, either alone or when blended or compounded, which are practically and commercially suitable for use in internal combustion engines for the generation of power or which are prepared, advertised, offered for sale or sold for use for that purpose. The term does not generally include kerosene, fuel oil, gas oil, diesel fuel, tractor fuel by whatever trade name or technical name known having an initial boiling point of not less than 200 degrees Fahrenheit and of which not more than 95% has been recovered at 464 degrees Fahrenheit (ASTM method D-86), liquefied gases which would not exist as liquids at a temperature of 60 degrees Fahrenheit and pressure of 14.7 pounds per square inch absolute or naphthas and benzols and solvents sold for use for industrial purposes.

"Fuels" are defined as including diesel fuel and all combustible gases and liquids used for the generation of power in aircraft or aircraft engines, or used in an internal combustion engine for the generation of power to propel vehicles on the public highways. The term does not include liquid fuels or dyed diesel fuel. Notwithstanding the foregoing, a separate aviation or fuels tax, in lieu of the Oil Franchise Tax, is imposed on aviation fuels.

The Commonwealth's liquid fuels tax statute exempts fuel used by or sold to the United States government, the Commonwealth and its political subdivisions, volunteer fire companies, volunteer ambulance services and volunteer rescue squads, second class county port authorities and nonpublic schools not operated for profit. Such exemptions also are applied to the Oil Franchise Tax. The Department of Revenue may require purchasers of liquid fuels and fuels to provide the selling oil company with documentation to substantiate any portion of its purchases which are to be used for a nontaxable purpose.

Collection and Calculation of Oil Franchise Tax

The Commonwealth Department of Revenue (the "Department of Revenue") is charged with the enforcement of the provisions of Chapters 90 and 95 of Title 75 of the Pennsylvania Consolidated Statutes. All taxes, interest and penalties imposed by Chapter 95 of Title 75 of the Pennsylvania Consolidated Statutes are to be deposited in the Motor License Fund and that amount resulting from the 55 mills is allocated, as described above, under the caption "OIL FRANCHISE TAX."

The Oil Franchise Tax is imposed and collected upon all gallons of taxable liquid fuels and fuels on a "cents-per-gallon equivalent basis." Distributors are liable to the Commonwealth for the collection and payment of this tax which is required to be collected by the distributor at the time the liquid fuels and fuels are used or sold and delivered by the distributor.

The collection on a "cents-per-gallon equivalent basis" (millage rate) is defined as the average wholesale price per gallon multiplied by the decimal equivalent of the tax imposed which, in the case of the Commission, is the additional 55 mills added in 1991 multiplied by 14%. The average wholesale price means the average wholesale price per gallon of all taxable liquid fuels and fuels, excluding the federal excise tax and all liquid fuels taxes, as determined by the Department of Revenue for the 12-month period ending on the September 30 immediately prior to January 1 of the year for which the rate is to be set. The statute provides that the average wholesale price for purposes of calculating the Oil Franchise Tax shall not be less than \$0.90 nor more than \$1.25 per gallon. The average wholesale price has been approximately \$0.90 since April 1991.

Amounts of Oil Franchise Tax Collected

The following table lists the amounts of Oil Franchise Tax collected by the Commonwealth and deposited into the Motor License Fund in each of the last six fiscal years of the Commonwealth and sets forth the estimated Oil Franchise Tax collections for 1999 through 2003 as set forth in the Governor's Executive Budget for the Commonwealth's '03-'04 fiscal year. The historical Commission Allocation presented below reflects actual receipts by the Commission.

**PENNSYLVANIA OIL FRANCHISE TAX
(DOLLAR AMOUNTS IN THOUSANDS)
(REPORTED ON A CASH BASIS ⁽¹⁾)**

| Commonwealth Fiscal Year Ending June 30 Actual | Tax Collected On Additional 55 Mills | Commission Allocation ⁽²⁾ |
|---|---|---|
| 1997 | \$309,530 | \$42,313 |
| 1998 | 278,481 | 41,432 |
| 1999 | 311,443 | 42,759 |
| 2000 | 316,342 | 41,275 |
| 2001 | 312,946 | 44,379 |
| 2002 | 325,486 | 45,512 |
| 2003 | 331,089 | 46,288 |
| Estimated ⁽³⁾ | | |
| 2004 | \$328,340 | \$47,062 |
| 2005 | 333,600 | 46,907 |
| 2006 | 338,940 | 47,390 |
| 2007 | 344,390 | 48,151 |
| 2008 | 349,920 | 48,925 |

Sources: Governor's Executive Budget for Fiscal Year 2003-04 and Pennsylvania Turnpike Commission

⁽¹⁾ Except as noted, amounts shown in this table are cash received and deposited into the Motor License Fund; these amounts may therefore vary from amounts shown on an accrual basis used for financial accounting statement purposes.

⁽²⁾ Amounts shown as "Commission Allocation" are 14% of the 55 mills of Oil Franchise Tax distributed to the Commission from the Motor License Fund. Historical payments reflect actual distribution to the Commission. Annual Commission Allocation is shown for Commonwealth's fiscal year.

⁽³⁾ Estimates included in the Governor's Executive Budget for the Commonwealth's 2003-04 fiscal year. The estimates shown vary from year to year depending primarily on the timing of payment dates. Commission Allocation estimates are determined by multiplying Commission's 14% allocation by the total estimated revenues from the additional 55 mills.

THE ESTIMATES SET FORTH IN THE PRECEDING TABLE ARE THOSE USED IN THE GOVERNOR'S EXECUTIVE BUDGET OR WERE DERIVED FROM ESTIMATES USED IN THE GOVERNOR'S EXECUTIVE BUDGET FOR FISCAL YEAR 2003-04 AND ARE ESTIMATES ONLY. THERE CAN BE NO ASSURANCES THAT THE COMMISSION ALLOCATION OR THE ESTIMATED AVAILABLE REVENUES IN THE YEARS SHOWN WILL NOT VARY MATERIALLY AND/OR ADVERSELY FROM THE ESTIMATES. NUMEROUS FACTORS COULD AFFECT THE ACTUAL AMOUNT OF THE COMMISSION ALLOCATION AND OTHER AVAILABLE REVENUES.

Historical Consumption Amounts

The following table lists historic gallonage consumed for the primary fuels on which the Oil Franchise Tax is imposed. The table provided below does not purport to include all fuels on which the Oil Franchise Tax is calculated. For a full description, see "OIL FRANCHISE TAX - Liquid Fuels and Fuels as the Subjects of Oil Franchise Tax."

HISTORICAL GALLONAGE CONSUMPTION FOR OIL FRANCHISE TAX GASOLINE AND DIESEL FUELS

| Commonwealth Fiscal Year Ending June 30 | Gasoline | Diesel | Total Gallonage |
|--|-----------------|---------------|------------------------|
| 1992 | 4,538,755,790 | 932,671,845 | 5,471,427,635 |
| 1993 | 4,574,860,524 | 971,858,275 | 5,546,718,799 |
| 1994 | 4,653,023,145 | 1,053,380,838 | 5,706,403,983 |
| 1995 | 4,686,926,277 | 1,125,433,461 | 5,812,359,738 |
| 1996 | 4,713,859,414 | 1,157,330,928 | 5,871,190,342 |
| 1997 | 4,747,429,148 | 1,225,196,360 | 5,972,625,508 |
| 1998 | 4,776,421,828 | 1,256,340,861 | 6,032,762,689 |
| 1999 | 4,909,937,077 | 1,292,744,713 | 6,202,681,790 |
| 2000 | 4,977,519,438 | 1,319,974,749 | 6,297,494,187 |
| 2001 | 4,978,967,504 | 1,280,151,339 | 6,259,118,843 |
| 2002 | 5,176,632,677 | 1,325,268,508 | 6,501,901,185 |
| 2003 ⁽¹⁾ | 3,031,644,371 | 763,115,992 | 3,794,760,363 |

Source: Pennsylvania Department of Revenue

⁽¹⁾ Through January 31, 2003 (Seven Months)

DEBT SERVICE SCHEDULE⁽¹⁾

The following table shows the debt service for the 2003 Fixed Rate Bonds, the 2003 Multi-Modal Senior Bonds and 1998 Bonds outstanding:

| Year Ending June 30 | 2003 Fixed Rate Debt Service | 2003 Multi- Modal Debt Service ⁽²⁾ | 1998 Outstanding Debt Service | Total Debt Service | Total Senior Debt Service | Total Subordinated Debt Service | Total Debt Service |
|---------------------------|--|---|--|--------------------------|------------------------------------|--|--------------------------|
| 2004 | \$22,617,755 | \$5,229,778 | \$11,716,561 | \$39,564,094 | \$22,745,523 | \$16,818,571 | \$39,564,094 |
| 2005 | 21,288,481 | 6,560,000 | 11,716,661 | 39,565,143 | 22,747,311 | 16,817,831 | 39,565,143 |
| 2006 | 21,285,281 | 6,560,000 | 11,718,144 | 39,563,425 | 22,747,419 | 16,816,006 | 39,563,425 |
| 2007 | 21,282,981 | 6,560,000 | 11,717,341 | 39,560,323 | 22,745,656 | 16,814,666 | 39,560,323 |
| 2008 | 21,280,619 | 6,560,000 | 11,720,579 | 39,561,198 | 22,749,594 | 16,811,604 | 39,561,198 |
| 2009 | 21,289,850 | 6,560,000 | 11,714,869 | 39,564,719 | 22,745,431 | 16,819,288 | 39,564,719 |
| 2010 | 21,285,975 | 6,560,000 | 11,717,506 | 39,563,481 | 22,748,325 | 16,815,156 | 39,563,481 |
| 2011 | 21,282,569 | 6,560,000 | 11,718,206 | 39,560,775 | 22,747,725 | 16,813,050 | 39,560,775 |
| 2012 | 21,284,606 | 6,560,000 | 11,718,813 | 39,563,419 | 22,748,450 | 16,814,969 | 39,563,419 |
| 2013 | 21,284,631 | 6,560,000 | 11,718,538 | 39,563,169 | 22,746,638 | 16,816,531 | 39,563,169 |
| 2014 | 21,285,288 | 6,560,000 | 11,716,594 | 39,561,881 | 22,745,569 | 16,816,313 | 39,561,881 |
| 2015 | 21,283,028 | 6,560,000 | 11,721,931 | 39,564,959 | 22,749,300 | 16,815,659 | 39,564,959 |
| 2016 | 21,283,806 | 6,560,000 | 11,719,469 | 39,563,275 | 22,747,356 | 16,815,919 | 39,563,275 |
| 2017 | 21,280,281 | 6,560,000 | 11,720,847 | 39,561,128 | 22,745,984 | 16,815,144 | 39,561,128 |
| 2018 | 21,281,563 | 6,560,000 | 11,719,813 | 39,561,375 | 22,744,900 | 16,816,475 | 39,561,375 |
| 2019 | 21,282,394 | 6,560,000 | 11,718,194 | 39,560,588 | 22,744,969 | 16,815,619 | 39,560,588 |
| 2020 | 21,286,069 | 6,560,000 | 11,716,775 | 39,562,844 | 22,749,506 | 16,813,338 | 39,562,844 |
| 2021 | 21,287,388 | 6,560,000 | 11,715,150 | 39,562,538 | 22,746,825 | 16,815,713 | 39,562,538 |
| 2022 | 21,281,513 | 6,560,000 | 11,720,525 | 39,562,038 | 22,749,700 | 16,812,338 | 39,562,038 |
| 2023 | 21,288,431 | 6,560,000 | 11,716,775 | 39,565,206 | 22,747,856 | 16,817,350 | 39,565,206 |
| 2024 | 21,284,438 | 6,560,000 | 11,717,775 | 39,562,213 | 22,748,506 | 16,813,706 | 39,562,213 |
| 2025 | 23,117,400 | 11,751,350 | 4,692,369 | 39,561,119 | 22,749,600 | 16,811,519 | 39,561,119 |
| 2026 | 12,248,400 | 22,626,888 | 4,689,044 | 39,564,331 | 22,626,888 | 16,937,444 | 39,564,331 |
| 2027 | 12,216,575 | 22,655,400 | 4,691,338 | 39,563,313 | 22,655,400 | 16,907,913 | 39,563,313 |
| 2028 | 12,218,688 | 22,654,188 | 4,688,775 | 39,561,650 | 22,654,188 | 16,907,463 | 39,561,650 |
| 2029 | 16,888,388 | 22,672,225 | - | 39,560,613 | 22,672,225 | 16,888,388 | 39,560,613 |
| 2030 | 16,880,275 | 22,682,975 | - | 39,563,250 | 22,682,975 | 16,880,275 | 39,563,250 |
| 2031 | 16,852,025 | 22,709,900 | - | 39,561,925 | 22,709,900 | 16,852,025 | 39,561,925 |
| 2032 | 16,837,525 | 22,726,463 | - | 39,563,988 | 22,726,463 | 16,837,525 | 39,563,988 |
| 2033 | 16,830,450 | 22,731,638 | - | 39,562,088 | 22,731,638 | 16,830,450 | 39,562,088 |
| Total | \$592,396,671 | \$329,640,803 | \$264,842,589 | \$1,186,880,063 | \$681,901,819 | \$504,978,244 | \$1,186,880,063 |

⁽¹⁾ Figures rounded.

⁽²⁾ Interest with respect to the 2003 Multi-Modal Senior Bonds calculated at the fixed swap rate payable by the Commission to the swap counterparties plus annual remarketing and related fees to be paid by the Commission. The Parity Swap is expected to be in place until the final maturity of the 2003 Multi-Modal Senior Bonds. The Swap Agreements are of the same notional amount and for the same term as the 2003 Multi-Modal Senior Bonds.

Estimated Debt Service Coverage

Based on the information set forth on the previous page, the following table has been compiled to show debt service coverage of the estimated maximum annual debt service for the Bonds. The analysis presented as adjusted historical coverage below calculates the hypothetical Senior Bonds and total debt service coverage by actual historical Tax Receipts, assuming that certain 1998 Bonds, 2003 Multi-Modal Senior Bonds and 2003 Fixed Rate Senior Bonds were outstanding in the fiscal years indicated and that the Revenue Fund structure created by the Indenture was in place. Additionally, the adjusted historical coverages set forth assume that certain 1998 Bonds, the 2003 Fixed Rate Bonds and the 2003 Multi-Modal Senior Bonds are the only series of Oil Franchise Tax Bonds outstanding.

HISTORICAL AND PROJECTED COVERAGE ⁽¹⁾

| Commonwealth Fiscal Year Ending 6/30 | Historical Tax Receipts ⁽²⁾ | Senior Debt Service ⁽³⁾ | Estimated Senior Coverage | Total Debt Service ⁽³⁾ | Estimated Total Coverage |
|--|---|---------------------------------------|---------------------------------|--------------------------------------|--------------------------------|
| 1997 | \$ 42,313,000 | \$ 19,999,846 | 2.12x | \$ 34,782,416 | 1.22x |
| 1998 | 41,432,000 | 19,999,846 | 2.07x | 34,782,416 | 1.19x |
| 1999 | 42,759,000 | 19,999,846 | 2.14x | 34,782,416 | 1.23x |
| 2000 | 41,275,000 | 19,999,846 | 2.06x | 34,782,416 | 1.19x |
| 2001 | 44,379,000 | 19,999,846 | 2.22x | 34,782,416 | 1.28x |
| 2002 | 45,512,000 | 19,999,846 | 2.28x | 34,782,416 | 1.31x |
| 2003 | 46,288,000 | 19,999,846 | 2.31x | 34,782,416 | 1.33x |
| 2004-2033 | \$ 46,288,000 | \$ 22,749,700 ⁽⁴⁾ | 2.03x | \$ 39,565,206 ⁽⁴⁾ | 1.17x |

⁽¹⁾ Debt Service Reserve Fund Earnings, if any, are available only for the Subordinated Bonds. This table does not assume any Debt Service Reserve Fund earnings.

⁽²⁾ Actual Commission Allocation received through FY 2003. FY 2004-2033 coverage assumes Tax Receipts equal to FY2003. Source: Pennsylvania Turnpike Commission.

⁽³⁾ With respect to FY 1997 through 2003, maximum annual debt service on the 1998 Bonds.

⁽⁴⁾ Maximum annual debt service on the 1998 Bonds, the 2003 Fixed Rate Bonds and the 2003 Multi-Modal Senior Bonds assuming, with respect to the 2003 Multi-Modal Senior Bonds, the fixed swap rate payable by the Commission to the swap counterparties plus annual broker-dealer and related fees to be paid by the Commission. The Parity Swap is expected to be in place until the final maturity of the 2003 Multi-Modal Senior Bonds. The Swap Agreements are of the same national amount and for the same term as the 2003 Multi-Modal Senior Bonds.

Factors Affecting Use of Liquid Fuels and Fuels

The amount of the Commission Allocation is dependent on the amount of liquid fuels and fuels, as defined in Chapter 90 of Title 75 of the Pennsylvania Consolidated Statutes, used in Pennsylvania and the price of such liquid fuels and fuels. The use of liquid fuels and fuels and the collection of Oil Franchise Taxes could be adversely affected by many factors. For example, world events which cause a significant increase in the price of liquid fuels or fuels or in the availability of liquid fuels or fuels could adversely affect the amount of liquid fuels and fuels used. In addition, significant increases in state or federal fuel taxes and the development, improvement and increased use of more fuel efficient vehicles and alternative fuels not incorporated as a subject of the Oil Franchise Tax could also adversely affect the amount of liquid fuels and fuels used. Economic downturns can also adversely affect the use of liquid fuels and fuels. Therefore, there can be no assurance that the estimated Commission Allocation shown in the preceding table will be the actual amount of such allocation and any variation could be material and adverse.

Information under this caption "OIL FRANCHISE TAX" and elsewhere in this Official Statement and the Appendices includes forward-looking statements about the future that are necessarily subject to various risks and uncertainties (the "Forward-Looking Statements"). These Forward-Looking Statements are (i) based on the beliefs and assumptions of management of the Commission and on information currently available to them and (ii) generally identifiable by words such as "estimates," "expects," "anticipates," "plans," "believes" and other similar expressions.

Events that could cause future results to differ materially from those expressed in or implied by Forward-Looking Statements or historical experience include the impact or outcome of many factors that are described throughout this Official Statement and the Appendices. Although the ultimate impact of such factors is uncertain, they may cause future performance to differ materially from results or outcomes that are currently sought or expected by the Commission.

FINANCIAL GUARANTY INSURANCE

The following information under this heading "FINANCIAL GUARANTY INSURANCE" has been provided to the Commission by MBIA Insurance Corporation. Reference is made to APPENDIX E, "FORM OF FINANCIAL GUARANTY INSURANCE POLICY", for a specimen of MBIA's policy.

The MBIA Insurance Corporation Insurance Policy

MBIA's (as hereinafter defined) policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Commission to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 2003 Multi-Modal Senior Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the 2003 Multi-Modal Senior Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2003 Multi-Modal Senior Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of the 2003 Multi-Modal Senior Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal or interest on the 2003 Multi-Modal Senior Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the 2003 Multi-Modal Senior Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Trustee or any owner of a Series 2003 Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 2003 Multi-Modal Senior Bonds or presentment of such other proof of ownership of the 2003 Multi-Modal Senior Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2003 Multi-Modal Senior Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the 2003 Multi-Modal Senior Bonds in any legal proceeding related to payment of insured amounts on the 2003 Multi-Modal Senior Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such 2003 Multi-Modal Senior Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation ("MBIA" or the "Bond Insurer") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading "FINANCIAL GUARANTY INSURANCE". Additionally, MBIA makes no representation regarding the 2003 Multi-Modal Senior Bonds or the advisability of investing in the 2003 Multi-Modal Senior Bonds.

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

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2002; and
- (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the 2003 Multi-Modal Senior Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, MBIA had admitted assets of \$9.2 billion (audited), total liabilities of \$6.0 billion (audited), and total capital and surplus of \$3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2003, MBIA had admitted assets of \$9.3 billion (unaudited), total liabilities of \$6.1 billion (unaudited), and total capital and surplus of \$3.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2003 Multi-Modal Senior Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2003 Multi-Modal Senior Bonds. MBIA does not guaranty the market price of the 2003 Multi-Modal Senior Bonds nor does it guaranty that the ratings on the 2003 Multi-Modal Senior Bonds will not be revised or withdrawn.

THE COMMISSION

Organization

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

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

| <u>Name</u> | <u>Position</u> | <u>Expiration of Term</u> ⁽¹⁾ |
|-----------------------|---------------------|--|
| Mitchell Rubin | Chairman | June 25, 2006 |
| Timothy J. Carson | Vice-Chairman | November 21, 2004 |
| James J. Dodaro | Secretary-Treasurer | December 7, 2003 |
| Pasquale T. Deon, Sr. | Commissioner | June 25, 2006 |
| Allen Biehler | Commissioner | Ex-Officio |

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

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

Act 61 expanded the scope of and modified the earlier legislation and granted additional powers to the Commission. It authorized and empowered the Commission to undertake the Capital Improvement Program (hereinafter defined), as well as other construction projects. It further authorized the Commission to issue, by resolution, Turnpike Revenue Bonds for the purpose of paying the costs of such turnpike projects. Such Turnpike Revenue Bonds may be issued for a term not to exceed 40 years from their dates of issuance without any other proceedings or the happening of any other conditions or things other than those proceedings, conditions and things which are presently specified and required by Act 61. Act 26 made certain changes to Act 61 by shifting the priority of certain Act 61 projects and by adding provisions regarding certain new projects. Act 26 also made certain changes to the Commonwealth's Oil Franchise Tax by increasing such tax by 55 mills, with 14% of such increase being dedicated for certain toll road projects under Act 61, as amended by Act 26. Act 26 also authorized, after certain approvals, the conversion of certain portions of the interstate system to toll roads, if necessary. See "OIL FRANCHISE TAX" and "TURNPIKE IMPROVEMENT PROGRAM." The Commission Allocation is pledged to secure the payment of the Bonds.

The Enabling Acts provide that the Commission shall not be required to pay any taxes or assessments on any property acquired or used by it. They also provide that Turnpike Revenue Bonds issued by the Commission shall not be deemed to be debts of the Commonwealth or pledges of the faith and credit of the Commonwealth and that the Commonwealth is not obligated to levy or pledge any form of taxation or make any appropriation for the payment of such bonds.

Executive Personnel

Joseph G. Brimmeier has been the Chief Executive Officer since February 2003. Prior to that time, he served as Chief of Staff to former U.S. Representative Ron Klink.

Kevin F. Longenbach has been the Chief Operating Officer since February 2003. Prior to that time, from 1981 to February 2003, he served in executive management positions with the Commission, most recently for ten years as its Deputy Chief Counsel.

J. Blair Fishburn is the Chief Financial Officer and had been the Deputy Executive Director of Finance and Administration beginning in February 1997. Prior to that time, from 1996 to 1997, he was a financial consultant for AMP Inc. and, from 1976 to 1996, he was with IBM Corporation.

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

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

PENNSYLVANIA TURNPIKE SYSTEM

General

The present Pennsylvania Turnpike System is composed of a 357 mile mainline section traversing the southern portion of Pennsylvania from east to west identified as the Turnpike Mainline and a 110 mile north-south section identified as the Northeast Extension. In addition, a north-south connection, known as the Beaver Valley Expressway, is approximately 16 miles in length and intersects the Turnpike Mainline. The Amos K. Hutchinson Bypass is approximately 13 miles in length and adjoins the Turnpike Mainline near the New Stanton Interchange. A six-mile section of the Mon/Fayette Project, another eight mile section from the Pennsylvania/West Virginia border to Fairchance, which is located just south of Uniontown, and a 17 mile section from I-70 to PA-52 in southern Allegheny County are open as part of the Pennsylvania Turnpike System. When completed, the Mon/Fayette Expressway will extend from Interstate Route 68 in West Virginia to Interstate Route 376 near Pittsburgh.

The Turnpike Mainline connects with the Ohio Turnpike at its western terminus and with the New Jersey Turnpike at its eastern terminus. Its total length is approximately 360 miles. The Turnpike Mainline commences on the eastern boundary of Pennsylvania at the Delaware River Bridge which connects the Pennsylvania Turnpike 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 Northeast Extension is approximately 110 miles in length and connects the Turnpike Mainline and the area north of Scranton. The Northeast Extension meets the Turnpike Mainline at a point north of Plymouth Meeting, a suburb of Philadelphia, and traverses the eastern portion of Pennsylvania in a northerly direction through Allentown and Scranton to its northern terminus where it connects with U.S. Route 6 and Interstate Route 81.

The Pennsylvania Turnpike was constructed prior to development of the National Interstate Highway System but portions have been designated as Interstate Routes. No Federal Highway Trust Fund moneys have been utilized, however, in the construction of the Turnpike Mainline, Northeast Extension, Beaver Valley Expressway or Amos K. Hutchinson Bypass section of the Turnpike. The Turnpike Mainline has been designated as Interstate Route 276 between the area where Interstate Route 95 crosses the Pennsylvania Turnpike System between Exits 351 and 358 and the Valley Forge Interchange, Exit 326. 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 segment

between the New Stanton and Breezewood Interchanges, Exits 75 through 161, respectively, has been designated as Interstate Route 70. The Northeast Extension has recently been designated as Interstate Route 476.

The Pennsylvania Turnpike System was constructed and opened to traffic in sections. The original Turnpike Mainline section between Irwin and Carlisle, Exits 67 through 266, respectively, was opened in 1940. Ten years later, in 1950, the 100-mile section between Carlisle and King of Prussia, Exits 226 through 326, was completed and opened for traffic. After 1950, construction of new sections of the Pennsylvania Turnpike System occurred at more frequent intervals with the Turnpike Mainline segment in service as of May, 1956. The initial section of the Northeast Extension between the Turnpike Mainline and the temporary interchange just south of the Lehigh Tunnel was opened in 1955. The final section, from such 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 Pennsylvania Turnpike Commission and the New Jersey Turnpike Authority.

CAPITAL IMPROVEMENT PROGRAM

Authorized Projects

In 1985, the General Assembly of the Commonwealth enacted legislation which, among other things, authorized and empowered the Commission to undertake the construction of new projects and to operate them as part of the Pennsylvania Turnpike System. This legislation, known as the "Turnpike Organization, Extension and Toll Road Conversion Act," also known as Act 1985-61 ("Act 61"), included several groups of projects for the Pennsylvania Turnpike System. Act 61 grouped the improvement and extension authorizations into four major groups of projects. See INTRODUCTION-INDENTURE AND ENABLING ACTS for a list of other Enabling Acts which have amended Act 61 including Act 26 which authorized the Commission Allocation and Act 3 which revised certain of the provisions of Act 26 and contains the continuing appropriation of the Commission Allocation. See "OIL FRANCHISE TAX - Act 3."

The initial group of projects includes, among others, the following, a portion of which have been financed and completed with bond proceeds: the Beaver Valley Climbing Lane, the Downingtown Interchange, the Fort Washington, Willow Grove and Philadelphia Interchanges, the six-lane widening between the Northeast Extension and the Delaware River Interchange, the Mid-County Expressway Connection (Montgomery County), the Beaver Valley Expressway, the Amos K. Hutchinson Bypass (formerly the Greensburg (North-South) Bypass), the Keyser Avenue Interchange (Wilkes-Barre—Scranton Area) and an additional Lehigh Tunnel on the Northeast Extension.

Mon/Fayette Expressway and Southern Beltway

Three projects constructed as part of the Mon/Fayette Expressway are in operation. One is a six-mile toll road between Interstate Route 70 and U.S. Route 40 in Washington County. This project was built by the Department of Transportation and turned over to the Commission upon its opening in 1990. The second is an eight mile section of toll road from the Pennsylvania/West Virginia border to Fairchance, which is located just south of Uniontown. The third is a 17 mile section of toll road from Interstate Route 79, Washington County to PA Route 51 in Allegheny County. These are now part of the Pennsylvania Turnpike System.

Two other projects will complete the entire Mon/Fayette Expressway. The environmental design for the section from Uniontown to Brownsville is complete and the engineering design is now underway. A section, extending from Uniontown to Brownsville, has completed its environmental design and its engineering design is now underway. A section, extending from PA Route 51 to Interstate Route 376 in Pittsburgh, is in the environmental study phase. The environmental studies for this section are to be completed in 2004.

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

The total estimated cost of the Mon/Fayette Expressway and the Southern Beltway is approximately \$4 billion. The proceeds of the 1998 Bonds have been applied toward these costs. It is anticipated that the Mon/Fayette Expressway and the Southern Beltway will be financed out of Oil Franchise Tax Revenues and Registration Fee Revenues along with other funding sources. Although these are now planned to be toll roads, System Revenues will not be pledged for the financing of their construction.

OTHER COMMISSION INDEBTEDNESS

Currently approximately \$1.147 billion of Turnpike Revenue Bonds (the "Turnpike Revenue Bonds") are outstanding under the Turnpike Toll Revenue Indenture. The Turnpike Revenue Bonds are secured by tolls, receipts, revenues and other moneys from the Pennsylvania Turnpike System (collectively, the "Turnpike Revenues") separate and distinct from the security for the Bonds and do not and will not have any claim on the Commission Allocation or other parts of the Trust Estate. Likewise the holders of Bonds will have no claim on Turnpike Revenues.

Additionally, under Act 3, the Commission is receiving that portion of vehicle registration fee revenues (the "Registration Fee Revenues") paid by the Commonwealth for the benefit of the Commission's \$467,735,000 of Registration Fee Revenue Bonds which are outstanding under the Commission's Indenture. **The holders of the Bonds will have no claim on Registration Fee Revenues.**

In addition, the Commission may, from time to time, issue other notes, bonds and other forms of obligations payable from such sources as may be available including, but not limited to, federal grants, without restriction by the Indenture so long as the Commission Allocation is not pledged to such obligations or, if pledged, is pledged on a subordinate basis.

BOOK-ENTRY-ONLY SYSTEM

DTC will act as securities depository for the 2003 Multi-Modal Senior Bonds. The 2003 Multi-Modal Senior Bonds will be issued only 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 certificate will be issued for each maturity of the 2003 Multi-Modal Senior Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2003 Multi-Modal Senior Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Multi-Modal Senior Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participant's 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 Participants through which the Beneficial Owners entered into the transactions. Transfers of ownership interests in the 2003 Multi-Modal Senior 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 2003 Multi-Modal Senior Bonds, except in the event that use of the book-entry system for the 2003 Multi-Modal Senior Bonds is discontinued.

To facilitate subsequent transfers, all 2003 Multi-Modal Senior Bonds deposited by 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 2003 Multi-Modal Senior Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Multi-Modal Senior Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2003 Multi-Modal Senior 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.

So long as DTC serves as securities depository for the 2003 Multi-Modal Senior Bonds, redemption and other notices shall be sent only to Cede & Co. If less than all of the 2003 Multi-Modal Senior Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2003 Multi-Modal Senior Bonds unless authorized by a Direct Participant in accordance with DTC's 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 2003 Multi-Modal Senior Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2003 Multi-Modal Senior 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 Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Trustee, on the payment 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, the Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to 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 payment to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE COMMISSION AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, ITS NOMINEE OR ANY DIRECT PARTICIPANT PERTAINING TO OWNERSHIP IN THE 2003 MULTI-MODAL SENIOR BONDS THE PAYMENTS TO, OR THE PROVIDING OF NOTICES, TO THE DIRECT PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2003 MULTI-MODAL SENIOR BONDS, REFERENCES HEREIN TO THE HOLDERS OF THE 2003 MULTI-MODAL SENIOR BONDS, OR OWNERS OF THE 2003 MULTI-MODAL SENIOR BONDS, SHALL MEAN CEDE & CO., AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

DTC may discontinue providing its services as depository with respect to the 2003 Multi-Modal Senior Bonds at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the 2003 Multi-Modal Senior Bonds will be printed and delivered as provided in the Indenture. The Commission may decide to discontinue use of the system of book-entry transfers for the 2003 Multi-Modal Senior Bonds through DTC (or a successor securities depository). Under such circumstances, certificates for the 2003 Multi-Modal Senior Bonds will be printed and delivered as provided in the Indenture.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The Commission and the Underwriters take no responsibility for the accuracy thereof.

FINANCIAL STATEMENTS

The Commission maintains its financial records on the basis of a Fiscal Year ending May 31. Audited financial statements are prepared following the end of each fiscal year. These may be obtained, upon request, to the Chief Financial Officer of the Commission. Ernst & Young LLP currently serve as auditors to the Commission. Such financial statements relate to the financial affairs of the Commission. Because the 2003 Multi-Modal Senior Bonds are payable solely from the Oil Franchise Tax and the general credit and assets of the Commission are not available to pay the 2003 Multi-Modal Senior Bonds, the financial statements of the Commission have not been included in this Official Statement.

No separate financial statements are prepared or currently expected to be available with respect to the Motor License Fund into which the 55 mills of the Oil Franchise Tax is deposited and from which the Commission Allocation is to be distributed.

CONTINUING DISCLOSURE

In order to enable the Underwriters to comply with the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the Commission is entering into a Continuing Disclosure Undertaking for the benefit of the registered owners from time to time of the 2003 Multi-Modal Senior Bonds, to be dated as of August 1, 2003. ("Disclosure Agreement").

The Disclosure Agreement will provide that the Commission will provide to each nationally recognized municipal securities information repository ("Repository") and to the appropriate state information depository ("SID"), if any, within 180 days of the end of each fiscal year of the Commission commencing with the fiscal year ending May 31, 2003, annual unaudited financial information, consisting of the annual amounts of Oil Franchise Tax revenues collected by the Commonwealth and the annual amounts of the Commission Allocation.

The Disclosure Agreement will also provide that the Commission will file in a timely manner, with the Municipal Securities Rulemaking Board (the "MSRB") and a SID, if any, notice of the occurrence of any of the following events with respect to the 2003 Multi-Modal Senior Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax exempt status of the 2003 Multi-Modal Senior Bonds; (vii) modifications to rights of holders of the 2003 Multi-Modal Senior Bonds; (viii) 2003 Bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the 2003 Multi-Modal Senior Bonds; and (xi) rating changes. The foregoing events are quoted from Rule 15c2-12.

In addition, the Commission shall give notice in a timely manner to the MSRB and a SID, if any, of any failure to provide the Annual Financial Information on or before the date specified for such filing.

The Commission may amend the Disclosure Agreement and waive any of the provisions thereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the Commission or the

governmental operations conducted by the Commission, (ii) the Disclosure Agreement, as modified by the amendment or waiver, would have been the written undertaking contemplated by Rule 15c2-12 at the time of original issuance of the 2003 Multi-Modal Senior Bonds, taking into account any amendments or interpretations of Rule 15c2-12, and (iii) the amendment or waiver does not materially impair the interests of the registered owners of the 2003 Multi-Modal Senior Bonds. Evidence of compliance with the foregoing conditions shall be satisfied by delivery of an opinion of counsel having recognized skill and experience in the issuance of municipal securities and federal securities law to the effect that the amendment or waiver satisfies the conditions set forth in the preceding sentence. Notice of any amendment or waiver shall be filed by the Commission with each Repository and the SID, if any, and shall be sent to the registered owners of the 2003 Multi-Modal Senior Bonds.

The Disclosure Agreement will recite that it is entered into for the benefit of the registered owners from time to time of the 2003 Multi-Modal Senior Bonds. For the purposes of the Disclosure Agreement, for so long as the 2003 Multi-Modal Senior 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 2003 Multi-Modal Senior Bonds. Holders of book-entry credits may file their names and addresses with the Commission for the purposes of receiving notices or giving direction under the Disclosure Agreement.

A default under the Disclosure Agreement shall not be deemed to be a default under the 2003 Multi-Modal Senior Bonds, and the sole remedy to enforce the provisions of the Disclosure Agreement shall be the right of the Trustee or any registered owner, by mandamus, suit, action or proceeding at law or in equity, to compel the Commission to perform the provisions and covenants contained in the Disclosure Agreement.

The Disclosure Agreement will terminate (1) upon payment or provision for payment in full of the 2003 Multi-Modal Senior Bonds, (2) upon repeal or rescission of Section (b)(5) of Rule 15c2-12, or (3) upon a final determination that Section (b)(5) of Rule 15c2-12 is invalid or unenforceable. A copy of the Disclosure Agreement is on file at the principal corporate trust office of the Trustee.

UNDERWRITING

The 2003 Multi-Modal Senior Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement (the "Underwriters") for whom UBS Financial Services Inc. is acting as the Representative. The Underwriters have severally agreed to purchase the 2003 Multi-Modal Senior Bonds at an aggregate underwriting discount of \$1,019,200 from the initial public offering price of the 2003 Multi-Modal Senior Bonds. The Underwriters will be obligated to purchase all of the 2003 Multi-Modal Senior Bonds if any of such 2003 Multi-Modal Senior Bonds are purchased. The Underwriters may offer and sell the 2003 Multi-Modal Senior Bonds to certain dealers (including the dealers depositing such 2003 Multi-Modal Senior Bonds into investment trusts certain of which may be sponsored or managed by one or more of the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters. The Commission has agreed to be liable to the Underwriters to the extent of all losses, claims, damages and liabilities arising out of incorrect statements or information contained in this Official Statement or material omissions therein, except for information furnished by the Underwriters, and with respect to certain other matters.

RELATIONSHIPS OF CERTAIN PARTIES

Cohen & Grigsby, P.C., Bond Counsel, has represented both the Commission and UBS Financial Services Inc. in various matters. Dilworth Paxson LLP, Counsel to the Underwriters, has represented the Commission in various matters.

RATINGS

Standard & Poor's Public Finance Ratings, Moody's Investors Service and FitchRatings have assigned their municipal bond ratings of "AAA", "Aaa" and "AAA," respectively, to the 2003 Multi-Modal Senior Bonds, with the understanding that upon delivery of the 2003 Multi-Modal Senior Bonds, a policy insuring the payment when due of the principal of and interest on the 2003 Multi-Modal Senior Bonds will be issued by the Bond Insurer.

An explanation of the significance of each of such ratings may be obtained from the rating agency furnishing the same at the following addresses: Standard & Poor's Public Finance Ratings, 55 Water Street, New York, New York 10041; Moody's Investors Service, 99 Church Street, New York, NY 10007; and FitchRatings, One State Street Plaza, New York, NY 10004. 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 either of them, may have an adverse effect on the market price of the 2003 Multi-Modal Senior Bonds.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2003 Multi-Modal Senior Bonds, or in any way contesting or affecting the validity of the 2003 Multi-Modal Senior Bonds or any proceedings of the Commission taken with respect to the offer or sale thereof, the pledge or application of any moneys or security provided for the payment of the 2003 Multi-Modal Senior Bonds, or the existence or powers of the Commission.

LEGAL MATTERS

Certain legal matters will be passed upon by Cohen & Grigsby, P.C., Pittsburgh, Pennsylvania, Bond Counsel. A copy of the form of opinion of Bond Counsel which will be printed on the 2003 Multi-Modal Senior Bonds is set forth in APPENDIX D, "FORM OF OPINION OF BOND COUNSEL". Certain other legal matters will be passed upon for the Underwriters by their counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania, for the Commission by its Chief Counsel, William A. Chesnutt, and for the Bond Insurer by its counsel, Kutak Rock LLP, Irvine, California.

FINANCIAL ADVISORS

Hopkins & Company and Penn Capital Advisors have served as Financial Advisors to assist the Commission in connection with the issuance and sale of the 2003 Multi-Modal Senior Bonds and other financings. The Financial Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and sale of the 2003 Multi-Modal Senior Bonds by the Commission.

TRUSTEE

National City Bank of Pennsylvania is the Trustee and Authenticating Agent under the Indenture. The obligations and duties of the Trustee are described in the Indenture, and the Trustee has undertaken only those obligations and duties which are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the 2003 Multi-Modal Senior Bonds, the security therefor, the adequacy of the provisions for payment thereof or the tax-exempt status of the interest on the 2003 Multi-Modal Senior Bonds. The Trustee has relied upon the opinion of Bond Counsel for the validity and tax-exempt status of the interest on the 2003 Multi-Modal Senior Bonds as well as other matters set out in that opinion. The Indenture expressly provides that the Trustee shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith in reliance upon an opinion of counsel.

Under the terms of the Indenture, the Trustee is liable only for those damages caused by its gross negligence or willful misconduct. Under the Indenture, the Trustee is not required to take notice, and is not deemed to have notice, of any default under the Indenture, unless the Trustee has been specifically notified in writing of such default by the owners of at least 10% in aggregate principal amount of the Outstanding Bonds affected by such default. All notices or other instruments required by the Indenture to be delivered to the Trustee must be delivered at the corporate trust office of the Trustee. In the absence of any such notice, the Trustee may conclusively assume no Event of Default (as defined in the Indenture) exists, except as expressly stated in the 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 Indenture for a complete statement of the Trustee's rights, duties, obligations and immunities.

TAX EXEMPTION AND OTHER TAX MATTERS

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based in part on factual representations made to Bond Counsel by the Commission as of the date thereof. Bond Counsel

assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions.

Federal Tax Exemption

As of the date of closing, Bond Counsel will issue an opinion to the effect that under existing law, the interest on the 2003 Multi-Modal Senior Bonds is excluded from gross income for federal income tax purposes. Furthermore, interest on the 2003 Multi-Modal Senior Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining "adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on such corporations. The Internal Revenue Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the 2003 Multi-Modal Senior Bonds in order for interest on the 2003 Multi-Modal Senior Bonds to be and remain excludable from gross income for purposes of federal income taxation. Examples include: the requirement that the Commission rebate certain excess earnings on proceeds and amounts treated as proceeds of the 2003 Multi-Modal Senior Bonds to the United States Treasury; restrictions on investment of such proceeds and other amounts; and restrictions on the ownership and use of the facilities financed with proceeds and other amounts; and restrictions on the ownership and use of the facilities financed with proceeds of the 2003 Multi-Modal Senior Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Internal Revenue Code, but is illustrative of the requirements that must be satisfied by the Commission subsequent to issuance of the 2003 Multi-Modal Senior Bonds to maintain the exclusion of interest on the 2003 Multi-Modal Senior Bonds from gross income for federal income taxation purposes. Failure to comply with such requirements could cause the interest on the 2003 Multi-Modal Senior Bonds to be included in gross income retroactive to the date of issuance of the 2003 Multi-Modal Senior Bonds. The opinion of Bond Counsel delivered on the date of issuance of the 2003 Multi-Modal Senior Bonds is conditioned on compliance by the Commission with such requirements, and Bond Counsel has not been retained to monitor compliance with requirements such as described above subsequent to the issuance of the 2003 Multi-Modal Senior Bonds.

Pennsylvania Tax Exemption

In the opinion of Bond Counsel, under existing law, the 2003 Multi-Modal Senior Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2003 Multi-Modal Senior Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

Other Tax Matters

Except as expressly stated above, Bond Counsel will express no opinion regarding any other state or federal income tax consequences of acquiring, carrying, owning or disposing of the 2003 Multi-Modal Senior Bonds. Owners of the 2003 Multi-Modal Senior Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2003 Multi-Modal Senior Bonds, which may include original issue discount, original issue premium, purchase at a market discount or premium, taxation upon sale, redemption or other disposition and various withholding requirements which may apply to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2003 Multi-Modal Senior Bonds.

LEGALITY FOR INVESTMENT

Under the laws of the Commonwealth, the 2003 Multi-Modal Senior Bonds are authorized investments for fiduciaries and may be legally deposited as security for public funds in the Commonwealth.

MISCELLANEOUS

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

Reference herein to the Enabling Acts, Act 61, the Indenture, the financial guaranty insurance policy, the Disclosure Agreement, the 1998 Bonds, the 2003 Multi-Modal Senior Bonds and the 2003 Multi-Modal Senior Bonds are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and, accordingly, are qualified by reference to such acts, the Indenture, the financial guaranty insurance policy, the Disclosure Agreement, the 1998 Bonds, the 2003 Fixed Rate Bonds and the 2003 Multi-Modal Senior Bonds are subject to the full texts thereof.

Neither this Official Statement nor any advertisement of the 2003 Multi-Modal Senior Bonds is to be construed as a contract with the holders of the 2003 Multi-Modal Senior Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so identified, are intended merely as such and not as representations of fact.

PENNSYLVANIA TURNPIKE COMMISSION

By: /s/ Mitchell Rubin
Chairman

APPENDIX A
SELECTED DATA
ON THE COMMONWEALTH OF PENNSYLVANIA

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APPENDIX A
SELECTED DATA
ON THE COMMONWEALTH OF PENNSYLVANIA

General

The Commonwealth of Pennsylvania is one of the most populous states, ranking sixth behind California, Texas, New York, Florida, and Illinois. Pennsylvania is an established state with a diversified economy. Pennsylvania had been historically identified as a heavy industrial state. That reputation has changed over the last thirty years as the coal, steel and railroad industries declined. The Commonwealth's business environment readjusted with a more diversified economic base. This economic readjustment was a direct result of a long-term shift in jobs, investment, and workers away from the northeast part of the nation. Currently, the major sources of growth in Pennsylvania are in the service sector, including trade, medical, health services, education and financial institutions.

Pennsylvania's agricultural industries remain an important component of the Commonwealth's economic structure, accounting for more than \$5.1 billion in crop and livestock products annually. In 2001, agribusiness and food related industries reached record export sales approaching \$1 billion in economic activity. Over 59,000 farms form the backbone of the State's agricultural economy. Farmland in Pennsylvania includes over four million acres of harvested cropland and four million acres of pasture and farm woodlands - nearly one-third of the Commonwealth's total land area. Agricultural diversity in the Commonwealth is demonstrated by the fact that Pennsylvania ranks among the top ten states in the production of a variety of agricultural products.

Pennsylvania's extensive public and private forests provide a vast source of material for the lumber, furniture, and paper products industries. The forestry and related industries account for 1.5% of employment with economic activity of nearly \$4.5 billion in domestic and international trade. Additionally, the Commonwealth derives a good water supply from underground sources, abundant rainfall, and a large number of rivers, streams, and lakes. Other natural resources include major deposits of coal, petroleum, and natural gas. Annually, about 80 million tons of anthracite and bituminous coal, 181 billion cubic feet of natural gas, and about 1.4 million barrels of oil are extracted from Pennsylvania.

Human resources are plentiful in Pennsylvania. The workforce is estimated at 5.7 million people, ranking as the sixth largest labor pool in the nation. The high level of education embodied in the Commonwealth's work force fosters a wide variety of employment capabilities. Pennsylvania's basic and higher education statistics compare favorably with other states in the nation.

Pennsylvania is a Mid-Atlantic state within easy reach of the populous eastern seaboard and, as such, is the keystone to the Midwest. A comprehensive transportation grid enhances the Commonwealth's strategic geographic position. The Commonwealth's water systems afford the unique feature of triple port coverage, a deep-water port at Philadelphia, a Great Lakes port at Erie and an inland water port at Pittsburgh. Between air, rail, water, and road, Pennsylvania is easily accessible for trade both interstate and intrastate commerce.

Population

The Commonwealth is highly urbanized. Of the Commonwealth's 2002 mid-year population estimate, 79 percent resided in the 15 Metropolitan Statistical Areas ("MSAs") of the Commonwealth. The largest MSAs in the Commonwealth are those that include the cities of Philadelphia and Pittsburgh, which together contain almost 44 percent of the State's total population. The population of Pennsylvania, the highest ever, 12.33 million people in 2002, according to the U.S. Bureau of the Census, represents a population growing slower than the nation with a higher portion than the nation or the region comprised of persons between 45 and 65 years of age. The following tables present the population trend from 1993 to 2002 and the age distribution of the population for 2001.

Population Trends
Pennsylvania, Middle Atlantic Region and the United States
1993-2002

| As of July 1 | Total Population In Thousands | | | Total Population as a % of 1993 base | | |
|-------------------------|--|--|-------------|---|--|-------------|
| | PA | Middle Atlantic Region ^(a) | U.S. | PA | Middle Atlantic Region ^(a) | U.S. |
| 1993 | 12,022 | 38,037 | 257,746 | 100% | 100% | 100% |
| 1994 | 12,042 | 38,117 | 260,327 | 100 | 100 | 101 |
| 1995 | 12,044 | 38,161 | 262,803 | 100 | 100 | 102 |
| 1996 | 12,038 | 38,191 | 265,228 | 100 | 100 | 103 |
| 1997 | 12,015 | 38,213 | 267,783 | 100 | 100 | 104 |
| 1998 | 12,002 | 38,257 | 270,248 | 99 | 100 | 105 |
| 1999 | 11,994 | 38,334 | 272,690 | 99 | 101 | 106 |
| 2000 | 12,283 | 39,701 | 282,125 | 102 | 104 | 109 |
| 2001 | 12,287 | 39,783 | 284,797 | 102 | 104 | 110 |
| 2002 | 12,335 | 40,083 | 288,369 | 102 | 105 | 112 |

(a) Middle Atlantic Region: Pennsylvania, New York, New Jersey
Source: U.S. Department of Commerce, Bureau of the Census

**Population By Age Group – 2001
Pennsylvania, Middle Atlantic Region and the United States**

| <u>Age</u> | <u>Pennsylvania</u> | <u>Middle Atlantic Region</u> ^(a) | <u>United States</u> |
|-------------------|---------------------|--|----------------------|
| Under 5 years | 5.9% | 6.4% | 6.8% |
| 5-24 years | 26.8 | 26.8 | 28.5 |
| 25-44 years | 28.6 | 30.2 | 29.7 |
| 45-64 years | 23.1 | 22.7 | 22.6 |
| 65 years and over | 15.6 | 13.9 | 12.4 |

(a) Middle Atlantic Region: Pennsylvania, New York, New Jersey.
Source: U.S. Department of Commerce, Bureau of the Census

Employment

Non-agricultural employment in Pennsylvania over the ten years ending in 2002 increased at an average annual rate of 1.0 percent compared with a 1.0 percent rate for the Middle Atlantic region and 1.8 percent rate for the U.S. The following table shows employment trends from 1993 through 2002.

**Non-Agricultural Establishment Employment Trends
Pennsylvania, Middle Atlantic Region and the United States
1993-2002**

| <u>As of July 1</u> | <u>Total Establishment Employment In Thousands</u> | | | <u>Total Establishment Employment as a % of 1992 base</u> | | |
|---------------------|--|--|-------------|---|--|-------------|
| | <u>PA</u> | <u>Middle Atlantic Region</u> ^(a) | <u>U.S.</u> | <u>PA</u> | <u>Middle Atlantic Region</u> ^(a) | <u>U.S.</u> |
| 1993 | 5,123 | 16,376 | 110,713 | 100 % | 100 % | 100 % |
| 1994 | 5,192 | 16,577 | 114,163 | 101 | 101 | 103 |
| 1995 | 5,253 | 16,746 | 117,191 | 102 | 102 | 106 |
| 1996 | 5,306 | 16,884 | 119,608 | 103 | 103 | 108 |
| 1997 | 5,406 | 17,198 | 122,690 | 105 | 105 | 110 |
| 1998 | 5,495 | 17,533 | 125,865 | 107 | 107 | 114 |
| 1999 | 5,586 | 17,943 | 128,916 | 109 | 109 | 116 |
| 2000 | 5,691 | 18,321 | 131,720 | 111 | 111 | 119 |
| 2001 | 5,701 | 18,357 | 131,922 | 111 | 112 | 119 |
| 2002 | 5,651 | 18,086 | 130,791 | 110 | 110 | 118 |

(a) Middle Atlantic Region: Pennsylvania, New York, New Jersey.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Non-manufacturing employment in Pennsylvania has increased in recent years and reached 85.1 percent of total employment by 2002. Consequently, manufacturing employment constitutes a diminished share of total employment within the Commonwealth. Manufacturing, contributing 14.9 percent of 2002 non-agricultural employment, has fallen behind both the services sector and the trade sector as the largest single source of employment within the Commonwealth. In 2002, the services sector accounted for 33.9 percent of all non-agricultural employment while the trade sector accounted for 22.3 percent. The following table shows trends in employment by sector for Pennsylvania from 1998 through 2002.

Non-Agricultural Establishment Employment by Sector
Pennsylvania
1998-2002
(In Thousands)

| | CALENDAR YEAR | | | | | | | | | |
|--|------------------|--------------|------------------|-------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | |
| | <u>Employees</u> | <u>%</u> | <u>Employees</u> | <u>%</u> | <u>Employees</u> | <u>%</u> | <u>Employees</u> | <u>%</u> | <u>Employees</u> | <u>%</u> |
| Manufacturing: | | | | | | | | | | |
| Durable | 547.2 | 10.0 | 547.2 | 9.8 | 537.4 | 9.4 | 514.6 | 9.0 | 476.7 | 8.5 |
| Non-Durable | <u>396.0</u> | <u>7.2</u> | <u>393.0</u> | <u>7.0</u> | <u>388.6</u> | <u>6.8</u> | <u>377.9</u> | <u>6.6</u> | <u>363.3</u> | <u>6.5</u> |
| Total Manufacturing ^(d) : | <u>943.2</u> | <u>17.2</u> | <u>940.2</u> | <u>16.8</u> | <u>926.0</u> | <u>16.3</u> | <u>892.5</u> | <u>15.7</u> | <u>840.0</u> | <u>14.9</u> |
| Non-Manufacturing: | | | | | | | | | | |
| Trade ^(a) | 1,228.6 | 22.4 | 1,250.4 | 22.4 | 1,275.2 | 22.4 | 1,272.0 | 22.3 | 1,256.1 | 22.3 |
| Finance ^(b) | 319.0 | 5.8 | 323.7 | 5.8 | 326.3 | 5.7 | 328.6 | 5.8 | 328.4 | 5.8 |
| Services | 1,768.7 | 32.2 | 1,812.7 | 32.5 | 1,872.4 | 32.9 | 1,907.6 | 33.5 | 1,911.1 | 33.9 |
| Government | 706.0 | 12.8 | 710.1 | 12.7 | 726.9 | 12.8 | 729.8 | 12.8 | 737.4 | 13.1 |
| Utilities ^(c) | 287.2 | 5.2 | 292.8 | 5.2 | 301.1 | 5.3 | 303.3 | 5.3 | 288.6 | 5.1 |
| Construction | 221.3 | 4.0 | 235.7 | 4.2 | 251.1 | 4.4 | 248.4 | 4.4 | 250.2 | 4.4 |
| Mining | <u>20.8</u> | <u>0.4</u> | <u>20.5</u> | <u>0.4</u> | <u>19.4</u> | <u>0.3</u> | <u>19.0</u> | <u>0.3</u> | <u>18.6</u> | <u>0.3</u> |
| Total Non-Manufacturing ^(d) | <u>4,551.6</u> | <u>82.8</u> | <u>4,645.9</u> | <u>83.0</u> | <u>4,772.4</u> | <u>83.7</u> | <u>4,808.7</u> | <u>84.3</u> | <u>4,790.4</u> | <u>85.1</u> |
| Total Employees ^{(d)(e)} | <u>5,494.8</u> | <u>100.0</u> | <u>5,586.1</u> | <u>99.8</u> | <u>5,698.4</u> | <u>100.0</u> | <u>5,701.2</u> | <u>100.0</u> | <u>5,630.4</u> | <u>100.0</u> |

(a) Wholesale and retail trade.

(b) Finance, insurance and real estate.

(c) Includes transportation, communications, electric, gas and sanitary services.

(d) Discrepancies occur due to rounding.

(e) Does not include workers involved in labor-management disputes.

Source: US Bureau of Labor Statistics

The following table presents the percentages of non-agricultural employment in various sectors in Pennsylvania and the United States in 2002.

**Non-Agricultural Establishment Employment by Sector
Pennsylvania and the United States**

| | 2002 Calendar Year | |
|--------------------|---------------------|----------------------|
| | <u>Pennsylvania</u> | <u>United States</u> |
| Manufacturing..... | 14.9% | 12.8% |
| Trade (a)..... | 22.3 | 22.9 |
| Finance (b)..... | 5.8 | 5.9 |
| Services..... | 33.9 | 31.5 |
| Government..... | 13.1 | 16.3 |
| Utilities(c)..... | 5.1 | 5.2 |
| Construction..... | 4.4 | 5.0 |
| Mining..... | 0.3 | 0.4 |
| Total(d)..... | 100.0% | 100.0% |

(a) Wholesale and retail trade.

(b) Finance, insurance and real estate.

(c) Includes transportation, communications, electric, gas and sanitary services.

(d) Discrepancies occur due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Within the manufacturing sector of Pennsylvania's economy, which now accounts for less than one-sixth of total non-agricultural employment in Pennsylvania, the non-electrical machinery industries employed the largest number of workers. Employment in the non-electrical machinery industries was 9.9 percent of Pennsylvania manufacturing employment but only 1.4 percent of total Pennsylvania non-agricultural employment in 2002. The following table shows trends in manufacturing employment by industry for Pennsylvania from 1998 through 2002.

Manufacturing Establishment Employment by Industry
Pennsylvania
1998-2002
(In Thousands)

| | CALENDAR YEAR | | | | | | | | | |
|--|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | |
| | Employees | % | Employees | % | Employees | % | Employees | % | Employees | % |
| Durable Goods: | | | | | | | | | | |
| Primary Metals | 73.4 | 8.0 | 71.5 | 7.8 | 71.5 | 7.8 | 62.9 | 7.0 | 57.9 | 6.9 |
| Fabricated Metals | 86.6 | 9.1 | 88.0 | 9.2 | 88.0 | 9.2 | 86.8 | 9.7 | 81.5 | 9.7 |
| Machinery (excluding electrical) | 106.4 | 11.3 | 107.0 | 11.4 | 107.0 | 11.4 | 92.9 | 10.4 | 83.4 | 9.9 |
| Electrical Equipment | 76.2 | 8.1 | 78.6 | 8.1 | 78.6 | 8.1 | 78.3 | 8.8 | 65.9 | 7.8 |
| Transportation Equipment | 51.9 | 5.4 | 53.4 | 5.5 | 53.4 | 5.5 | 46.8 | 5.2 | 43.3 | 5.2 |
| Stone, Clay and Glass | 38.4 | 4.1 | 38.8 | 4.1 | 38.8 | 4.1 | 37.9 | 4.2 | 36.6 | 4.4 |
| Other Durable Goods | <u>107.6</u> | <u>11.3</u> | <u>109.9</u> | <u>11.5</u> | <u>109.9</u> | <u>11.5</u> | <u>109.0</u> | <u>12.2</u> | <u>108.1</u> | <u>12.9</u> |
| Total Durable Goods ^(a) | <u>540.5</u> | <u>57.3</u> | <u>547.2</u> | <u>57.7</u> | <u>547.2</u> | <u>57.7</u> | <u>514.6</u> | <u>57.7</u> | <u>476.7</u> | <u>56.8</u> |
| Non-Durable Goods: | | | | | | | | | | |
| Apparel & Related Goods | 40.7 | 4.6 | 38.2 | 4.3 | 32.6 | 3.5 | 28.9 | 3.2 | 25.8 | 3.1 |
| Food Products | 84.0 | 9.1 | 84.3 | 9.0 | 85.0 | 9.1 | 85.3 | 9.6 | 85.9 | 10.2 |
| Chemical Products | 68.8 | 7.2 | 70.2 | 7.3 | 72.3 | 7.7 | 72.8 | 8.2 | 72.5 | 8.6 |
| Printing and Publishing | 81.7 | 8.8 | 82.3 | 8.7 | 80.5 | 8.6 | 78.0 | 8.7 | 74.3 | 8.8 |
| Textile Products | 21.9 | 2.4 | 21.5 | 2.3 | 18.6 | 2.0 | 16.8 | 1.9 | 14.3 | 1.7 |
| Paper Products | 36.8 | 3.9 | 36.0 | 3.9 | 35.3 | 3.8 | 34.7 | 3.9 | 32.8 | 3.9 |
| Other Non-Durable Goods | <u>63.7</u> | <u>6.7</u> | <u>63.5</u> | <u>6.8</u> | <u>64.3</u> | <u>6.9</u> | <u>61.4</u> | <u>6.9</u> | <u>57.7</u> | <u>6.9</u> |
| Total Non-Durable Goods | <u>396.8</u> | <u>42.7</u> | <u>397.6</u> | <u>42.5</u> | <u>388.6</u> | <u>41.5</u> | <u>377.9</u> | <u>42.3</u> | <u>363.3</u> | <u>43.3</u> |
| Total Manufacturing Employees ^(a) | <u>940.7</u> | <u>100.0</u> | <u>929.6</u> | <u>100.0</u> | <u>936.4</u> | <u>100.0</u> | <u>892.5</u> | <u>100.0</u> | <u>840.0</u> | <u>100.0</u> |

(a) Discrepancies occur due to rounding

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Unemployment

Pennsylvania's annual average unemployment rate was equivalent to the national average throughout the 1990's. Slower economic growth caused the unemployment rate in the Commonwealth to rise to 7.1 percent in 1993. The resumption of faster economic growth resulted in a decrease in the Commonwealth's annual unemployment rate to 4.7 percent through 2001. From 1998 through 2002, Pennsylvania's annual average unemployment rate was below the Middle Atlantic Region's average, but slightly higher than that of the United States. As of February 2003, the most recent month for which figures are available, Pennsylvania had a seasonally adjusted annual unemployment rate of 6.2 percent. The following table represents the annual non-adjusted unemployment rate in Pennsylvania, the Middle Atlantic Region, and the United States from 1993 through 2002.

**Annual Average Unemployment Rate
Pennsylvania, Middle Atlantic Region and the United States
1993-2002**

| <u>Calendar Year</u> | <u>Pennsylvania</u> | <u>Middle Atlantic Region(a)</u> | <u>United States</u> |
|----------------------|---------------------|----------------------------------|----------------------|
| 1993 | 7.1% | 7.5% | 6.9% |
| 1994 | 6.2 | 6.7 | 6.1 |
| 1995 | 5.9 | 6.2 | 5.6 |
| 1996 | 5.3 | 5.9 | 5.4 |
| 1997 | 5.2 | 5.7 | 4.9 |
| 1998 | 4.6 | 5.1 | 4.5 |
| 1999 | 4.4 | 4.8 | 4.2 |
| 2000 | 4.1 | 4.2 | 4.0 |
| 2001 | 4.7 | 4.7 | 4.7 |
| 2002 | 5.7 | 5.9 | 5.8 |

(a) Middle Atlantic Region: Pennsylvania, New York, New Jersey.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

The following table presents the thirty largest non-governmental employers in Pennsylvania:

**Commonwealth of Pennsylvania
Thirty Largest
Non-Governmental Employers
December 2001**

| <u>Company</u> | <u>Rank</u> | <u>Company</u> | <u>Rank</u> |
|-------------------------------------|-------------|--|-------------|
| Wal-Mart Associates | 1 | UPMC - Presbyterian Mgmt | 16 |
| University of Pennsylvania | 2 | Giant Eagle Inc. | 17 |
| Pennsylvania State University | 3 | JC Penny Company | 18 |
| US Airways Inc. | 4 | Vanguard Group Inc..... | 19 |
| United Parcel Service | 5 | Tenet Health System – Philadelphia | 20 |
| KMART of Pennsylvania | 6 | Hershey Foods Inc. | 21 |
| Giant Food Stores | 7 | Acme Markets Inc. | 22 |
| University of Pittsburgh..... | 8 | Highmark Blue Cross/Blue Shield | 23 |
| Sears Roebuck & Co..... | 9 | Mellon Bank, NA..... | 24 |
| Weis Markets..... | 10 | The Home Depot USA Inc..... | 25 |
| Merck & Co..... | 11 | Boscov's Department Store..... | 26 |
| Verizon of PA..... | 12 | Eckard Corporation | 27 |
| May Department Stores Co..... | 13 | Southeastern PA Transportation..... | 28 |
| PNC Bank, NA | 14 | The Gap Inc..... | 29 |
| Aramark Services Mgmt..... | 15 | Temple University..... | 30 |

Source: Pennsylvania Department of Labor, Office of Employment Security

Personal Income

Personal income in the Commonwealth for 2002 is \$291.4 billion, an increase of 3.4 percent over the previous year. During the same period, national personal income increased at a rate of 3.3 percent. Based on the 2002 personal income estimates, per capita income for 2002 is at \$30,720 in the Commonwealth compared to per capita income in the United States of \$31,737. The following tables represent annual personal income data and per capita income from 1993 through 2002.

Personal Income
Pennsylvania, Mideast Region and the United States
1993-2002

| <u>Year</u> | <u>Total Personal Income</u> <u>Dollars In Millions</u> | | | <u>Total Personal Income</u> <u>as a % of 1992 base</u> | | |
|-------------|--|--|----------------------------|--|--|-------------|
| | <u>PA</u> | <u>Mideast</u> <u>Region</u> ^(a) | <u>U.S.</u> ^(b) | <u>PA</u> | <u>Mideast</u> <u>Region</u> ^(a) | <u>U.S.</u> |
| 1993 | \$267,020 | \$1,103,630 | \$5,598,446 | 100% | 100% | 100% |
| 1994 | 275,336 | 1,140,466 | 5,878,362 | 103 | 103 | 105 |
| 1995 | 285,923 | 1,193,865 | 5,192,235 | 107 | 108 | 111 |
| 1996 | 299,001 | 1,255,345 | 6,538,103 | 112 | 114 | 117 |
| 1997 | 313,457 | 1,315,810 | 6,928,545 | 117 | 119 | 124 |
| 1998 | 330,733 | 1,400,562 | 7,418,497 | 123 | 127 | 133 |
| 1999 | 342,357 | 1,458,307 | 7,779,511 | 128 | 132 | 139 |
| 2000 | 365,626 | 1,577,854 | 8,398,871 | 137 | 143 | 150 |
| 2001 | 378,350 | 1,630,698 | 8,677,490 | 142 | 148 | 155 |
| 2002 | 391,354 | 1,669,385 | 8,922,320 | 147 | 151 | 159 |

(a) Mideast Region: Pennsylvania, New York, New Jersey, Maryland, District of Columbia, and Delaware.

(b) Sum of States.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Per Capita Income
Pennsylvania, Mideast Region and the United States
1993-2002

| <u>Year</u> | <u>Total Personal Income</u> <u>Dollars In Millions</u> | | | <u>As a % of U.S.</u> | |
|-------------|--|--|----------------------------|-----------------------|--|
| | <u>PA</u> | <u>Mideast</u> <u>Region</u> ^(a) | <u>U.S.</u> ^(b) | <u>PA</u> | <u>Mideast</u> <u>Region</u> ^(a) |
| 1993 | \$22,032 | \$24,680 | \$21,539 | 102% | 115% |
| 1994 | 22,632 | 25,361 | 22,340 | 101 | 114 |
| 1995 | 23,439 | 26,421 | 23,255 | 101 | 114 |
| 1996 | 24,467 | 27,661 | 24,270 | 101 | 114 |
| 1997 | 25,635 | 28,868 | 25,412 | 101 | 114 |
| 1998 | 27,008 | 30,565 | 26,893 | 100 | 114 |
| 1999 | 27,916 | 31,630 | 27,880 | 100 | 113 |
| 2000 | 29,759 | 34,013 | 29,760 | 100 | 114 |
| 2001 | 30,752 | 34,952 | 30,413 | 101 | 115 |
| 2002 | 31,727 | 35,580 | 30,941 | 102 | 115 |

(a) Mideast Region: Pennsylvania, New York, New Jersey, Maryland, District of Columbia, and Delaware.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

The following table presents growth rates in personal income and selected components of personal income for Pennsylvania, the Mideast Region and the United States from 1998 through 2002.

Annual Growth Rates
Personal Income and Selected Components of Personal Income
Pennsylvania, Mideast Region and the United States

| <u>Calendar Year</u> | <u>Pennsylvania</u> | <u>Mideast Region(a)</u> | <u>United States</u> |
|--------------------------------|---------------------|--------------------------|----------------------|
| Total Personal Income | | | |
| 1998 | 5.5% | 6.4% | 7.0% |
| 1999 | 3.5 | 4.1 | 4.8 |
| 2000 | 6.5 | 8.0 | 7.9 |
| 2001 | 3.4 | 3.3 | 7.9 |
| 2002 | 3.2 | 1.7 | 1.7 |
| Manufacturing | | | |
| 1998 | 3.9% | 4.2% | 7.5% |
| 1999 | 2.9 | 2.2 | 6.7 |
| 2000 | 3.0 | 6.3 | 7.6 |
| 2001 | -1.5 | -1.5 | -3.2 |
| 2002 | -18.2 | -23.9 | -14.1 |
| Trade^(b) | | | |
| 1998 | 4.7% | 5.8% | 6.9% |
| 1999 | 5.3 | 5.8 | 6.6 |
| 2000 | 5.8 | 6.9 | 7.0 |
| 2001 | 1.6 | 1.0 | 1.0 |
| 2002 | -14.7 | -14.8 | -17.4 |
| Finance^(c) | | | |
| 1998 | 12.5% | 12.1% | 12.8% |
| 1999 | 6.9 | 8.6 | 9.1 |
| 2000 | 6.4 | 10.8 | 8.4 |
| 2001 | 5.8 | 4.8 | 6.5 |
| 2002 | 3.2 | -2.1 | 0.1 |
| Service | | | |
| 1998 | 7.2% | 8.1% | 8.9% |
| 1999 | 5.9 | 6.7 | 7.8 |
| 2000 | 7.4 | 8.5 | 9.7 |
| 2001 | 6.4 | 6.3 | 5.7 |
| 2002 | 19.3 | 12.1 | 6.6 |
| Utilities^(d) | | | |
| 1998 | 6.1% | 5.6% | 7.0% |
| 1999 | 6.8 | 6.7 | 8.9 |
| 2000 | 4.4 | 5.9 | 6.8 |
| 2001 | 3.6 | 3.9 | 4.0 |
| 2002 | -29.5 | -19.2 | -11.0 |
| Construction | | | |
| 1998 | 8.2% | 10.2% | 11.7% |
| 1999 | 10.7 | 10.8 | 10.8 |
| 2000 | 7.3 | 9.2 | 8.4 |
| 2001 | 5.7 | 7.5 | 5.1 |
| 2002 | 12.2 | 9.6 | 7.4 |

| | | | |
|------------|-------|-------|-------|
| Mining | | | |
| 1998 | 12.9% | 9.2% | 12.0% |
| 1999 | 6.5 | 2.2 | -8.3 |
| 2000 | 0.1 | 2.5 | 10.4 |
| 2001 | 4.7 | 5.0 | 9.5 |
| 2002 | -11.0 | -12.7 | 1.2 |

- (a) Mid-east Region: Delaware, District of Columbia, Maryland, Pennsylvania, New York, and New Jersey.
(b) Wholesale and retail trade.
(c) Finance, insurance and real estate.
(d) Includes transportation, communications, electric, gas and sanitary services.
Source: U.S. Department of Commerce, Bureau of Economic Analysis

The Commonwealth's average hourly wage rate of \$15.99 for manufacturing and production workers compares to the national average of \$14.77 for 2002. The following table presents the average hourly wage rates for 1998 through 2002.

**Average Hourly Wages
Production Workers on Manufacturing Payrolls
Pennsylvania and the United States
1998-2002**

| <u>Calendar Year</u> | <u>PA</u> | <u>U.S.</u> |
|----------------------|-----------|-------------|
| 1998..... | \$14.06 | 12.78 |
| 1999..... | 14.18 | 13.24 |
| 2000..... | 14.60 | 13.76 |
| 2001..... | 14.85 | 14.31 |
| 2002..... | 15.99 | 14.77 |

Source: U.S. Department of Labor, Bureau of Labor Statistics

Market and Assessed Valuation of Real Property

Annually, the State Tax Equalization Board (the "STEB") determines an aggregate market value of all taxable real property in the Commonwealth. The STEB determines the market value by applying assessment to sales ratio studies to assessment valuations supplied by local assessing officials. The market values certified by the STEB do not include property that is tax exempt but do include an adjustment correcting the data for preferential assessments granted to certain farm and forestlands.

The table below shows the assessed valuation as determined and certified by the counties and the market value and the assessed to market value ratio determined by the STEB for real property over the last ten years. Increases in valuations shown below result from reassessment valuations by the counties, changes in property tax rolls and increases in the real value of existing property. In computing the market values for uneven-numbered years, the STEB is statutorily restricted to certifying only those changes in market value that result from properties added to or removed from the assessment rolls. The STEB is permitted to adjust the market valuation to reflect any change in real estate values or other economic change in value only in even-numbered years. This restriction accounts for the two-year pattern of market value changes apparent in the data below.

**Valuations of Taxable Real Property
1992-2001**

| <u>Year</u> | <u>Market Value^(a)</u> | <u>Assessed Valuation</u> | <u>Ratio of Assessed Valuation to Market Value^(a)</u> |
|-------------|-----------------------------------|---------------------------|--|
| 1992 | \$303,758,132,800 | \$81,167,832,245 | 26.7 |
| 1993 | 309,005,875,900 | 83,124,139,090 | 26.9 |
| 1994 | 333,872,670,300 | 98,004,141,038 | 29.4 |
| 1995 | 338,550,074,600 | 101,088,995,085 | 29.9 |
| 1996 | 359,993,651,000 | 102,107,687,304 | 28.4 |
| 1997 | 366,096,581,900 | 123,734,109,457 | 37.2 |
| 1998 | 388,146,465,800 | 204,581,152,222 | 52.7 |
| 1999 | 390,136,860,900 | 208,896,190,899 | 53.5 |
| 2000 | 420,041,123,600 | 241,060,798,812 | 57.4 |
| 2001 | 430,102,389,400 | 310,111,943,560 | 72.1 |

(a) Value adjusted for difference between regular assessment and preferential assessment permitted on certain farm and forestlands. Source: Annual Certifications by the State Tax Equalization Board July 2002.

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APPENDIX B

**SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS;
DEFINITIONS OF CERTAIN TERMS**

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SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS

The following are summaries of certain provisions of the Second Supplemental Indenture and the Original Indenture as amended by the First Supplemental Indenture. The summaries should not be regarded as full statements of the documents themselves or of the portions summarized. For complete statements of the provisions thereof, reference is made to the Second Supplemental Indenture and the Original Indenture as amended by the First Supplemental Indenture in their entireties, copies of which will be available for inspection at the designated corporate trust office of the Trustee.

THE SECOND SUPPLEMENTAL INDENTURE

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to the summaries of the Second Supplemental Indenture, and to terms not otherwise defined in the Official Statement. Terms used but not defined herein may be found in under the caption "The Original Indenture as Amended by the First Supplemental Indenture" herein.

"Administrative Expenses" means those reasonable expenses of the Commission which are properly chargeable to the Commission on account of the Bonds and the Bond Documents as administrative expenses under GAAP and include, without limiting the generality of the foregoing, the following: (a) fees and expenses of the Trustee, the Tender Agent, the Liquidity Provider and the Original Purchaser; and (b) reasonable fees and expenses of counsel to the Commission, the Liquidity Provider, the Trustee and the Tender Agent.

"ARCs" means any Bonds bearing interest at an Auction Rate.

"ARCs Interest Period" means each period described in the ARCs Provisions as an "Interest Period" during which the Bonds bear interest at a particular ARCs Rate.

"ARCs Provisions" means the Special Provisions Relating to ARCs which are summarized in Appendix C to this Official Statement.

"ARCs Rate" or "Auction Rate" means the rate of interest per annum that results from the implementation of the ARCs Provisions.

"Auction Agency Agreement" shall have the meaning set forth in the ARCs Provisions.

"Auction Agent" shall have the meaning set forth in the ARCs Provisions.

"Auction Period" means the period during which ARCs Rates are in effect for the Bonds.

"Authorized Denominations" means (i) with respect to Fixed Rate Bonds, \$5,000 and any integral multiple thereof, (ii) with respect to ARCs, \$25,000 and any integral multiple thereof and (iii) with respect to Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds and Long-Term Rate Bonds, \$100,000 and any integral multiple thereof.

"Bond Documents" means the Second Supplemental Indenture, the Original Indenture, the Bonds, the Tax Agreement, the Purchase Contract, the Auction Agency Agreement, the Broker-Dealer Agreement, the Market Agent Agreement, the Remarketing Agreement, the Insurance Agreement and the Liquidity Facility and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing.

"Bond Insurance Policy" means the financial guaranty insurance policy issued by the Bond Insurer that guarantees the payment of the principal of and interest on the Bonds.

"Bond Insurer" means MBIA Insurance Corporation, or any successor thereto.

"Bond Register" means the registration books of the Commission kept by the Trustee to evidence the registration and transfer of Bonds.

"Bond Registrar" means the Trustee when acting as such, and any other bank or trust company designated and at the time serving as bond registrar under the Indenture.

"Bondowner," "Holder," "Owner" or "Registered Owner" means the Person in whose name a Bond is registered on the Bond Register.

"Bonds" means the Pennsylvania Turnpike Commission Oil Franchise Tax Multi-Modal Senior Revenue Bonds, Series C of 2003, issued by the Commission pursuant to the Second Supplemental Indenture.

"Bond Year" shall have the meaning assigned to such term in the Tax Agreement.

"Broker-Dealer" shall have the meaning set forth in the ARCs Provisions.

"Broker-Dealer Agreement" shall have the meaning set forth in the ARCs Provisions.

"Business Day" means (a) while the Bonds are ARCs, shall have the meaning set forth in the ARCs Provisions or (b) while the Bonds are not ARCs, a day (i) other than a day on which banks located in the City of New York, New York or the cities in which the Principal Office of the Trustee, the Tender Agent, the Remarketing Agent or the Liquidity Provider are located, are required or authorized by law or executive order to close, and (ii) on which the New York Stock Exchange is not closed.

"Cede & Co." means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

"Certificate of Commission Representative" means a written certificate signed by a Commission Representative, which certificate shall be deemed to constitute a representation of, and shall be binding upon, the Commission with respect to matters set forth therein.

"Certified Public Accountant" or "Accountant" shall mean any firm of certified public accountants (not an individual) who shall be Independent, appointed by the Commission, actively engaged in the business of public accounting, and duly certified as a certified public accountant under the laws of the Commonwealth.

"Clearing Fund" means the fund by that name created by the Indenture.

"Closing Date" means the date of initial delivery of and payment for the Bonds.

"Commission Representative" means any authorized Commission member or authorized officer of the Commission.

"Commission Account" means the account by that name in the Purchase Fund established pursuant to the Second Supplemental Indenture.

"Commission Bonds" means Bonds registered in the name of the Commission or any broker-dealer or nominee owning Bonds pursuant to an arrangement with the Commission.

"Commission Representative" means any authorized Commission member or authorized officer of the Commission..

"Commonwealth" means the Commonwealth of Pennsylvania.

"Conversion Date" means a date on which the Bonds begin to bear interest at ARCs Rates, Daily Rates, Weekly Rates, Short-Term Rates, Long-Term Rates or Fixed Rates as provided in the Indenture.

"Costs of Issuance" means issuance costs with respect to the Bonds described in Section 14'(g) of the Internal Revenue Code, including the following (but excluding the premium for the Bond Insurance Policy and fees of the Bond Insurer's counsel):

- (a) underwriters' spread (whether realized directly or derived through purchase of Bonds at a discount below the price at which they are expected to be sold to the public);
- (b) counsel fees (including bond counsel, underwriters' counsel, Commission's counsel, Bond Insurer's counsel, Trustee's counsel, Bond Insurer counsel, as well as any other specialized counsel fees incurred in connection with the borrowing);
- (c) financial advisor fees of any financial advisor to the Commission incurred in connection with the issuance of the Bonds;
- (d) rating agency fees;
- (e) trustee, registrar, tender agent, escrow agent and paying agent fees;
- (f) accountant fees and other expenses related to issuance of the Bonds;
- (g) printing costs (for the Bonds and of the preliminary and final official statement relating to the Bonds);
- (h) fees and expenses of the Commission incurred in connection with the issuance of the Bonds; and
- (i) premium due the Bond Insurer in connection with the Bond Insurance Policy.

"Counsel" shall mean, with respect to the Commission, counsel, duly authorized to engage in the practice of law, who may be, but need not be, retained regularly by the Commission, duly appointed by the Commission.

"Daily Interest Period" means each period described under the heading "SUMMARY OF THE SECOND SUPPLEMENTAL INDENTURE – Determination of Interest Rates" during which the Bonds bear interest at a particular Daily Rate.

"Daily Rate" means the per annum interest rate for the Bonds during a Daily Interest Period determined on a daily basis as described under the heading "SUMMARY OF THE SECOND SUPPLEMENTAL INDENTURE – Determination of Interest Rates".

"Daily Rate Bonds" means Bonds bearing interest at a Daily Rate.

"Daily Rate Period" means the period during which Daily Rates are in effect for the Bonds.

"Defaulted Interest" means interest on any Bond which is payable but not paid on the date due.

"Eligible Moneys" means:

- (a) during any period a Liquidity Facility is in effect;
 - (1) proceeds of the Bonds which are held in a separate and segregated subaccount in the Senior Bonds Debt Service Fund;
 - (2) proceeds from the remarketing of any Bonds tendered for purchase pursuant to the Second Supplemental Indenture to any Person other than the Commission or any "insider" (as defined in the United States Bankruptcy Code) of the Commission;
 - (3) moneys drawn under the Liquidity Facility that are either applied directly to the payment of principal or Purchase Price of, or premium, if any, or interest on the Bonds or which, if not so applied, are held in a separate and segregated subaccount under the Second Supplemental Indenture until so applied;
 - (4) moneys deposited in the Senior Bonds Debt Service Fund that have been continuously on deposit with the Trustee for a period of at least 367 days during which no petition in bankruptcy (or other bankruptcy or similar proceedings) is pending or has been filed by or against the Commission under the United States Bankruptcy Code, as now or hereafter in effect, or other applicable state or federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect;
 - (5) any other moneys or securities, if there is delivered to the Trustee and the Bond Insurer an Opinion of Counsel from legal counsel having expertise in bankruptcy matters (who, for purposes of such opinion, may assume that no Owner is an "insider," as defined in the United States Bankruptcy Code) to effect that the use of such moneys or securities to pay the principal or Purchase Price of, or premium, if any, or interest on the Bonds would not constitute a voidable preferential payment in the event of the occurrence of the filing of a petition in bankruptcy (or other commencement-of bankruptcy or similar proceedings) by or against the Commission under the United States Bankruptcy Code, as now or hereafter in effect, or other applicable state or federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect, and provided that each nationally recognized rating service providing a rating for the Bonds has confirmed that the use of such funds shall not adversely affect any rating for the Bonds; and
 - (6) earnings derived from the investment of any of the foregoing;
- (b) during any period a Liquidity Facility is not in effect, any moneys held by the Trustee in any fund or account under the Second Supplemental Indenture and available, pursuant to the provisions thereof, to be used to pay principal or Purchase Price of, or premium, if any, or interest on, the Bonds.

"Eligible Moneys Account" means the account by that name established in the Senior Bonds Debt Service Fund as provided in Section 4.01 of the Indenture.

"Event of Default" means, with respect to the Second Supplemental Indenture, any "Event of Default" as defined below under "SUMMARY OF THE INDENTURE – Events of Default."

"Expiration Date" means the date upon which the Liquidity Provider's obligation to purchase Bonds under the Liquidity Facility is scheduled to expire (taking into account any extensions of the Expiration Date) in accordance with its terms, other than by reason of conversion to a different rate period, a substitution of a Substitute Liquidity Facility, an "event of default" or an "event of termination" specified in the Liquidity Facility or the deposit of a Substitute Liquidity Facility with the Trustee.

"Favorable Opinion of Bond Counsel" means an opinion of nationally recognized bond counsel acceptable to the Commission, addressed to the Commission, the Remarketing Agent, the Liquidity Provider, the Bond Insurers the Broker-Dealer that is the subject of that opinion and the Trustee, to the effect that the action proposed to be taken is authorized or permitted by the Second Supplemental Indenture and the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code.

"Fiscal Year" means the fiscal year of the Commission, currently the 12-month period beginning on June 1 of each calendar year and ending on May 30 of the following calendar year.

"Fitch" means Fitch Ratings, and its successors and assigns, or, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, Fitch means any other nationally recognized securities rating service designated by the Commission, with notice to the Trustee with the consent of the Bond Insurer.

"Fixed Rate" means a non-variable interest rate or rates to maturity established in accordance with the provisions described under the heading "SUMMARY OF THE INDENTURE – Determination of Interest Rates."

"Fixed Rate Bonds" means bonds bearing interest at a Fixed Rate.

"Fixed Rate Period" means the period of time, which shall end at the maturity date for the Bonds, during which the Bonds bear interest at a Fixed Rate.

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

"Holder" shall have the same meaning as the term "Bondowner."

"Independent" shall mean, with respect to the Architect, the Certified Public Accountant and the Consultants, a Person who is not a member of the Commission, an officer or employee of the Commission or which is not a partnership, corporation or association having a partner, director, officer, member or substantial stockholder who is a member of the Commission, a corporate officer or employee of the Commission; provided, however, that the fact that such Person is retained regularly by or transacts business with the Commission shall not make such Person an employee within the meaning of this definition.

"Insurance Agreement" means the Insurance and Reimbursement Agreement dated as of the date hereof between the Bond Insurer and the Commission.

"Interest Payment Date" means:

- (a) with respect to ARCs, each date defined as such in the ARCs Provisions and any day that is a Conversion Date from an ARCs Rate Period;
- (b) with respect to Bonds other than ARCs and Liquidity Provider Bonds:
 - (i) as to Daily Rate Bonds and Weekly Rate Bonds, the first Business Day of each calendar month, any day that is a Conversion Date from a Daily Rate Period or a Weekly Rate Period, as appropriate, and the maturity date for the Bonds;
 - (ii) as to Short-Term Rate Bonds, the first Business Day after the last day of each Short-Term Interest Period and any day that is a Conversion Date from Short-Term Rate Bonds;
 - (iii) as to Long-Term Rate Bonds, each June 1 and December 1 and any day that is a Conversion Date from a Long-Term Rate Period; and

(iv) as to Fixed Rate Bonds, each June 1 and December 1 through and including the maturity date for the Bonds; and

(c) with respect to Liquidity Provider Bonds, the first Business Day of each calendar month.

"Interest Rate Period" means (i) an ARCs Rate Period (comprised of separate ARCs Interest Periods), (ii) a Daily Rate Period (comprised of separate Daily Interest Periods), (iii) a Weekly Rate Period (comprised of separate Weekly Interest Periods), (iv) a Short-Term Rate (comprised of separate Short-Term Interest Periods), (v) a Long-Term Rate Period (comprised of separate Long-Term Interest Periods), or (vi) a Fixed Rate Period.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

"Liquidity Account" means the account by that name in the Purchase Fund established pursuant to the Second Supplemental Indenture.

"Liquidity Facility" means, with respect to Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds or Long-Term Rate Bonds, any standby bond purchase agreement, line of credit or other similar agreement, and any related reimbursement agreement, among the Liquidity Provider, the Commission and the Tender Agent which has been consented to in writing by the Bond Insurer, then in effect providing for the purchase of, or the funding of amounts to purchase, Bonds on Purchase Dates applicable to Bonds for the then relevant Interest Rate Period, as the same may from time to time be amended or supplemented in accordance with its terms and the terms of the Second Supplemental Indenture.

"Liquidity Facility Request" shall have the meaning assigned to that term in clause (c) below under "SUMMARY OF THE SECOND SUPPLEMENTAL INDENTURE – Purchase of Bonds by Tender Agent".

"Liquidity Provider" means any commercial bank, other financial institution, the Commission (if the Commission is providing liquidity for any Bonds itself) or other institution issuing a Liquidity Facility then in effect in its capacity as issuer of that Liquidity Facility, which entity or the Commission has been approved in writing by the Bond Insurer to act as the Liquidity Provider.

"Liquidity Provider Bondowner" means the Owner of any Liquidity Provider Bonds.

"Liquidity Provider Bonds" means Bonds purchased by the Liquidity Provider pursuant to a Liquidity Facility and the terms of the Second Supplemental Indenture but excluding Bonds no longer considered Liquidity Provider Bonds pursuant to the terms of the Liquidity Facility.

"Liquidity Provider Rate" means the interest rate(s) applicable from time to time to Liquidity Provider Bonds as determined in accordance with the Liquidity Facility; provided that no Liquidity Provider Rate shall exceed the

"Long-Term Interest Period" means each period described under the heading "SUMMARY OF THE SECOND SUPPLEMENTAL INDENTURE – Determination of Interest Rate" during which Bonds accrue interest at a particular Long-Term Rate.

"Long-Term Rate" means the per annum interest rate to be determined on the Bonds for a term of at least 12 months pursuant to the provisions described under the heading "SUMMARY OF THE SECOND SUPPLEMENTAL INDENTURE – Determination of Interest Rate."

"Long-Term Rate Bonds" means any Bonds bearing interest at a Long-Term Rate.

"Long-Term Rate Period" means the period during which Long-Term Rates are in effect for the Bonds.

"Market Agent" shall have the meaning set forth in the ARCs Provisions.

"Market Agent Agreement" shall have the meaning set forth in the ARCs Provisions.

"Maximum Rate" means (a) with respect to ARCs, the Maximum Rate determined in accordance with the ARCs Provisions, (b) with respect to Liquidity Provider Bonds, the lesser of (i) the maximum rate permitted by law and (ii) the rate consented to in writing by the Bond Insurer as the Maximum Rate permitted for Liquidity Provider Bonds, and (c) with respect to any Bonds other than ARCs or Liquidity Provider Bonds, the lesser of 12% per annum or the maximum rate utilized to determine the amount available under the Liquidity Facility, if any.

"Moody's" means Moody's Investors Services, Inc., and its successors and assigns, or, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, Moody's means any other nationally recognized securities rating service designated by the Commission, with written notice to the Trustee with the consent of the Bond Insurer.

"Non-Eligible Moneys Account" means the account of that name established in the Senior Bonds Debt Service Fund.

"Official Statement" means the Official Statement respecting the Bonds.

"Opinion of Counsel" means an opinion in writing signed by legal counsel acceptable to the Commission and the Trustee.

"Ordinary Services" and "Ordinary Expenses" means those services normally rendered and those expenses normally incurred, by a trustee under instruments similar to the Second Supplemental Indenture, but not those services (other than a drawing on a Liquidity Facility) rendered and those expenses incurred following the occurrence and during the continuation of an Event of Default under Section 801 of the Original Indenture.

"Original Indenture" means the Trust Indenture dated as of August 1, 1998, by and between the Commission and the Trustee, as amended and supplemented.

"Original Purchaser" means UBS Financial Services Inc., Philadelphia, Pennsylvania, and any other purchasers listed as such in the Purchase Contract.

"Outstanding" means, when used with reference to Bonds, as of a particular date, all Bonds theretofore authenticated and delivered, except:

- (1) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation pursuant to the Indenture;
- (2) Bonds which are deemed to have been paid in accordance with the defeasance provisions of the Indenture; and
- (3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Commission, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Commission to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

"Owner" has the same meaning as the term "Bondowner."

"Participants" means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

"Paying Agent" means Manufacturers & Traders Trust Company and any other commercial bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated by the Original Indenture or any Supplemental Indenture as paying agent for the Bonds at which the principal of and redemption premium, if any, and interest on such Bonds shall be payable.

"Payment Default" means an Event of Default described in clause (a) or (b) under "SUMMARY OF THE INDENTURE – Events of Default".

"Person" means any natural person, firm, joint venture, association, partnership, business, trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

"Policy Costs" shall have the meaning set forth below under "SUMMARY OF THE INDENTURE – Establishment of Funds – Debt Service Reserve Fund."

"Prevailing Market Conditions" means, to the extent relevant (in the professional judgment of the Remarketing Agent) at the time of establishment of a rate or rates for Bonds as provided in the Indenture, (a) interest rates on comparable securities then being issued and traded, (b) other financial market rates and indices that may have a bearing on rates of interest; (c) general financial market conditions (including then current forward supply figures) that may have a bearing on rates of interest, and (d) the financial condition, results of operation and credit standing of the Commission, the Liquidity Provider and/or the Bond Insurer to the extent such standing has a bearing on rates of interest.

"Prime Rate" means the rate from time to time publicly announced by the Trustee's primary commercial banking affiliate as its "prime rate" or "base rate."

"Principal Office" means, with respect to any entity performing functions under any Bond Document, the principal office of that entity or its affiliate at which those functions are performed.

"Purchase Contract" means the Purchase Contract between the Commission and the Original Purchaser with respect to the Bonds.

"Purchase Date" means each date on which Bonds are subject to optional or mandatory purchase pursuant to the Indenture.

"Purchase Fund" means the fund by that name created by the Second Supplemental Indenture and held by the Tender Agent.

"Purchase Price" means, with respect to a Bond subject to purchase on a Purchase Date, an amount equal to the principal amount thereof plus (if such Purchase Date is not an Interest Payment Date therefor) accrued and unpaid interest thereon to such Purchase Date.

"Qualified Financial Institution" means a bank, trust company, national banking association, insurance company or other financial services company or entity, approved by the Bond Insurer and whose unsecured short-term debt obligations are rated in either of the two highest categories by Fitch, Moody's or S&P.

"Rating Agency" shall mean each nationally recognized securities rating agency then maintaining a rating on the Bonds at the request of the Commission, and initially means S&P and Fitch.

"Rebate Fund" means the fund by that name created by the Original Indenture.

"Record Date" means (i) with respect to each Interest Payment Date for ARCs, the Record Date determined in accordance with the ARCs Provisions, (ii) with respect to each Interest Payment Date for Daily Rate Bonds, Weekly Rate Bonds or Short-Term Rate Bonds, the Business Day immediately preceding that Interest Payment Date, and (iii) with respect to each Interest Payment Date for Fixed Rate Bonds or Long-Term Rate Bonds, the last day of the month immediately preceding such Interest Payment Date.

"Registered Owner" shall have the same meaning as the term "Bondowner."

"Remarketing Agent" means any firm at the time serving as Remarketing Agent pursuant to the Indenture.

"Remarketing Agreement" means, with respect to Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds or Long-Term Rate Bonds, any agreement between the Commission and a Remarketing Agent whereby the Remarketing Agent agrees to perform the duties of the Remarketing Agent under the Second Supplemental Indenture with respect to those Bonds.

"Replacement Bonds" means Bonds issued to the beneficial owners of the Bonds in accordance with the Second Supplemental Indenture.

"Responsible Officer" shall mean the Chairman, any Vice Chairman, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, or any other officer of the Commission or other person designated by a Certified Resolution of the Commission, a copy of which shall be on file with the Trustee, to act for any of the foregoing, either generally or with respect to the execution of any particular document or other specific matter.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, and its successors and assigns, or, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, S&P shall mean any other nationally recognized securities rating service designated by the Commission, with notice to the Trustee.

"Securities Depository" means, initially, The Depository Trust Company, New York, New York, and its successors and assigns and any successor Securities Depository appointed pursuant to the Indenture.

"Senior Bonds Debt Service Fund" means the Fund by that name created by the Original Indenture.

"Short-Term Interest Period" means each period determined as provided in the Indenture provisions described under the heading "SUMMARY OF THE SECOND SUPPLEMENTAL INDENTURE – Determination of Interest Rates during which the Bonds bear interest at a particular Short-Term Rate.

"Short-Term Rate" means the per annum interest rate for the Bonds during a Short-Term Rate Period determined on a periodic basis as provided below under "SUMMARY OF THE SECOND SUPPLEMENTAL INDENTURE – Determination of Interest Rates."

"Short-Term Rate Bonds" means any Bonds bearing interest at a Short-Term Rate.

"Short-Term Rate Period" means the period during which Short-Term Rates are in effect for the Bonds.

"Substitute Liquidity Facility" means a substitute Liquidity Facility replacing a Liquidity Facility in accordance with the Second Supplemental Indenture and acceptable to the Bond Insurer.

"Substitution Date" means a date on which a Substitute Liquidity Facility (or the Commission acting as its own Liquidity Provider under the Second Supplemental Indenture) is accepted by the Tender Agent and becomes effective with respect to the Bonds, or a date on which an existing Liquidity Facility assigns all or a portion of its rights and/or obligations to an assignee Liquidity Facility, in each case, in accordance with the Indenture.

"Supplemental Indenture" means any indenture supplemental or amendatory to the Indenture entered into by the Commission and the Trustee pursuant to the provisions described under the heading "SUMMARY OF THE INDENTURE – Amendments and Supplements."

"Swap Receipts" means any payments payable by a Parity Swap Agreement Counterparty provided that termination payments payable by such Parity Swap Agreement Counterparty shall be considered a Swap Receipt only to the extent, and at such time as, the Commission has determined that such payment (or portion thereof) will not be expended by the Commission to obtain a replacement Parity Swap Agreement.

"Tax Agreement" means the Tax Regulatory and Non-Arbitrage Certificate, executed and delivered by the Commission, containing representations and covenants regarding the preservation of the tax-exempt status of the interest on the Bonds, the investment of proceeds of the Bonds, and the calculation and payment of rebate amounts under Section 148(f) of the Internal Revenue Code.

"Tender Agent" means, initially, the Trustee, and any successor Tender Agent as determined or designated under or pursuant to the Indenture.

"Termination Date" means the date which is seven calendar days (or if such seventh calendar day is not a Business Day, the next Business Day) after the date on which the Trustee receives written notice from the Liquidity Provider which (i) advises the Trustee of the occurrence and continuance of an "event of default" or "event of termination" under and as defined in the Liquidity Facility which permits the Liquidity Provider to terminate the Liquidity Facility after notice to the Trustee under the terms of the Liquidity Facility, and (ii) directs the Trustee to cause a mandatory tender of the Bonds by reason thereof.

"Trust Estate" means:

- (i) all Tax Revenues,
- (ii) the Commission's right to receive the Commission Allocation and any portion of the Commission Allocation actually received by the Commission,
- (iii) all moneys deposited into accounts or funds created by this Second Supplemental Indenture (other than the Rebate Fund), including Swap Receipts, and
- (iv) all investment earnings on all monies held in accounts and funds established by this Second Supplemental Indenture (other than the Rebate Fund).

"Trustee" means National City Bank of Pennsylvania, a national banking association organized and existing under the laws of the United States of America and its successor 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 under the Indenture.

"Undelivered Bond" means any Bond which is subject to purchase pursuant to the optional or mandatory tender provisions of the Indenture on a Purchase Date and which is not tendered and delivered for purchase on that Purchase Date but as to which the Tender Agent holds in the Purchase Fund sufficient funds to pay the Purchase Price of that Bond.

"Undelivered Bond Payment Account" means the account by that name in the Purchase Fund established pursuant to the Second Supplemental Indenture.

"Value," as of any particular time of determination, means,

- (a) for securities:
 - (1) the closing bid price quoted by Interactive Data Systems, Inc.; or
 - (2) a valuation performed by a nationally recognized and accepted pricing service acceptable to the Bond Insurer whose valuation method consists of the composite average of various bid price quotes on the valuation date; or
 - (3) the lower of two dealer bids on the valuation date; the dealers or their parent holding companies must be rated at least investment grade by Moody's and S&P and must be market makers in the securities being valued; or
 - (4) a valuation performed by a pricing service acceptable to the Trustee and the Bond Insurer; or
 - (5) for any security maturing within 30 days of the valuation date, the maturity value of the security including interest to be paid on the maturity date.
- (b) as to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest;
- (c) with respect to any investment agreement, the total amount that may be withdrawn therefrom for the purposes of the fund in which it is held; and
- (d) as to any investment not specified above, the value thereof established by prior agreement among the Commission, the Trustee and the Bond Insurer.

"Weekly Interest Period" means each period described in the Indenture provisions described under the heading "SUMMARY OF THE SECOND SUPPLEMENTAL INDENTURE – Determination of Interest Rates" during which the Bonds bear interest at a particular Weekly Rate.

"Weekly Rate" means the per annum interest rate for the Bonds during a Weekly Interest Period determined on a weekly basis as provided in the Indenture provisions described under the heading "SUMMARY OF THE SECOND SUPPLEMENTAL INDENTURE – Determination of Interest Rates."

"Weekly Rate Bonds" means Bonds bearing interest at a Weekly Rate.

"Weekly Rate Period" means the period during which Weekly Rates are in effect for the Bonds.

"Written Request" means a request in writing signed by the Commission Representative or any other officers designated by the Commission to sign such Written Request.

SUMMARY OF THE SECOND SUPPLEMENTAL INDENTURE

The Bonds are being issued under and subject to the provisions of the Second Supplemental Indenture, to which reference must be made for complete details of the terms of the Bonds and the Second Supplemental Indenture.

Determination of Interest Rates

The Bonds shall bear interest at ARCs Rates, Daily Rates, Weekly Rates, Short-Term Rates, Long-Term Rates or Fixed Rates, determined as provided below, from and including their date or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for; provided that in no event will the interest rate on any Bonds exceed the Maximum Rate. Interest on the Bonds shall be payable in arrears on each Interest Payment Date, commencing on the first Interest Payment Date after the date of original issuance of the Bonds.

The Bonds may operate at any time in any one Interest Rate Period, provided that all Bonds shall operate in the same Interest Rate Period at any given time.

All Bonds shall accrue interest in accordance with the ARCs Provisions unless and until the Interest Rate Period for the Bonds is converted to a different Interest Rate Period pursuant to the Second Supplemental Indenture.

The amount of interest payable with respect to any Bonds on any Interest Payment Date shall be computed (1) during an ARCs Rate Period, in accordance with the ARCs Provisions, (2) during a Daily Interest Period, Weekly Interest Period or Short-Term Interest Period, on the basis of a 365- or 366-day year for the number of days actually elapsed, based on the calendar year in which the Daily Interest Period, the Weekly Interest Period or Short-Term Interest Period ends, and (3) during Fixed Rate Periods and Long-Term Rate Periods, on the basis of a 360-day year of twelve 30-day months.

All determinations of interest rates, amounts of interest payable on the Bonds and rate periods pursuant to the Second Supplemental Indenture shall be conclusive and binding upon the Commission, the Trustee, the Tender Agent, the Paying Agent, the Remarketing Agent, the Bond Insurer, the Liquidity Provider and the Owners of the Bonds to which such rates are applicable. The Commission, the Trustee, the Tender Agent, the Liquidity Provider, the Bond Insurer and the Remarketing Agent shall not be liable to any Bondowner for failure to give any notice specified under this heading or for the failure of any Bondowner to receive any such notice.

ARCs. The interest rates for ARCs shall be determined in accordance with the ARCs Provisions, which are summarized in Appendix C to this Official Statement. The Trustee shall notify the Commission of the ARCs Rate and the amount payable on each Interest Payment Date during an ARCs Rate Period in accordance with the ARCs Provisions described in Appendix C under "Notification of Rates Amounts, and Payment Dates."

(1) The interest rate for Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds, Long-Term Rate Bonds and Fixed Rate Bonds for each interest period shall be determined by the Remarketing Agent as the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value as of the date of determination equal to the principal amount thereof, taking into account Prevailing Market Conditions, provided that in no event will the interest rate on any Bonds exceed the Maximum Rate.

(2) In the event the Remarketing Agent fails for any reason to determine the interest rate for any interest period:

(A) The interest rate then in effect for Daily Rate Bonds, Weekly Rate Bonds or Short-Term Rate Bonds will remain in effect for the next interest period and each succeeding interest period thereafter until the Trustee is notified of a new Daily Rate, Weekly Rate or Short-Term Rate, as appropriate, determined by the Remarketing Agent.

- (B) The interest rate then in effect for Long-Term Rate Bonds will be (i) converted to Short-Term Rates equal to 100% of the prime short-term rate (30 days) for the most recent date shown in the table captioned "Short-Term Tax-Exempt Yields" in the edition of *The Bond Buyer* or the dealer short-term rate (30 days) published in the most recent edition of *The Wall Street Journal*, or if *The Bond Buyer* or *The Wall Street Journal* is no longer published, any other published similar rate as is determined by the Trustee in its sole discretion to be appropriate, published on the day on which such rate is determined or, if such rate is not published on that day, the most recent publication of such rate, with Short-Term Interest Periods of 30 days, until the Trustee is notified of a new Short-Term Rate and Short-Term Interest Period determined for such Bond by the Remarketing Agent but only if the Commission furnishes to the Trustee and the Bond Insurer a Favorable Opinion of Bond Counsel, or (ii) if the opinion described in clause (i) is not furnished, converted to a Long-Term Rate for a Long-Term Interest Period ending on the day prior to the next succeeding December 1 which is more than 366 days later equal to 100% of the Kenny Information Services one-year tax-exempt index as communicated to the Trustee by Kenny Information Services, and if such index is not provided to the Trustee, equal to 70% of the closing yield for one-year Treasury Bills shown in the table captioned "U.S. Securities Prices" in the edition of *The Bond Buyer* (or if *The Bond Buyer* or such table is no longer published, any other published similar rate as is determined by the Trustee in its sole discretion to be appropriate) published on the day on which such rate is determined, or if such rate is not published on that day, the most recent publication of such rate, until the Trustee is notified of a new Long-Term Rate and Long-Term Interest Period.

(3) Notice of the interest rate for each Daily Rate Bond, Weekly Rate Bond, Short-Term Rate Bond, Long-Term Rate Bond and Fixed Rate Bond shall be communicated by the Remarketing Agent to the Commission, the Trustee, the Liquidity Provider and the Bond Insurer by telecopier or other electronic telecommunication, or by telephone promptly confirmed in writing, (i) in the case of Daily Rate Bonds on the date such interest rate is determined by 11:00 a.m., New York City time, and (ii) in the case of Weekly Rate Bonds, Short-Term Rate Bonds, Long-Term Rate Bonds or Fixed Rate Bonds, not later than 5:00 p.m., New York City time, on the date such interest rate is determined, and shall be available to Bondowners after such time, from the Remarketing Agent at its Principal Offices and shall also be communicated by the Remarketing Agent to any Bondowner upon request.

Daily Rates. Whenever Bonds are to bear interest accruing at a Daily Rate, Daily Interest Periods shall commence on each Business Day and shall extend to, but not include, the next succeeding Business Day. The interest rate for each Daily Interest Period shall be effective from and including the commencement date thereof and shall remain in effect to, but not including, the next succeeding Business Day. Each such interest rate shall be determined by the Remarketing Agent between 8:30 a.m. and 9:30 a.m., New York City time, on the commencement date of the Daily Interest Period to which it relates.

Weekly Rates. Whenever the Bonds are to bear interest accruing at a Weekly Rate, Weekly Interest Periods shall commence on Wednesday of each week and end on Tuesday of the following week; provided, however, that (a) in the case of a conversion to a Weekly Rate Period, the initial Weekly Interest Period for the Bonds shall commence on the Conversion Date and end on the next succeeding Tuesday and (b) in the case of a conversion from a Weekly Rate to a Daily Rate, the last Weekly Interest Period prior to conversion shall end on the last day immediately preceding the Conversion Date. The interest rate for each Weekly Interest Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each such interest rate shall be determined by the Remarketing Agent by 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of the Weekly Interest Period to which it relates.

Short-Term Rates. Short-Term Rates on, and Short-Term Interest Periods for, Short-Term Rate Bonds shall be determined as follows:

- (1) Each Short-Term Interest Period shall be determined by the Remarketing Agent on the first Business Day of that Short-Term Interest Period as that Short-Term Interest Period which will, in the judgment of the Remarketing Agent, produce the greatest likelihood of the lowest net interest cost during the term of the Bonds; provided that each Short-Term Interest Period (i) shall be from

1 to 270 days in length but shall not exceed the number of days of interest coverage provided by the Liquidity Facility minus five days, shall not extend beyond the date that is five days before the Expiration Date of the Liquidity Facility and shall not exceed the remaining number of days prior to the Conversion Date if the Remarketing Agent has given or received notice of any conversion to a different Interest Rate Period, (ii) shall commence on a Business Day (except in the case of a conversion to a Short-Term Rate Period, the initial Short-Term Interest Period shall commence on the Conversion Date), shall end on a day preceding a Business Day, and (iii) in any event shall end no later than the day preceding the maturity date for the Bonds. The Remarketing Agent may, in the reasonable exercise of its judgment, determine a Short-Term Interest Period that results in a Short-Term Rate on the Bonds that is higher than would be borne by Bonds with a shorter Short-Term Interest Period in order to increase the likelihood of achieving the lowest net interest cost during the term of the Bonds by assuring the effectiveness of such Short-Term Rate for a longer Short-Term Interest Period. The determination of a Short-Term Interest Period by the Remarketing Agent shall be based upon the relative market yields of Bonds and other securities that bear interest at a variable rate or at fixed rates that, in the reasonable exercise of the judgment of the Remarketing Agent are otherwise comparable to the Bonds, or any fact or circumstance relating to the Bonds or affecting the market for the Bonds or affecting such other comparable securities in a manner that, in the reasonable exercise of the judgment of the Remarketing Agent, will affect the market for the Bonds. The Remarketing Agent in its discretion, may consider such information and resources as it deems appropriate in making the determinations described in this paragraph, including consultations with the Commission, but the Remarketing Agent's determination of the Short-Term Interest Period will be based solely upon the reasonable exercise of the Remarketing Agent's judgment.

- (2) The interest rate for each Short-Term Interest Period shall be effective from and including the commencement date of that interest period and shall remain in effect through and including the last day thereof.
- (3) All Short-Term Rate Bonds shall bear interest accruing at the same Short-Term Rate, and for the same Short-Term Interest Period.
- (4) Each such interest rate shall be determined by the Remarketing Agent by 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of the Short-Term Interest Period to which it relates.

Long-Term Rates. A Long-Term Rate for Long-Term Rate Bonds shall be determined for each Long-Term Interest Period as follows:

- (1) Long-Term Interest Periods shall commence on a Conversion Date and subsequently on a December 1 which is at least 12 calendar months after the Conversion Date to a Long-Term Rate Period, and end on the day preceding either the commencement date of the following Long-Term Interest Period or the Conversion Date on which a different Interest Rate Period shall become effective or the maturity date for the Bonds.
- (2) The Long-Term Rate for each Long-Term Interest Period shall be effective from and including the commencement date thereof and remain in effect to and including the last day thereof. Each such Long-Term Rate shall be determined on the Business Day immediately preceding the commencement date of such period.
- (3) Long-Term Interest Periods (other than a Long-Term Interest Period extending to the maturity date for the Bonds) shall not extend to a date beyond the fifth day next preceding the Expiration Date of the Liquidity Facility.
- (4) The term of each Long-Term Interest Period shall be specified in writing by the Commission to the Remarketing Agent, the Trustee, the Tender Agent and the Bond Insurer at least 20 days before its commencement; provided that the term may not be more than one year if the term of the

immediately preceding Long-Term Interest Period was one year, and the term shall not be one year if the term of the immediately preceding Long-Term Interest Period was more than one year, unless in each case the Commission has provided a Favorable Opinion of Bond Counsel to the Trustee, the Commission and the Bond Insurer.

Fixed Rate. The Fixed Rate, and the schedule of principal payments for Bonds bearing interest at the Fixed Rate, shall be determined as set forth below. Bonds bearing interest at a Fixed Rate may not be converted to any other type of Interest Rate Period pursuant to the provisions of the Second Supplemental Indenture relating to conversion of Bonds and will not be covered by any Liquidity Facility.

The Fixed Rate Period shall commence on a Conversion Date and shall extend to the earlier of the date of redemption or the maturity date for the Bonds. The Fixed Rate shall be set forth in the firm underwriting or purchase contract described in the Second Supplemental Indenture.

Upon conversion, the firm of bond underwriters or recognized institutional investors who agree to underwrite or purchase the Bonds in accordance with the conversion provisions of the Second Supplemental Indenture shall deliver to the Commission, the Trustee and the Bond Insurer a certificate that includes (a) a schedule specifying the principal amount of Bonds to be called for mandatory sinking fund redemption (or to mature in accordance with subparagraph (3) below) on December 1 of each year, commencing on the first December 1 occurring at least six months after the Fixed Rate Conversion Date, through and including the maturity date for the Bonds, and (b) a schedule specifying the interest on the Bonds to be paid on each Interest Payment Date, through and including the maturity date for the Bonds. In determining the amount of interest and principal that shall be payable on such dates, such firm of bond underwriters or institutional investors shall use the following guidelines:

(1) The interest rate on each Bond then being converted shall be the lowest interest rate that will enable such Bond upon conversion to be remarketed at par, assuming that all Bonds then being converted will be subject to mandatory sinking fund redemption on December 1 of each year (commencing on the first December 1 occurring at least six months after the Conversion Date) through and including the maturity date for the Bonds, all Bonds shall pay interest semiannually on each Interest Payment Date, all Bonds shall bear interest at the same rate (except as otherwise provided in subparagraph (3) below), and all Bonds shall only be remarketed at par; and

(2) If the prior written consent of the Bond Insurer has been obtained, the schedule of principal payments shall be set to achieve annual level debt service (including both principal and interest), as nearly as practicable taking into account the minimum Authorized Denominations of the Bonds, for all remaining periods ending each year on December 1 (commencing on the first December 1 occurring at least six months after the Conversion Date) through and including the maturity date for Bonds and, subject to subparagraph (3) below, the Bonds shall be subject to mandatory sinking fund redemption in accordance with that schedule. If the prior written consent of the Bond Insurer is not received, all Bonds shall be subject to mandatory sinking fund redemption (or serial maturities pursuant to subparagraph (3) below) in accordance with the applicable schedule set forth in Section 3.02(c) of the Second Supplemental Indenture.

(3) The foregoing subparagraphs (1) and (2) notwithstanding, upon provision of a Favorable Opinion of Bond Counsel, Bonds that would otherwise be scheduled to be redeemed pursuant to mandatory sinking fund redemption provisions may be scheduled to mature on the same dates and the Remarketing Agent may establish more than one Fixed Rate to apply to the Bonds being converted to Fixed Rate Bonds, in accordance with the Second Supplemental Indenture, taking into account the scheduled mandatory redemption dates or serial maturity dates to be assigned to the Bonds.

(4) If the designation referred to in subparagraph (1) above cannot be made or the Favorable Opinion of Bond Counsel described in subparagraph (3) above has not been delivered to the Trustee and the Bond Insurer by the Commission, then no conversion shall be effected.

Default Rate. While there exists a Payment Default, the interest rate on the Bonds will be the Maximum Rate, except as otherwise provided in the ARCs Provisions for ARCs.

Liquidity Provider Bonds. Notwithstanding the above provisions, Liquidity Provider Bonds shall bear interest at the lesser of the Liquidity Provider Rate or the Maximum Rate. The Liquidity Provider Rate shall be supplied in writing to the Trustee by the Liquidity Provider. If the Remarketing Agent has notified the Owner of any Liquidity Provider Bonds that it has located a purchaser for some or all of that Owner's Liquidity Provider Bonds, that Owner must deliver those Liquidity Provider Bonds to the Tender Agent for purchase. Upon such delivery and receipt of the Purchase Price by that Owner, the Tender Agent shall notify the Trustee that the Bonds so purchased are no longer "Liquidity Provider Bonds" and the Trustee shall note on the registration books for the Bonds that those Bonds are not Liquidity Provider Bonds. Notwithstanding anything in the Second Supplemental Indenture to the contrary, only the Liquidity Provider or any Liquidity Provider Bondowner may receive interest on any Bonds at the Liquidity Provider Rate.

Optional Tenders During Daily Rate Periods and Weekly Rate Periods.

(a) Owners of Daily Rate Bonds or Weekly Rate Bonds may elect to have their Daily Rate Bonds or Weekly Rate Bonds (other than Commission Bonds or Liquidity Provider Bonds), or portions thereof in Authorized Denominations, purchased at the Purchase Price on the following Purchase Dates and upon the giving of the following telephonic, teletype or written notices meeting the further requirements set forth in paragraph (b) below:

- (i) Daily Rate Bonds (other than Commission Bonds or Liquidity Provider Bonds) may be tendered for purchase at the Purchase Price payable in immediately available funds on any Business Day upon telephonic, teletype or written notice of tender to the Tender Agent and the Remarketing Agent not later than 9:30 a.m., New York City time, on the designated Purchase Date.
- (ii) Weekly Rate Bonds (other than Commission Bonds or Liquidity Provider Bonds) may be tendered for purchase at the Purchase Price payable in immediately available funds on any Business Day upon delivery of a written notice of tender to the Tender Agent and the Remarketing Agent not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven days prior to the designated Purchase Date.

(b) Each notice of tender:

- (i) shall, in case of a written notice, be delivered to the Tender Agent and the Remarketing Agent at their Principal Offices and be in form satisfactory to the Tender Agent and the Remarketing Agent;
- (ii) shall state, whether delivered in writing or by telephone or teletypewriter, (a) the principal amount of the Daily Rate Bond or Weekly Rate Bond to which the notice relates and the CUSIP number of that Bond, (b) that the Owner irrevocably demands purchase of that Bond or a specified portion thereof in an Authorized Denomination, (c) the Purchase Date on which that Bond or portion thereof is to be purchased and (d) payment instructions with respect to the Purchase Price; and
- (iii) shall automatically constitute, whether delivered in writing or by telephone or teletypewriter, (a) an irrevocable offer to sell the Bond (or portion thereof) to which such notice relates on the Purchase Date to any purchaser selected by the Remarketing Agent (or to the Liquidity Provider in the case of purchases made with funds paid under the Liquidity Facility), at a price equal to the Purchase Price, (b) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such Bond (or portion thereof) upon receipt by the Tender Agent of funds sufficient to pay the Purchase Price on the Purchase Date, (c) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Bond to be purchased in whole or in part for other Bonds in an equal

aggregate principal amount so as to facilitate the sale of that Bond (or portion thereof to be purchased), (d) an acknowledgment that such Owner will have no further rights with respect to that Bond (or portion thereof) upon deposit of an amount equal to the Purchase Price thereof with the Tender Agent on the Purchase Date, except for the right of such Owner to receive the Purchase Price upon surrender of that Bond to the Tender Agent, and (e) an agreement of such Owner to deliver such Daily Rate Bonds or Weekly Rate Bonds, with all necessary endorsements for transfer and signature guarantees, to the Tender Agent at its Principal Office not later than 1:00 p.m., New York City time, on the Purchase Date.

The determination of the Tender Agent and the Remarketing Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Owner. The Tender Agent or the Remarketing Agent may waive any irregularity or nonconformity in any notice of tender.

(c) The right of Bondowners to tender Daily Rate Bonds or Weekly Rate Bonds for purchase pursuant to this Section shall terminate upon the earliest of (i) the fifth day next preceding the Expiration Date (unless on or prior to the fifth day next preceding the Expiration Date, the Expiration Date is extended), (ii) a Conversion Date for conversion to an Interest Rate Period other than a Daily Rate Period or a Weekly Rate Period, and (iii) the Termination Date. The right of Bondowners to tender Daily Rate Bonds or Weekly Rate Bonds for purchase pursuant to this Section may be terminated or suspended under the circumstances described in the Liquidity Facility.

(d) Notwithstanding anything to the contrary in the Second Supplemental Indenture, all Daily Rate Bond or Weekly Rate Bonds as to which a written notice specifying the Purchase Date has been delivered pursuant to the Second Supplemental Indenture (and which have not been tendered to the Tender Agent) shall be deemed tendered on the Purchase Date specified. From and after the specified Purchase Date of a Bond or Bonds tendered to the Tender Agent or deemed tendered pursuant to this Section, the former Owner of such a Bond or Bonds shall be entitled solely to the payment of the Purchase Price of such Bond or Bonds tendered or deemed tendered.

(e) The Tender Agent shall promptly return any notice of tender delivered (together with the Bonds submitted therewith) that is incomplete or improperly completed or not delivered within the times required by the Second Supplemental Indenture to the Person or Persons submitting such notice and Bonds upon surrender of the receipt, if any, issued therefor.

(f) Notwithstanding the foregoing, if the Bonds are held in a book-entry form at the Securities Depository, the right to optionally tender Daily Rate Bonds or Weekly Rate Bonds may be exercised by the beneficial owners of those Bonds. Such right shall be exercised by delivery by a beneficial owner to the Remarketing Agent no later than the times specified in clause (a) above of the notice described in clause (b) above stating that such beneficial owner will cause its beneficial interest (or portion thereof in an Authorized Denomination) to be tendered, the amount of such interest to be tendered, the date on which such interest will be tendered and the identity of the Participant through which the beneficial owner maintains its interest. Upon delivery of such notice, the beneficial owner must make arrangements to have its beneficial ownership interest in the Bonds being tendered to the Tender Agent to be transferred on the records of the Securities Depository to the Tender Agent at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Liquidity Facility; Replacement of Liquidity Facility

(a) During any time that Bonds are Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds or Long-Term Rate Bonds, the Commission shall maintain a Liquidity Facility issued by a Qualified Financial Institution or, with the prior written consent of the Bond Insurer, the Commission, in an amount equal to the aggregate principal amount of all Outstanding Bonds, plus an amount equal to at least 34 days interest (183 days interest if the Bonds are Long-Term Rate Bonds) on all Bonds Outstanding at the Maximum Rate other than Liquidity Provider Bonds under which the Liquidity Provider is required to purchase Bonds tendered for purchase in accordance with the Bond Indenture. The Commission will not voluntarily terminate the Liquidity Facility while Bonds are Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds or Long-Term Rate Bonds without at least 60 days prior written notice to the Trustee and without providing for a Substitute Liquidity Facility acceptable to the Bond Insurer prior to the effective date of such termination.

(b) Subject to any restrictions contained in a Liquidity Facility, at any time the Commission may, with the prior written consent of the Bond Insurer (which consent shall not be unreasonably withheld), furnish a Substitute Liquidity Facility in substitution for an existing Liquidity Facility subject to the following limitations and the other limitations set forth under this heading:

- (i) The Substitute Liquidity Facility must be provided by a Qualified Financial Institution or, with the written consent of the Bond Insurer, the Commission.
- (ii) The principal amount of the Substitute Liquidity Facility must be not less than that required by clause (a) above and the terms of the Substitute Liquidity Facility regarding the purchase, holding and sale of Bonds thereunder must be in all material respects the same as those of the existing Liquidity Facility.
- (iii) The bank or financial institution providing the Substitute Liquidity Facility and the form and content of the Substitute Liquidity Facility must be acceptable to the Trustee, the Remarketing Agent and the Bond Insurer (whose consents shall not be unreasonably withheld).
- (iv) The term of the Substitute Liquidity Facility must be at least 90 days.
- (v) On or prior to the effective date of a Liquidity Facility, the Commission shall furnish to the Trustee and the Bond Insurer:
 - (1) an Opinion of Counsel acceptable to the Trustee and the Bond Insurer to the effect that the Liquidity Facility has been duly authorized, executed and delivered by the Liquidity Provider and is a valid and binding obligation of the Liquidity Provider enforceable in accordance with its terms (subject as to enforceability to standard exceptions respecting bankruptcy, insolvency and similar laws and principles of equity) and that the exemption of the Bonds (or any securities evidenced thereby) from the registration requirements of the Securities Act of 1933, as amended, and the exemption of the Second Supplemental Indenture from qualification under the Trust Indenture Act of 1939, as amended, shall not be impaired by such Substitute Liquidity Facility or that the applicable registration or qualification requirements of such acts have been satisfied, and
 - (2) a Favorable Opinion of Bond Counsel.
- (vi) The Commission shall give written notice to the Trustee, the Tender Agent, the Bond Insurer, the Liquidity Provider, the Remarketing Agent and each Rating Agency, not less than 30 days prior to the effective date of any replacement of a Liquidity Facility with a Substitute Liquidity Facility and not less than 30 days prior to the Expiration Date of a Liquidity Facility then in effect, specifying that the Commission intends to replace the Liquidity Facility with a Substitute Liquidity Facility on or before the Expiration Date of the Liquidity Facility then in effect. Upon receipt of such notice, the Trustee shall promptly mail a notice of the anticipated delivery of the Substitute Liquidity Facility by first-class mail to the Remarketing Agent and each Owner. A draft of each Substitute Liquidity Facility and appropriate information concerning the issuer of the Substitute Liquidity Facility shall be submitted by the Commission to each Rating Agency.
- (vii) The Commission shall cause to be delivered to the Trustee not less than 30 days prior to the Expiration Date of an existing Liquidity Facility (1) a commitment by the Liquidity Provider that will issue the Substitute Liquidity Facility, and (2) written notice from each Rating Agency stating whether the substitution of the Substitute Liquidity Facility will result in a reduction or withdrawal of its short-term rating then in effect on the Bonds. The Bonds shall be subject to mandatory tender as provided in the Bond Indenture, regardless of whether the proposed Substitute Liquidity Facility will result in a withdrawal or reduction of that rating service's then current short-term rating for the Bonds.

(c) The Commission shall exercise its best efforts to arrange for the delivery to the Trustee of a Substitute Liquidity Facility to replace any Liquidity Facility then in effect at or before the expiration thereof prior to the end of any then current Interest Rate Period or upon the occurrence of any of the following events or circumstances:

- (i) If the Liquidity Provider has rescinded, terminated or repudiated the Liquidity Facility, or the Liquidity Provider or any governmental authority with jurisdiction over the Liquidity Facility is challenging the validity of the Liquidity Facility or if the Liquidity Provider is in default under the Liquidity Facility.
- (ii) If the Liquidity Provider refuses to extend the Expiration Date with respect to the current Liquidity Facility then in effect, but the term of such Substitute Liquidity Facility need not (but may) begin prior to the Expiration Date of the current Liquidity Facility then in effect. The Commission shall not terminate the current Liquidity Facility until the term of the Substitute Liquidity Facility has begun.
- (iii) Receipt by the Trustee of written notice from the Liquidity Provider that an “event of default” or an “event of termination” as defined in the Liquidity Facility has occurred and is continuing under the Liquidity Facility.
- (iv) Failure of the Liquidity Provider to honor its obligation under the Liquidity Facility to purchase Bonds.

(d) The Commission shall, if requested to do so by the Bond Insurer, use its best efforts to substitute a Substitute Liquidity Facility for any existing Liquidity Facility pursuant to this Section if the unsecured rating for the short-term debt of the Liquidity Provider thereunder is reduced below the two highest short-term rating categories by any rating service then rating the Bonds that are covered by that existing Liquidity Facility.

Establishment of Funds

The Original Indenture created a (i) Clearing Fund, (ii) Revenue Fund, (iii) Oil Franchise Tax Construction Fund, (iv) Senior Bonds Debt Service Fund and (v) 2003 Rebate Fund. There are created and ordered to be established under the Second Supplemental Indenture in the custody of the Trustee the following special trust funds in the name of the Commission to be designated as follows:

- (a) Within the Clearing Fund, the 2003 Series C Account.
- (b) Within the Oil Franchise Tax Construction Fund, the 2003 Construction Account.
- (c) Within the Senior Bonds Debt Service Fund, the Senior Bonds Eligible Moneys Account, a Senior Bonds Non-Eligible Moneys Account, a Senior Bonds Liquidity Facility Account and a Senior Bonds Swap Interest Component Account.

Clearing Fund.

There shall be deposited in the 2003 Series C Account of the Clearing Fund all of the net proceeds of the sale of the Bonds, including accrued interest payable thereon. The amounts on deposit in the Clearing Fund shall be disbursed or transferred by the Trustee upon the furnishing of an Order of the Chairman of the Commission, as provided in the Original Indenture. There may be reserved in the Clearing Fund moneys for the payment of any unpaid items, including a contingency amount therefor, as may be set forth in the aforesaid Order of the Chairman of the Commission, and payment thereof shall be made by the Trustee upon receipt of a supplemental Order of the Chairman of the Commission. Upon the sooner of such payments and transfers finally being accomplished and that date six (6) months after the date of issuance of the Bonds, any remaining balance shall be transferred to the 2003 Construction Account.

Senior Bonds Debt Service Fund.

(a) The Trustee shall make deposits and credits to the Senior Bonds Debt Service Fund, as and when received, as set forth below.

(i) All amounts required below payable from the Revenue Fund established under the Original Indenture.

(ii) Interest earnings and other income on Permitted Investments required to be deposited in the Senior Bonds Debt Service Fund pursuant to the Original Indenture.

(iii) All other moneys received by the Trustee under any other Bond Document, when accompanied by directions from the Person depositing such moneys that such moneys are to be paid into the Senior Bonds Debt Service Fund.

(b) Any amounts received for deposit in the Senior Bonds Debt Service Fund that do not constitute Eligible Moneys shall be held in the Non-Eligible Moneys Account and shall not be commingled with any other moneys held by the Trustee. At such time as moneys in the Non-Eligible Moneys Account constitute Eligible Moneys, as evidenced by an opinion delivered to the Trustee satisfying the requirements set forth in clause (a) of the definition of "Eligible Moneys" in the Indenture, they shall be transferred to the Eligible Moneys Account upon written direction of the Commission. Any amounts received for deposit in the Senior Bonds Debt Service Fund that constitute Eligible Moneys (other than amounts drawn under the Liquidity Facility), and any amounts deposited in the Non-Eligible Moneys Account which at a later date become Eligible Moneys, shall be held in the Eligible Moneys Account and shall not be commingled with any other moneys held by the Trustee. Any amounts drawn under the Liquidity Facility for the payment of principal of or premium, if any, or interest on the Bonds shall be held in the Liquidity Facility Account and shall not be commingled with moneys held by the Trustee.

(c) In connection with the Bonds, moneys in the Senior Bonds Debt Service Fund shall be expended solely as follows: (i) to pay interest on the Bonds as the same becomes due, including certain amounts due under Parity Swap Agreements; (ii) contemporaneously and in the same order of priority with the payments under subparagraph (i), to pay principal of the Bonds as the same mature or become due and upon mandatory sinking fund redemption thereof, and (iii) contemporaneously and in the same order of priority with the payments under paragraphs (i) and (ii), to pay principal of and redemption premium, if any, on the Bonds as the same become due upon redemption (other than mandatory sinking fund redemption) prior to maturity.

(d) At any time that a Liquidity Facility is in effect, the Trustee, prior to each Interest Payment Date and each date on which principal is due and payable on the Bonds (whether at maturity or upon proceedings for redemption, or by acceleration), shall draw on the Liquidity Facility an amount which shall be sufficient for the purpose of paying the principal of, and premium if any (if the Liquidity Facility then covers premium) and interest due and payable on the Bonds (other than Pledged Bonds and Commission Bonds) on such payment date; provided that the amount of any draw with respect to the redemption of the Bonds shall be the amount required to effect such redemption after taking into account any Eligible Moneys available to the Trustee other than proceeds of draws under the Liquidity Facility. Such drawing shall be made in a timely manner under the terms of the Liquidity Facility, but not later than the times specified in the Liquidity Facility in order that the Trustee may realize funds thereunder in sufficient time to pay Owners on the applicable payment date as provided in the Indenture. So long as the Liquidity Facility is in force, the Trustee shall deposit all moneys received pursuant to each draw on the Liquidity Facility in the Liquidity Facility Account and shall apply such moneys to the payment of the principal of and interest on or redemption price of Bonds as provided under this heading. Moneys in the Eligible Moneys Account and the Non-Eligible Moneys Account in the Senior Bonds Debt Service Fund, in that order, shall be used immediately to reimburse the Liquidity Provider under the Credit Agreement for draws on the Liquidity Facility that were used for such purpose and to pay obligations owing to the Liquidity Provider under the Credit Agreement then due and payable.

(e) In the event of a default under the Liquidity Facility, or at such time as no Liquidity Facility secures the Bonds, the Trustee shall use all moneys then on deposit in the Senior Bonds Debt Service Fund, first

from the Eligible Moneys Account and thereafter the Non-Eligible Moneys Account, to pay principal of, and premium, if any, and interest on, the Bonds.

(f) At any time that a Liquidity Facility is in effect, to the extent that any interest due and payable on the Bonds on any Interest Payment Date or any other date on which principal is due and payable (whether at maturity or upon proceedings for redemption, or by acceleration), cannot be determined by the Trustee as of the time the draw must be submitted to the Liquidity Provider under the terms of the Liquidity Facility, the Trustee shall note such fact to the Liquidity Provider and draw moneys under the Liquidity Facility in an amount sufficient to pay such interest as if the Maximum Rate was in effect for the period for which the interest rate cannot be determined and immediately advise the Liquidity Provider when the actual amount is subsequently determined and return any excess funds received.

(g) The Commission hereby authorizes and directs the Trustee to withdraw sufficient funds from the Senior Bonds Debt Service Fund to pay principal of and redemption premium, if any, and interest on the Bonds as the same become due and payable at maturity or upon redemption and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said principal, redemption premium, if any, and interest.

(h) Whenever there is on deposit in the Senior Bonds Debt Service Fund Eligible Moneys sufficient to redeem all or a portion of the Bonds Outstanding and to pay interest to accrue thereon prior to such redemption and redemption premium, if any, the Trustee shall, upon Written Request of the Commission Representative, take and cause to be taken the necessary steps to redeem all such Bonds on the next succeeding redemption date for which the required redemption notice may be given or on such later redemption date as may be specified by the Commission. Any Eligible Moneys in the Senior Bonds Debt Service Fund may be used to redeem a part of the Bonds Outstanding, in accordance with Article III, to the extent the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases when such Bonds have not been presented for payment.

(i) After payment in full of the principal of and redemption premium, if any, and interest on the Bonds (or after provision has been made for the payment thereof as provided in the Second Supplemental Indenture), all rebatable arbitrage to the United States and the fees, charges and expenses of the Trustee, the Tender Agent any Paying Agent and the Commission, and any other amounts required to be paid under the Second Supplemental Indenture and amounts due to the Bond Insurer under the Insurance Agreement, all amounts remaining in the Senior Bonds Debt Service Fund shall be paid to the Commission.

Rebate Fund.

The Trustee shall make deposits to and disbursements from the Series 2003 Rebate Fund in accordance with the Tax Regulatory Agreement and shall invest the Series 2003 Rebate Fund pursuant to the written instructions given to it by the Commission. This provisions may be superseded or amended by a new Tax Regulatory Agreement delivered by the Commission and accompanied by an opinion of Bond Counsel addressed to the Trustee to the effect that the use of such new Tax Regulatory Agreement will not cause the interest on the Bonds to become includable in gross income of the recipient thereof for purposes of federal income taxation under Section 103 of the Code.

THE ORIGINAL INDENTURE AS AMENDED BY THE FIRST SUPPLEMENTAL INDENTURE

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to the summaries of the Original Indenture as amended by the First Supplemental Indenture, and to terms not otherwise defined in the Official Statement. Terms used but not defined herein may be found in the Original Indenture as amended by the First Supplemental Indenture.

The following words and terms as used in the Original Indenture as amended by the First Supplemental Indenture and in this Official Statement and which are not defined elsewhere in this Official Statement shall have the following meanings:

"Additional Bonds" shall mean Bonds of any series including Additional Senior Bonds and Additional Subordinated Bonds authorized under the Original Indenture, other than the Series 1998 Bonds, duly executed, authenticated, issued and delivered pursuant to the provisions hereof. Such term shall include, without limitation, notes, commercial paper, mandatory tender bonds, bond and grant anticipation notes, variable rate bonds, capital appreciation bonds, obligations secured only as to regularly scheduled interest payments by the Tax Revenues and the Trust Estate and any other evidence of indebtedness which the Commission is legally authorized to issue.

"Additional Projects" shall mean the improvements, extensions and replacements to the Pennsylvania Turnpike System, other than the portions of the improvements, extensions and replacements which are financed or refinanced with the proceeds of the Series 2003 Bonds and the 1998 Bonds, referred to in Section 210 of the Original Indenture and Sections 2.2 and 2.3 of the First Supplement.

"Authenticating Agent" shall mean the Person or Persons designated and authorized to authenticate any series of Bonds or such Person designated by the Authenticating Agent to serve such function, and shall initially be the Trustee with respect to the Series 2003 Bonds.

"Authorized Denominations" shall mean, with respect to the Series 2003 Bonds, Five Thousand Dollars (\$5,000) or any multiple thereof, and with respect to any Additional Bonds issued under a Supplemental Indenture, those denominations specified in such Supplemental Indenture.

"Average Principal and Interest Requirements" shall mean, as to any Bonds under consideration, the sum of the Principal and Interest Requirements for the Fiscal Years contained in the period under consideration with respect to such Bonds divided by the number of fiscal years contained in such period. Any determination of the Average Principal and Interest Requirements with respect to a number of series of Bonds outstanding shall be made based on the combined Principal and Interest Requirements of all such Bonds at the time outstanding. The "period under consideration" shall mean the period beginning with the date of calculation and ending with the final maturity of Bonds under consideration.

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

"Bank Fee" shall mean 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).

"Bond" shall mean any Series 2003 Bond, any Series 1998 Bond or any Additional Bond issued under the provisions of the Original Indenture.

"Bond Counsel" shall mean any attorney or firm of attorneys whose experience in matters relating to the issuance of tax-exempt obligations is nationally recognized.

"Bond Insurer" shall mean, as to any Series of Bonds, the bond insurer undertaking to insure such Bonds.

"Bond Owner", "holder", "owner" or "registered owner" shall mean the person in whose name a Bond is registered on the books maintained by the Bond Registrar except as otherwise provided in Section 1411 of the Original Indenture.

"Bond Registrar" shall mean, with respect to the Series 2003 Bonds, that Person which maintains the bond register or such other entity designated by the Bond Registrar to serve such function, and shall initially be the Trustee with respect to the Series 2003 Bonds.

"Business Day" shall mean any day other than a Saturday or a Sunday or a day on which banking institutions are required or authorized by law or executive order to remain closed in the Commonwealth of Pennsylvania. With respect to the Series 2003 Bonds, Business Day means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Pittsburgh, Pennsylvania or in any other city in which the Office of the Trustee or the Paying Agent is located are required or authorized by law (including executive order) to close or on which the Office of the Trustee or the Paying Agent is closed for reasons not related to financial condition or (iii) a day on which the New York Stock Exchange is closed.

"Certificates of Deposit" shall mean negotiable or nonnegotiable certificates of deposit, time deposits or other similar banking arrangements issued by the Trustee or by any bank or trust company, including any depository hereunder, which has a combined capital and surplus of not less than \$200,000,000, to be fully secured by Government Obligations or direct and general obligations of the Commonwealth of Pennsylvania. Such security shall have an aggregate market value, exclusive of accrued interest, at all times at least equal to the amount of such Certificate of Deposit. Such security shall be deposited with a Federal Reserve Bank or with the trust department of the Trustee.

"Chief Engineer" shall mean the Chief Engineer of the Commission or such other employee of the Commission authorized to perform specific acts or duties of the Chief Engineer by resolution duly adopted by the Commission.

"Clearing Fund" shall mean the special fund created by Section 401 of the Original Indenture and Section 3.1 of the First Supplement.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended.

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

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

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

"Credit Facility" shall mean any letter of credit, line of credit, standby letter of credit, indemnity or surety or municipal bond 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 financial or insurance institution, to provide for or to secure payment of principal and/or purchase price of and/or interest on Bonds pursuant to the provisions of a Supplemental Indenture under which such Bonds are issued.

"Defeasance Securities" shall mean:

1. Cash,

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

The Insurer shall be provided with an opinion of counsel acceptable to the Insurer that the Obligations have been legally defeased and that the escrow agreement establishing such defeasance operates to legally defease the Obligations within the meaning of the Indenture and the Supplemental Indenture relating to the Obligations. In addition, the Insurer will be entitled to receive (i) 15 business days notice of any advance refunding of the Obligations and (ii) an accountant's report with respect to the sufficiency of the amounts deposited in escrow to defease the Obligations.

"Defeased Tax-Exempt Securities" shall mean Municipal Obligations provided that (i) such obligations have been advance refunded with and are secured by Government Obligations held by an escrow agent, (ii) prior to the purchase thereof, (A) an opinion of Bond Counsel is obtained that the interest on the Bonds to be paid or refunded with such obligations will continue to be tax exempt, and (B) an Opinion of Counsel is obtained to the effect that such Government Obligations are protected from the bankruptcy of the escrow agent and the Commission, (iii) such obligations are rated in the highest rating category by the Rating Agency, and (iv) such obligations are noncallable prior to the date needed to meet the requirements of defeasance.

"DTC" means The Depository Trust Company (a limited purpose trust company), New York, New York.

"Enabling Acts" shall have the meaning set forth in the recitals hereto.

"Event of Default" shall mean those events specified in Section 801 of the Original Indenture.

"First Supplement" shall mean the First Supplemental Indenture between the Commission and the Trustee.

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

"Fixed Rate Bond" shall mean a Bond that constitutes Fixed Rate Indebtedness and a Bond proposed to be issued that will constitute Fixed Rate Indebtedness.

"Historic Tax Revenues" shall mean Tax Revenues for any 12 consecutive calendar months within the preceding 24 months, with such adjustments as may be required by Section 210 of the Original Indenture.

"Initial Series" shall mean the Series 2003 Bonds.

"Insured Swap Payments" shall mean any regularly scheduled payments and Insured Termination Payments due from the Commission under the Parity Swap Agreement.

"Insured Termination Payments" shall mean the termination payments due from the Commission under a Parity Swap Agreement which have been insured by the Series 2003 Bond Insurer.

"Interest Payment Date" shall mean, with respect to the Series 1998 Bonds, June 1 and December 1 of each year. With respect to each series of Additional Bonds, the Interest Payment Date shall mean such dates as are defined in the Supplemental Indenture under which such Additional Bonds are issued. With respect to the 2003 Bonds, Interest Payment Date shall mean June 1 and December 1 of each year.

"Insurance Agreement" shall mean the Insurance and Reimbursement Agreement dated as of the date hereof between the Series 2003 Bond Insurer and the Commission.

"Investment Agreement" shall mean an agreement which, so long as the Series 2003 Bond Insurance Policies are in effect, is consented to in writing by the 2003 Bond Insurer, with, or which is guaranteed by, a Qualified Financial Institution, provided (i) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with Interest Payment Dates, (ii) moneys invested thereunder may be withdrawn without any penalty, premium or charge upon not more than five Business Days' notice (provided such notice may be amended or canceled at any time prior to the withdrawal date); except with regard to an investment agreement relating to capitalized interest held in the applicable fund or account under the Indenture, which may provide that moneys may be withdrawn only on the Interest Payment Dates on which such capitalized interest is to be paid, (iii) the agreement is not subordinated to any other obligations of such Qualified Financial Institution, (iv) the same guaranteed interest rate will be paid on any future deposits permitted to be made under such investment agreement, and (v) the Trustee and the Series 2003 Bond Insurer receives an opinion of counsel that such agreement is an enforceable obligation of such Qualified Financial Institution.

"Maximum Principal and Interest Requirements" shall mean, as to any Bonds under consideration, the Maximum Principal and Interest Requirements for any succeeding Fiscal Year on account of the Bonds in question.

"Municipal Obligations" shall mean obligations of any state of the United States or any agency or political subdivision thereof, including industrial development bonds, which are (i) noncallable prior to the date needed to meet the requirements of defeasance and (ii) rated at the time of purchase in one of the two highest rating categories by the Rating Agency.

"Oil Franchise Tax" shall have the meaning set forth in the recitals hereto.

"Oil Franchise Tax General Fund" shall mean the special fund created by the provisions of Section 508 of the Original Indenture.

"Opinion of Counsel" shall mean an opinion or opinions at writing signed by an attorney who is, or a firm of attorneys at law which has a member who is, admitted to practice before the Supreme Court of the Commonwealth of Pennsylvania who may (except as otherwise expressly provided herein) be counsel to the Commission who renders the initial opinion to the purchaser of the Bonds, who shall not be unsatisfactory to the Trustee. If such counsel be an individual, he/she shall not be, and if such counsel be a partnership or professional corporation, it shall not have as a partner or employee an attorney at law who is, an officer or employee of the Commission, but such counsel may be regularly retained by or under contract with the Commission. Such opinion or opinions may contain such exceptions, qualifications and limitations as may be customary under the circumstances.

"Parity Swap Agreement" shall mean an interest rate swap agreement or other agreement of a type described in Section 214 of the Original Indenture which satisfies (a) the requirements established in Section 214 of the Original Indenture and (b) which qualifies as a "qualified derivative agreement" under the Insurance Agreement, in order that some or all of the amounts payable by the Commission or the Trustee pursuant to such agreement may be secured by the Tax Revenues on parity with the Bonds to which such agreement relates.

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

"Paying Agent" shall mean, with respect to the Series 2003 Bonds, initially Manufacturers and Traders Trust Company, a New York state banking association.

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

"Permitted Investments" (to the extent permitted by law) shall mean:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
Participation certificates
6. Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
(not acceptable for certain cash-flow sensitive issues.)
7. U.S. Maritime Administration
Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)

Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations
3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations
5. Resolution Funding Corp. (REFCORP) obligations
6. Farm Credit System
Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAM-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to MBIA (Investment Agreement criteria is available upon request).

H. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the following criteria set forth in the First Supplemental Indenture. Repurchase Agreements which exceed 30 days must be acceptable to the Series 2003 Bond Insurer.

L. Any other investments as approved by the applicable Bond Insurer.

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

"Principal and Interest Requirements" shall mean (i) the amount of principal and interest becoming due with respect to Bonds in a Fiscal Year, calculated by the Commission or by a Consultant, plus (ii) Reimbursement Obligations payable or estimated by the Commission to be payable in such Fiscal Year (but only to the extent they are not duplicative of such principal and interest), plus (iii) the excess, if any, of amounts payable or estimated by the Commission to be payable by the Commission in such Fiscal Year with respect to interest rate swap agreements (but only to the extent that such excess would not be recognized as a result of the application of the assumptions set forth below) over amounts payable to the Commission in such Fiscal Year pursuant to interest rate swap agreements. The following assumptions shall be used to determine the Principal and Interest Requirements becoming due in any Fiscal Year:

(a) there shall be excluded from Principal and Interest Requirements for all purposes hereof any amounts which are payable (other than upon acceleration) exclusively from a fund or account other than the Senior Bonds Debt Service Fund or the Subordinated Bonds Debt Service Fund or a Series Credit Facility fund created by a supplemental indenture on parity with either such fund;

(b) payments of principal or interest which are due on the first day of a Fiscal Year shall be assumed to be due on the last day of the immediately preceding Fiscal Year;

(c) in determining the principal amount due with respect to Bonds in each Fiscal Year (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) payment shall be assumed to be made in accordance with any amortization schedule established for such debt, including any scheduled redemption of Bonds on the basis of Accreted Amount, and for such purpose the redemption payment shall be deemed a principal payment;

(d) if any of the Outstanding Series of Bonds constitutes Balloon Indebtedness or Balloon Indebtedness and Variable Rate Indebtedness, or if Bonds then proposed to be issued would constitute Balloon Indebtedness or Balloon Indebtedness and Variable Rate Indebtedness, then such amounts as constitute Balloon Indebtedness shall be treated as if such Bonds were to be amortized in substantially equal annual installments of principal and interest over a term equal to the number of years then remaining to the final maturity of such Bonds; the interest rate used for such computation shall be : (i) in the case of Fixed Rate Indebtedness, the interest rate of such Bonds; and (ii) in the case of Variable Rate Indebtedness, the Assumed Variable Rate, provided that if the maximum interest rate payable by the Commission with respect to any or all Variable Rate Indebtedness has been limited pursuant to an interest rate swap agreement, then the interest rate to be used for the aforesaid computation with respect to the Variable Rate Indebtedness covered by such interest rate swap agreement shall not exceed the sum of (A) the maximum interest rate as so limited, and (B) the annual charges payable by the Commission pursuant to said Parity Swap Agreement, expressed as a percentage of the principal amount of the Variable Rate Indebtedness which is covered thereby, provided that if any or all of such Variable Rate Indebtedness then constitutes a Pledged Bond, the interest rate to be used for the aforesaid computation with respect to the principal amount of such Pledged Bond shall be 125% of the rate then applicable to the Commission's Reimbursement Obligation under its Reimbursement Agreement with the Bank in question;

(e) if any Outstanding Bond constitutes Tender Indebtedness or if any Bond then proposed to be issued would constitute Tender Indebtedness, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bond, the options or obligations of the owners of such Bonds to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity (but any such amount treated as a maturity shall not be eligible for treatment as Balloon Indebtedness) occurring on the first date on which owners of such Bonds may or are required to tender such Bonds, except that any such option or obligation to tender Bonds shall be ignored and not treated as a principal maturity if both (a) such Bonds are rated in one of the two highest long-term rating categories (without reference to gradations such as "plus" or "minus") by each Rating Agency which has assigned a rating to any such Outstanding Bond at the request of the Commission or such Bonds are rated in the highest short-term note or commercial paper rating category by each Rating Agency which has assigned a rating to any such Outstanding Bond at the request of the Commission, and (b) any obligation the Commission may have, other than its obligation on such Bonds, to reimburse any person for having extended a

credit or liquidity facility or a bond insurance policy, or similar arrangement, shall be a Reimbursement Obligation with respect to an obligation incurred under and meeting the tests and conditions set forth in Article 2;

(f) if any Bond proposed to be issued will be a Variable Rate Bond, the interest rate on such Bond shall be assumed to be the Assumed Variable Rate, provided that if the maximum interest rate payable by the Commission with respect to any or all of such Bonds has been limited pursuant to an interest rate swap agreement, then the interest rate to be used for the aforesaid computation with respect to the Variable Rate Bonds covered by such interest rate swap agreement shall not exceed the sum of (A) the maximum interest rate as so limited, and (B) the annual charges payable by the Commission pursuant to said interest rate swap agreement, expressed as a percentage of the principal amount of the Variable Rate Bonds which is covered thereby, and provided further that if any or all of such Variable Rate Bonds then constitute a Pledged Bond, the interest rate to be used for the aforesaid computation with respect to the principal amount of such Pledged Bond shall be 125% of the rate then applicable to the Commission's Reimbursement Obligation under its Reimbursement Agreement with the Bank in question;

(g) if moneys or Government Obligations (or, if one or more Credit Facilities are in effect which assure the timely payment of the principal of and interest on all Outstanding Bonds and if the Banks providing such Credit Facilities so agree in a written instrument filed with the Trustee, other Permitted Investments) have been irrevocably deposited with and are held by the Trustee or another fiduciary to be used to pay principal and/or interest on any specified Bond or bonds or the fees and expenses of a Bank or a remarketing agent, then the principal and/or interest to be paid from such moneys, from Government Obligations (or other Permitted Investments, if permitted as described above) or from the earnings thereon shall be disregarded and not included in calculating Principal and Interest Requirements.

"Qualified Financial Institution" shall mean (a) any U.S. domestic institution which is a bank, trust company, national banking association, a corporation, subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, a member of the National Association of Securities Dealers, Inc. or corporation or any other entity whose payment obligations are guaranteed by any of the foregoing, whose unsecured obligations or uncollateralized long-term debt obligations (or such obligations of any guarantor thereof) have been assigned a rating within the two highest rating categories by Rating Agency or which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated; (b) an insurance company with a claims-paying ability rated in the highest rating category by Rating Agency or whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within the highest rating category by Rating Agency; or (c) any banking institution whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the two highest rating categories by the Rating Agency; and in respect of (a), (b) and (c), is acceptable to the Series 2003 Bond Insurer so long as any 2003 Bonds remain outstanding..

"Project" shall mean the 2003 Series A Project and the 2003 Series B Project and any additional projects or refundings which are authorized by the Enabling Acts or which may be hereafter authorized by law and which are financed in whole or in part out of the proceeds of Series 2003 Bonds issued under this First Supplement.

"Rating Agency" shall mean each nationally recognized securities rating agency then maintaining a rating on any of the Bonds at the request of the Commission, unless the context only applies the term to one series of Bonds, in which event it shall mean only such rating agency then maintaining a rating on such series of Bonds. Initially, "Rating Agency" means Moody's Investors Service, Inc., Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. and Fitch IBCA, Inc. or their successors.

"Reimbursement Agreement" shall mean an agreement between the Commission and one or more Banks pursuant to which, among other things, such Bank or Banks issue a Credit Facility with respect to Bonds of one or more Series and the Commission agrees to reimburse such Bank or Banks for any drawings made thereunder, including any security or pledge agreement entered into in connection therewith pursuant to which the Commission grants the Bank or Banks a security interest in any collateral to secure its obligations to the Bank or Banks.

"Reimbursement Obligation" shall mean an obligation of the Commission pursuant to a Reimbursement Agreement to repay any amounts drawn under a Credit Facility, to pay any interest on such drawn amounts pursuant to such Reimbursement Agreement and to pay any Bank Fee owed pursuant thereto.

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

"Representation Letter" means the representation letter from the Commission, the Trustee and the Paying Agent to DTC dated the Series Issue Date or, if the Commission has executed and delivered a Blanket Letter of Representations in favor of DTC, such Blanket Letter of Representations.

"Revenue Fund" shall mean the special fund created by the provisions of Section 502 of the Original Indenture.

"Senior Bonds" shall mean the 2003 Series A Senior Bonds, the 1998 Series A Senior Bonds and any Additional Senior Bonds issued under the Original Indenture which shall provide that such Senior Bonds are senior in right of payment and security to the Subordinated Bonds.

"Senior Bonds Debt Service Fund" shall mean the special fund created by Section 503 of the Original Indenture.

"Senior Bonds Sinking Fund" shall mean the special fund created by Section 504 of the Original Indenture.

"Series 1998 Bond Insurance Policy" shall mean the municipal bond insurance policy issued by the Series 1998 Bond Insurer insuring the payment when due of the principal of and interest on the Series 1998 Bonds as provided therein.

"Series 2003 Bond Insurance Policies" shall mean the financial guaranty insurance policies issued by the Series 2003 Bond Insurer insuring the payment when due of the principal of and interest on the Series 2003 Bonds as provided therein.

"Series 2003 Bonds" shall mean the Pennsylvania Turnpike Commission Oil Franchise Tax Senior Revenue Bonds, Series A of 2003 and the Pennsylvania Turnpike Commission Oil Franchise Tax Subordinated Revenue Bonds, Series B of 2003.

"Series 2003 Bond Insurer" shall mean MBIA Insurance Corporation, a New York stock insurance corporation.

"2003 Series A Project" shall have the meaning set forth in the recitals to the First Supplement.

"2003 Series B Project" shall have the meaning set forth in the recitals to the First Supplement.

"Series 2003 Rebate Fund" shall mean the fund so established pursuant to Section 3.11 of the First Supplement.

"Series Issue Date" means, with respect to the Series 2003 Bonds, August 14, 2003, the date of original issuance of the Series 2003 Bonds.

"Sinking Fund" shall mean the Senior Bonds Sinking Fund and the Subordinated Bonds Sinking Fund.

"Special Record Date" shall mean that date eight days immediately preceding the date established by the Trustee for the payment of interest on the Series 2003 Bonds not paid on a regularly scheduled Interest Payment Date.

"State" means the Commonwealth of Pennsylvania.

"Subordinated Bonds" shall mean the 2003 Series B Subordinated Bonds, the 1998 Series B Subordinated Bonds and any Additional Subordinated Bonds which may be issued under the Original Indenture which shall provide that such Subordinated Bonds are junior in right of payment and security to the Senior Bonds.

"Subordinated Bonds Debt Service Fund" shall mean the Special Fund created by Section 505 of the Original Indenture.

"Subordinated Bonds Debt Service Reserve Fund" shall mean the special fund created by Section 507 of the Original Indenture.

"Subordinated Bonds Debt Service Reserve Requirement" shall mean that amount equal to one-half of the maximum Principal and Interest Requirements for any succeeding Fiscal Year on account of the Subordinated Bonds in question.

"Subordinated Bonds Sinking Fund" shall mean the special fund created by Section 506 of the Original Indenture.

"Swap Receipts" shall mean any payments payable by a Parity Swap Agreement Counterparty; provided that termination payments payable by such Parity Swap Agreement Counterparty shall be considered a Swap Receipt only to the extent, and at such time as, the Commission has determined that such payment (or portion thereof) will not be expended by the Commission to obtain a replacement Parity Swap Agreement.

"Tax Receipts" shall mean the amounts received by the Trustee from the Commonwealth and paid from the Oil Franchise Tax,

"Tax Regulatory Agreement" shall mean the Tax Regulatory Agreement and Non Arbitrage Certificate dated as of August 14, 2003 between the Commission and the Trustee.

"Tax Revenues" shall mean the Tax Receipts or any receipts, revenues and other money received by the Trustee on or after the date of the Original Indenture from any tax or other source of funds from the Commonwealth in substitution and/or replacement of the Tax Receipts and the interest and income earned on any fund or account where said interest or income is required to be credited to the Revenue Fund pursuant to the Original Indenture, but excluding any moneys received by way of grant or contribution from any governmental agency or other entity specifically designated by the grantor or contributor for a particular purpose.

"Treasurer's Certificate" shall mean a certificate signed by the Treasurer, Assistant Treasurer or Deputy Executive Director/Finance and Administration of the Commission containing the data specified in Section 210(b) of the Original Indenture.

"Trustee" shall mean the Trustee at the time in question, whether original or successor.

SUMMARY OF THE ORIGINAL INDENTURE AS AMENDED BY THE FIRST SUPPLEMENTAL INDENTURE

Grant of Security Interest

Pursuant to the Original Indenture, the Commission will grant a security interest in and pledge and assign unto the Trustee (i) all Tax Revenues, (ii) the right of the Commission to receive the Commission Allocation from the Commonwealth and any amounts of the Commission Allocation actually received by the Commission, (iii) all monies deposited into accounts or funds created by the Original Indenture (other than the Rebate Fund), including Swap Receipts, and (iv) all investment earnings on all monies held in accounts and funds established by the Original Indenture (other than the Rebate Fund) as security for the payment of the Bonds and the interest thereon and as

security for the satisfaction of any other obligation assumed by it in connection with such Bonds, including any Parity Swap Agreements and Reimbursement Obligations.

Limitations on Issuance of Indebtedness.

The Commission covenants in the Original Indenture that it will not incur any indebtedness which is secured by the Tax Revenues while the Original Indenture is in effect except in accordance with the provisions of the Original Indenture.

Issuance of Additional Bonds.

Additional Senior Bonds and Additional Subordinated Bonds may be issued under and secured by the Original Indenture for the purpose of paying the cost of all or any part of any Additional Project or for the purpose of refunding all or any portion of the Bonds then outstanding and, if elected by the Commission as hereinafter set forth, all or a portion of the expenses incurred by the Commission in connection with the issuance of such Bonds.

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

- (a) the documents required by the Original Indenture for issuance of Additional Bonds generally and for the particular type of Additional Bonds being issued;
- (b) a Supplemental Indenture executed by the Commission in an appropriate number of counterparts setting forth, subject to the provisions of the Original Indenture, the terms and provisions of such Additional Bonds; and
- (c) An opinion of Bond Counsel that the issuance of the Additional Bonds will not adversely affect the tax-exempt status of all outstanding Bonds;

Additional Bonds may be issued for the following purposes and subject to the following additional conditions:

Issuance of Additional Bonds for any Additional Projects. Additional Senior Bonds and Additional Subordinated Bonds may be issued under and secured by the Original Indenture, to the extent from time to time permitted by law, at any time or times for the purpose of paying the cost of any Additional Project and for paying costs incurred in issuing such Additional Bonds and for necessary contributions to the Subordinated Bonds Debt Service Reserve Fund if Additional Subordinated Bonds are being issued.

Such Additional Bonds shall not be authenticated by the Authenticating Agent nor delivered by the Trustee, unless there shall be filed with the Trustee the documents required by the Original Indenture for issuance of Additional Bonds generally and unless there shall be filed with the Trustee a Treasurer's Certificate demonstrating and concluding that the Historic Tax Revenues were not less than 200% of the Maximum Principal and Interest Requirements on account of all Senior Bonds to be outstanding under the Original Indenture after the issuance of proposed Additional Senior Bonds and not less than 115% of the Maximum Principal and Interest Requirements on account of all Bonds to be outstanding under the Original Indenture after the issuance of Additional Subordinated Bonds.

In any computation of Historic Tax Revenues for purposes of the Original Indenture, if the rate or rates at which the Oil Franchise Tax was imposed or the percentage of Tax Receipts received by the Commission during all or any part of the period for which any such calculation is made shall be different from the rate or rates at which the Oil Franchise Tax is imposed or the percentage of Tax Receipts received by the Commission in effect at the time such calculation is made, there shall be added to or deducted from said Tax Revenues so calculated, any increase or decrease in the Tax Revenues for such period which would result from such different rate or rates or percentage.

With respect to any Additional Bonds, and in the event that there has been or is pending a substitution and/or replacement of Tax Receipts by the Commission, there shall be filed with the Trustee a confirmation from the

Rating Agency that the rating on the Series 2003 Bonds and the Series 1998 Bonds will not be lower than the rating on such Series 2003 Bonds and Series 1998 Bonds, respectively, then in effect immediately prior to the issuance of such Additional Bonds.

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

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

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

The Authenticating Agent and Trustee, however, shall not authenticate and deliver such Bonds unless they receive a certificate signed by the Treasurer or Assistant Treasurer of the Commission demonstrating, with respect to Additional Senior Bonds, that the percentage derived by dividing the amount of the Historic Tax Revenues by the Maximum Principal and Interest Requirements on Senior Bonds outstanding after delivery of such Additional Bonds shall be either (i) at least 150% or (ii) not less than the percentage obtained by dividing such amounts prior to delivery of such Additional Senior Bonds and with respect to Additional Subordinated Bonds, that the percentage derived by the amount of the Historic Tax Revenues by the Maximum Principal and Interest Requirements on Bonds outstanding after delivery of such Additional Subordinated Bonds shall be either (i) at least 115% or (ii) not less than the percentage obtained by dividing such amounts prior to delivery of such Additional Subordinated Bonds.

With respect to any Additional Bonds, and in the event that there has been or is pending a substitution and/or replacement of Tax Receipts by the Commission, there shall be filed with the Trustee a confirmation from the Rating Agency that the rating on the Series 1998 Bonds will not be lower than the rating on such Series 1998 Bonds then in effect immediately prior to the issuance of such Additional Bonds.

Subordinated Indebtedness

Nothing in the Original Indenture shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Commission (to the extent now permitted under the Enabling Act or hereafter permitted by law) from issuing Subordinated Indebtedness.

Clearing Fund

The Original Indenture creates a special fund called the "Clearing Fund," which shall be held in trust by the Trustee until applied as hereinafter provided. There shall be deposited in the Clearing Fund all of the net proceeds of the sale of the 2003 Bonds, including accrued interest payable thereon, and the net proceeds of any other Bonds to the extent provided in any Supplemental Indenture. The amounts so deposited in the Clearing Fund shall be disbursed or transferred by the Trustee upon the furnishing of an order of the Chairman of the Commission as is

provided by the Original Indenture. Upon the sooner of such payments and transfers finally being accomplished and that date six (6) months after the date of issuance of the 2003 Bonds (or such other date established in a Supplemental Indenture), any remaining balance shall be transferred to the Construction Fund.

Construction Fund

The Original Indenture creates a special fund called the "Oil Franchise Tax Construction Fund" (herein sometimes called the "Construction Fund"), to the credit of which such deposits shall be made as are required by the provisions of the Original Indenture. Any moneys received from any other source for the construction portion of the Project shall be deposited to the credit of the Construction Fund or to the credit of such other fund (which may or may not be held by the Trustee under the Original Indenture) as the Commission shall direct.

The moneys in the Construction Fund shall be held by the Trustee in trust and, subject to the provisions of the Original Indenture described below, shall be applied to the payment of the Costs of the construction portion of any Project.

Payment of the Costs of the construction portion of any Project shall be made from the Construction Fund. A special account shall be created and identified for each such construction Project although funds may, at the written direction of the Commission, be transferred from one such account in the Construction Fund to another account in such fund.

Revenue Fund

The Original Indenture creates a special fund called the "Revenue Fund." The moneys in the Revenue Fund shall be held by the Trustee in trust and applied as provided in the Original Indenture.

The Commission acknowledges in the Original Indenture that it has irrevocably directed the Commonwealth to transfer all Tax Receipts which the Commission is entitled to receive from the Commonwealth to the Trustee for deposit into the Revenue Fund. Notwithstanding the foregoing, the Commission covenants that any and all Tax Receipts or other Tax Revenues which it receives initially will be deposited into a segregated account of the Commission and will be transferred therefrom within one (1) Business Day following receipt, as far as practicable, with the Trustee or in the name of the Trustee with a depository or depositories designated by the Commission and approved by the Trustee, to the credit of the Revenue Fund.

All sums received by the Commission from any other source for paying any part of the cost of a Project for which any Bonds have been or will be issued shall be deposited into a separate fund (which may or may not be held by the Trustee) established by the Commission for the particular Project.

Senior Bonds Debt Service Fund

The Original Indenture creates a special fund called the "Senior Bonds Debt Service Fund" which shall be held in trust by the Trustee until applied as provided in the Original Indenture. The Original Indenture also creates two separate accounts in the Senior Bonds Debt Service Fund to be known as the "Interest Account" and the "Principal Account." The First Supplemental Indenture created special accounts within the "Senior Bonds Debt Service Fund" designated the "Interest Account," the "Principal Account" and the "Insured Swap Payment Account." All moneys held by the Trustee in the Senior Bonds Debt Service Fund shall be applied in accordance with Section 503 and the other provisions of the Original Indenture and the First Supplemental Indenture.

The Trustee shall withdraw from the Revenue Fund and deposit to the applicable Account in the Senior Bonds Debt Service Fund the amounts hereinafter specified, which shall be applied by the Trustee for the purposes for which the same shall be deposited:

- (1) On or before the last Business Day of each calendar month, an amount which equals the amount necessary to pay, and for the purpose of paying, (i) one-sixth (1/6) of the interest due on the Senior Bonds on the next succeeding Interest Payment Date (or, in the case of the period from

the date of issuance of the any Senior Bonds to the first Interest Payment Date for the applicable Senior Bond, a monthly amount equal to the product of the interest amount owed on such first Interest Payment Date divided by the number of months from the date of issuance of such Senior Bond to such first Interest Payment Date), which amount shall be deposited in the Interest Account and (ii) any amount due to the Series 2003 Bond Insurer with respect thereto under the terms of the Insurance Agreement which amounts shall be paid by the Trustee on behalf of the Commission in accordance with the Insurance Agreement.

(2) On or before the last Business Day of each calendar month, an amount which equals one-twelfth (1/12) of the amount necessary to pay (or, in the case of the period from the date of issuance of the any Senior Bonds to the first date on which principal is due on such Senior Bonds, a monthly amount equal to the product of the principal amount owed on such first principal maturity date divided by the number of months from the date of issuance of such Senior Bond to such first principal maturity date), and for the purpose of paying, the principal amount of any Senior Bonds maturing on the next succeeding maturity date occurring on or before the second Interest Payment Date following such deposit, which amount shall be deposited in the Principal Account; provided, however, that no deposit shall be made pursuant to this clause (2) on any date which would duplicate deposits are required to be made to the Senior Bonds Sinking Fund pursuant to Section 504 hereof and any Supplemental Indenture relating to Additional Senior Bonds.

(3) On the day due pursuant to a Parity Swap Agreement, an amount necessary to pay the Insured Swap Payment, which amount shall be deposited in the Insured Swap Payment Account of the Senior Bonds Debt Service Fund.

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

All of such withdrawals, deposits and applications shall be on the same order of priority.

In the event there is a deficiency in the amount required to be deposited into any account in the Senior Bonds Debt Service Fund in any month, the amount of such deficiency shall be added to the amount required to be deposited in to the appropriate account in the Senior Bonds Debt Service Fund in the following month.

The Trustee shall pay out of the Interest Account, from time to time, without further authorization from the Commission, and as the same shall become due and payable, the interest on the Bonds. The Trustee shall likewise pay out of the Principal Account, from time to time, without further authorization from the Commission, and as the same shall become due and payable, the principal of the Senior Bonds, but only upon the presentation and surrender of the Senior Bonds. The Trustee shall pay out of the Insured Swap Payment Account, from time to time, without further authorization from the Commission, and, as the same shall become due and payable, the Insured Swap Payment under the Parity Swap Agreement.

If at the time the Trustee is to make a withdrawal from the Senior Bonds 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 to the credit of the following funds or accounts in the following order: the Oil Franchise Tax General Fund and the Senior Bonds Sinking Fund.

Senior Bonds Sinking Fund

The Original Indenture creates a special fund called the " Senior Bonds Sinking Fund" which shall be held in trust by the Trustee until applied as directed in the Original Indenture. Contemporaneously with, and on the same order of priority as, making the deposits provided for in Section 503 of the Original Indenture, and while any Senior Bonds are outstanding, the Trustee shall transfer on or before the last Business Day of each calendar month from the

Revenue Fund to the Senior Bonds Sinking Fund one-twelfth of the principal amount required on the next succeeding mandatory redemption date as specified in the Senior Bonds occurring on or before the second Interest Payment Date following such deposit (or such lesser amount which, when added to the principal amount of Senior Bonds purchased by the Trustee during the Fiscal Year pursuant to the second succeeding paragraph, shall equal the above amount); and provided that if any Senior Bond which are subject to mandatory redemption are at any time redeemed pursuant to an Optional Redemption, as described in the Senior Bonds, the principal amount of Senior Bonds of each maturity so redeemed may be applied as a credit against the principal amount of Senior Bonds of such maturity which are subject to mandatory redemption at such time as the Commission shall direct.

On the dates specified in any Supplemental Indenture or indentures relating to Additional Senior Bonds, the Trustee shall transfer from the Revenue Fund the amounts required to be deposited on such dates to the credit of the sinking, purchase or analogous fund, if any, established for such Additional Senior Bonds.

The moneys at any time on deposit to the credit of the Senior Bonds Sinking Fund or to be deposited thereto from the Revenue Fund may be applied by the Commission to the purchase of Senior Bonds of the same maturity of Senior Bonds to be called for mandatory redemption from the Senior Bonds Sinking Fund, and such moneys shall be withdrawn by the Trustee and applied to the payment of the purchase price of Senior Bonds which the Commission may agree to purchase or has paid, provided that such purchase price is not in excess of 100% of the principal amount thereof. At the time of any purchase of the Senior Bonds, the Trustee shall withdraw from the Interest Account of the Senior Bonds Debt Service Fund any amounts deposited therein for the payment of interest on the Senior Bonds so purchased. Any Bonds so purchased in lieu of redemption by the Commission shall be cancelled by the Trustee and no longer remain outstanding.

Subordinated Bonds Debt Service Fund

The Original Indenture creates a special fund called the "Subordinated Bonds Debt Service Fund" which shall be held in trust by the Trustee until applied as provided in the Original Indenture. The Original Indenture also creates two separate accounts in the Subordinated Bonds Debt Service Fund to be known as the "Interest Account" and the "Principal Account."

After the withdrawals described above, the Trustee shall withdraw from the Revenue Fund and deposit to the applicable Account in the Subordinated Bonds Debt Service Fund the amounts hereinafter specified which shall be applied by the Trustee for the purposes for which the same shall be deposited:

(1) On or before the last Business Day of each calendar month, an amount which equals the amount necessary to pay, and for the purpose of paying, (i) one-sixth (1/6) of the interest due on the Subordinated Bonds on the next succeeding Interest Payment Date (or, in the case of the period from the date of issuance of the any Subordinated Bonds to the first Interest Payment Date for the applicable Subordinated Bond, a monthly amount equal to the product of the interest amount owed on such first Interest Payment Date divided by the number of months from the date of issuance of such Subordinated Bond to such first Interest Payment Date), which amount shall be deposited in the Interest Account and (ii) any amount due to the Series 2003 Bond Insurer with respect thereto under the terms of the Insurance Agreement which amounts shall be paid by the Trustee on behalf of the Commission in accordance with the Insurance Agreement.

(2) On or before the last Business Day of each calendar month an amount which equals one-twelfth (1/12) of the amount necessary to pay, and _____ for the purpose of paying, the principal amount of any Subordinated Bonds maturing on the next succeeding maturity date occurring on or before the second Interest Payment Date following such deposit, including any amounts due the Series 2003 Bond Insurer with respect thereto under the terms of the Insurance Agreement, which amount shall be deposited in the Principal Account; provided, however, that no deposit shall be made pursuant to this clause (2) on any date on which deposits are required to be made to the Subordinated Bonds; and

(3) On the dates specified in any Supplemental Indenture relating to Additional Subordinated Bonds, the amounts required to be deposited on said dates to the credit of the Interest Account or Principal

Account pursuant to the provisions of such Supplemental Indenture for the purpose of paying the interest and the principal of such Additional Subordinated Bonds.

In the event there is a deficiency in the amount required to be deposited into any account in the Subordinated Bonds Debt Service Fund in any month, the amount of such deficiency shall be added to the amount required to be deposited in to the appropriate account in the Subordinated Bonds Debt Service Fund in the following month.

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

If at the time the Trustee is to make a withdrawal from the Subordinated Bonds 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 to the credit of the following funds or accounts in the following order: the Subordinated Bonds Debt Service Reserve Fund, the Oil Franchise Tax General Fund and the Subordinated Bonds Sinking Fund.

Subordinated Bonds Sinking Fund

The Original Indenture creates a special fund called the "Subordinated Bonds Sinking Fund which shall be held in trust by the Trustee until applied as directed in the Original Indenture. After first having made the deposits into the Senior Bonds Debt Service Fund, the Senior Bonds Sinking Fund and contemporaneously with, and on the same order of priority as, making the deposits provided for in Section 505 of the Original Indenture, and while any Subordinated Bonds are outstanding, the Trustee shall transfer on or before the last Business Day of each calendar month from the Revenue Fund to the Subordinated Bonds Sinking Fund one-twelfth of the principal amount required on the next succeeding mandatory redemption date as specified in the Subordinated Bonds occurring on or before the second Interest Payment Date following such deposit (or such lesser amount which, when added to the principal amount of Subordinated Bonds purchased by the Trustee during the Fiscal Year pursuant to the second succeeding paragraph, shall equal the above amount); and provided that if any Subordinated Bond which is subject to mandatory redemption is at any time redeemed pursuant to an Optional Redemption, as described in the Subordinated Bonds, the principal amount of Subordinated Bonds of each maturity so redeemed may be applied as a credit against the principal amount of Subordinated Bonds of such maturity which is subject to mandatory redemption at such time as the Commission shall direct.

On the dates specified in any Supplemental Indenture or indentures relating to Additional Subordinated Bonds, the Trustee shall transfer from the Revenue Fund the amounts required to be deposited on such dates to the credit of the sinking, purchase or analogous fund, if any, established for such Additional Subordinated Bonds.

The moneys at any time on deposit to the credit of the Subordinated Bonds Sinking Fund or to be deposited thereto from the Revenue Fund may be applied by the Commission to the purchase of Subordinated Bonds of the same maturity of Subordinated Bonds to be called for mandatory redemption from the Subordinated Bonds Sinking Fund, and such moneys shall be withdrawn by the Trustee and applied to the payment of the purchase price of Subordinated Bonds which the Commission may agree to purchase or has paid, provided that such purchase price is not in excess of 100% of the principal amount thereof. At the time of any purchase of the Subordinated Bonds, the Trustee shall withdraw from the Interest Account of the Subordinated Bonds Debt Service Fund any amounts deposited therein for the payment of interest on the Subordinated Bonds so purchased. Any Bonds so purchased in lieu of redemption by the Commission shall be cancelled by the Trustee and no longer remain outstanding.

Subordinated Bonds Debt Service Reserve Fund

The Original Indenture creates a special fund called the "Subordinated Bonds Debt Service Reserve Fund" which is a common debt service reserve fund for all Subordinated Bonds under the Original Indenture. In each Fiscal Year, after first having made the deposits into the Subordinated Bonds Debt Service Fund and the

Subordinated Bonds Sinking Fund described above and while any Subordinated Bonds are outstanding, the Trustee shall transfer from the Revenue Fund on or before the Business Day immediately preceding an Interest Payment Date to the credit of the Subordinated Bonds Debt Service Reserve Fund out of the balance, if any, remaining in the Revenue Fund, the amount, if any, required to make the funds deposited in the Subordinated Bonds Debt Service Reserve Fund equal the Subordinated Bonds Debt Service Reserve Requirement. The Trustee shall also transfer the amount set forth in any Supplemental Indenture under which Subordinated Bonds are issued.

In the event the Trustee shall be required to withdraw funds from the Subordinated Bonds Debt Service Reserve Fund to restore a deficiency in the Subordinated Bonds Debt Service Fund or the Subordinated Bonds Sinking Fund, the amount of such deficiency shall be allocated pro rata among the accounts, any surety bond or policy and unallocated funds in the Subordinated Bonds Debt Service Reserve Fund that relate to the series of Subordinated Bonds for which payment is coming due on the next succeeding payment date on the basis of the ratio that the Subordinated Bonds Debt Service Reserve Requirement for each particular series of Bonds for which payment is coming due bears to the Subordinated Bonds Debt Service Reserve Requirement for all series of Bonds for which payment is coming due on the next succeeding payment date.

In lieu of the deposit of money into or the maintenance of required amounts in the Subordinated Bonds Debt Service Reserve Fund, the Commission may cause to be provided a surety bond or surety bonds (which surety bond and the issuer thereof and amounts thereof has been approved in writing by the Series 2003 Bond Insurer) or an insurance policy or policies payable to the Trustee for the benefit of the holders of the Bonds or a letter of credit in an amount equal to the difference between the Subordinated Bonds Debt Service Reserve Requirement and the amounts then on deposit in the Subordinated Bonds Debt Service Reserve Fund. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of one (1) Business Day's notice) on any Interest Payment Date on which moneys will be required to be withdrawn from the Subordinated Bonds Debt Service Reserve Fund and applied to the payment of the principal of or interest on any Subordinated Bonds to the extent that such withdrawals cannot be made by amounts credited to the Subordinated Bonds Debt Service Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by the Rating Agency. The letter of credit issuer shall be a bank or trust company which is rated not lower than the second-highest rating category by the Rating Agency, and the letter of credit itself shall be rated in the highest category of such Rating Agency. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph, the Commission shall be obligated either (i) to reinstate the maximum limits of such surety bonds, insurance policy or letter of credit or (ii) to deposit into the Subordinated Bonds Debt Service Reserve Fund, funds pursuant to the operation of the first paragraph of this Section in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as shall provide that the amount credited to the Subordinated Debt Service Reserve Fund equals the Subordinated Bonds Debt Service Reserve Requirement.

If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Subordinated Bonds Debt Service Reserve Fund shall cease to have a rating described in the immediately preceding paragraph, the issuer of such surety bond, insurance policy or letter of credit shall immediately notify the Commission, the Series 2003 Bond Insurer and the Trustee in writing, and the Commission shall use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an issuer having a rating so described that is approved in writing by the Series 2003 Bond Insurer, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Tax Revenues in the Subordinated Bonds Debt Service Reserve Fund in lieu of replacing such surety bond insurance policy or letter of credit with another; provided, however, that the Commission shall at all times fund the Subordinated Bonds Debt Service Reserve Fund with cash or with a surety bond at an acceptable rating to the Series 2003 Bond Insurer.

Except as provided in the Original Indenture with respect to refunding Subordinated Bonds, moneys held for the credit of the Subordinated Bonds Debt Service Reserve Fund shall be used for the purpose of paying interest on, maturing principal and mandatory sinking fund redemption price of Subordinated Bonds whenever and to the extent that the moneys held for the credit of the Subordinated Bonds Debt Service Fund or any Subordinated Bonds Sinking Fund shall be insufficient for such purpose. If at any time the moneys and principal amount of any surety bond, insurance policy or letter of credit held for the credit of the Subordinated Bonds Debt Service Reserve Fund shall exceed the Subordinated Bonds Debt Service Reserve Requirement, such excess shall be transferred by the

Trustee to the credit of the Revenue Fund or used to reduce the principal amount of any surety bond, insurance policy or letter of credit.

Oil Franchise Tax General Fund

The Original Indenture creates a special fund called the "Oil Franchise Tax General Fund" which shall be held in trust by the Trustee until applied as described below. After first having made the deposits provided in the Original Indenture and described above and while any Bonds are Outstanding, the Trustee shall transfer from the Revenue Fund on or before the Business Day immediately preceding an Interest Payment Date to the credit of the Oil Franchise Tax General Fund the balance, if any, after making the required deposits described above.

Except as otherwise provided in the Original Indenture, moneys held for the credit of the Oil Franchise Tax General Fund shall be withdrawn by the Trustee, without further authorization from the Commission, to make up deficiencies in any funds or accounts created under the Original Indenture, and absent any such deficiency, may be expended by the Commission, upon requisition to the Trustee, for any of the following purposes, with no one item having priority over any of the others, as long as such application of Oil Franchise Tax Receipts is permitted by law:

- (a) To purchase or redeem Bonds or any other bonds of the Commission;
- (b) To secure and pay the principal or redemption price of and interest on any subordinated indebtedness.
- (c) To make payments into the Construction Fund;
- (d) To fund improvements, extensions and replacements of the Pennsylvania Turnpike System;
- (e) To further any lawful corporate purpose; or
- (f) To fund amounts payable by the Commission under a Parity Swap Agreement which are not Insured Swap Payments, such amounts shall be payable from the Oil Franchise Tax General Fund only if and to the extent that after such payment the Commission will have moneys available to pay debt service on the Senior Obligations for the next twelve (12) months.

Series 2003 Rebate Fund

The Original Indenture creates a special fund called the "Series 2003 Rebate Fund," separate and apart from the pledge of the Original Indenture. Deposits shall be made to the Series 2003 Rebate Fund in accordance with, and moneys and investments in the Series 2003 Rebate Fund shall be applied as set forth in, the Tax Regulatory Agreement. The Tax Regulatory Agreement may be superseded or amended by a new Tax Regulatory Agreement delivered by the Commission and accompanied by an Opinion of Bond Counsel to the Trustee to the effect that the use of such new Tax Regulatory Agreement will not cause the interest on the Series 2003 Bonds to become includable in gross income of the recipient thereof. The Series 2003 Rebate Fund, and the moneys and investments therein, shall not secure the Series 2003 Bonds.

Depositaries of Moneys, Security for Deposits and Investments of Moneys

All moneys received by the Commission under the provisions of the Original Indenture shall be deposited with the Trustee or with one or more other bank or trust companies to be designated by the Commission with the approval of the Trustee (any such depository, including the Trustee, being herein called a "Depository"). All moneys deposited under the provisions of the Original Indenture with the Trustee or any other Depository shall be held in trust and applied only in accordance with the provisions of the Original Indenture, and shall not be subject to lien or attachment by any creditor of the Commission.

No moneys shall be deposited with any Depository, other than the Trustee, in an amount exceeding fifty percent (50%) of the amount which an officer of such Depository shall certify to the Commission as the combined capital and surplus of such Depository.

All moneys deposited with the Trustee or any other Depository under the Original Indenture shall be continuously and fully secured, unless or until invested as provided in the Original Indenture, for the benefit of the Commission and the holders of the Bonds, by Government Obligations or direct and general obligations of the Commonwealth of Pennsylvania or otherwise in accordance with the laws of the Commonwealth of Pennsylvania governing trust funds of public bodies. Such security shall have an aggregate market value, exclusive of accrued interest, at all times at least equal to the amount of moneys so deposited. Such security shall be deposited with a Federal Reserve Bank or with the corporate trust department of the Trustee.

Moneys held in any of the funds or accounts under the Original Indenture may be retained uninvested, if deemed necessary by the Commission, as trust funds and secured as provided above or may be invested in Permitted Investments. All such investments shall be made by the Trustee only upon the oral request of the Commission immediately confirmed in writing by a Commission Official specifying the account or fund from which moneys are to be invested and designating the specific investments to be acquired. Absent investment directions from the Commission, the Trustee may invest such balance in investments described in paragraph 0) of the definition of Permitted Investments.

All such investments made pursuant to the Original Indenture shall be subject to withdrawal or shall mature or be subject to redemption by the holder at not less than the principal amount thereof or the cost of acquisition, whichever is lower, not later than the earlier of (i) 15 years from the date of such investment or (ii) the date on which the moneys may reasonably be expected to be needed for the purpose of the Original Indenture. The foregoing provisions shall not prevent the Commission or the Trustee from selling such investments at less than the principal amount thereof or the cost of acquisition.

Covenants as to Tax Revenues

The Commission covenants in the Original Indenture that it will seek to enforce the pledge and appropriation of the Commonwealth with respect to the Oil Franchise Tax which is described in the recitals hereto, and it will petition the General Assembly for additional funds in the event that the Tax Revenues are inadequate to pay the amounts due hereunder.

The Trustee may and, upon receipt of written direction from the holders of not less than twenty-five percent (25%) in principal amount of the Bonds then outstanding and upon being indemnified to its satisfaction, shall institute and prosecute in a court of competent jurisdiction any appropriate action to enforce the pledge and appropriation of the Commonwealth with respect to the Oil Franchise Tax which is described in the recitals hereto.

Other Covenants of Commission

Pursuant to the Original Indenture, the Commission has made the following additional covenants, among others, to the Trustee:

(a) To promptly pay the principal of and the interest on every Bond issued under the provisions of the Original Indenture at the places, on the dates and in the manner provided in the Original Indenture and in said Bonds and any premium required for the retirement of said Bonds by purchase or redemption, according to the true intent and meaning thereof, but only from the Tax Revenues, which Tax Revenues are pledged by the Commission to the payment thereof in the manner and to the extent hereinabove particularly specified, and from the remainder of the Trust Estate.

(b) In the event that Bonds shall be issued under the provisions of the Original Indenture to construct a Project, to:

(1) proceed in conformity with law and all requirements of all governmental authorities having jurisdiction thereover; and

(2) before entering into any construction contract, secure the approval of the Pennsylvania Department of Transportation, if required by law, of such contract and of the plans and specifications referred to therein, and that it will obtain the approval of the Department of Transportation of any changes in any such plans and specifications and of any change orders involving such construction contract.

(c) Not to create or suffer to be created any lien or charge upon the Tax Revenues, or any part thereof except the lien and charge of the Bonds secured by the Original Indenture and any Subordinated Indebtedness permitted pursuant to the Original Indenture.

(d) Until the Bonds secured by the Original Indenture and the interest thereon shall have been paid or provision for such payment shall have been made, not to use the Tax Revenues for any purpose other than as provided in the Original Indenture, and not enter into any contract or contracts or take any action by which the rights of the Trustee or of the Bondholders might be impaired or diminished. Notwithstanding the above, the Commission shall be permitted to incur Subordinated Indebtedness pursuant to the provisions of the Original Indenture.

(e) To keep accurate records of its receipt of Tax Revenues. Such records shall be open to the inspection of the Bondholders and their agents and representatives.

(f) To make no investment or other use of the proceeds of 2003 Bonds which would cause such Bonds to be "arbitrage bonds" as that term is defined in Section 148 of the Code, and all applicable regulations promulgated with respect thereto; to comply with the requirements of the Code and applicable regulations throughout the term of the 2003 Bonds; and not to take any action, omit to take any action, or permit any other person to take any action or fail to take any action over which the Commission has control, which action or inaction would cause the interest on the 2003 Bonds to be subject to federal income tax to a greater extent than on the date of issuance of such Bonds.

Financial Statements; Available Information

The Commission also covenants in the Original Indenture, in each Fiscal Year, to cause an annual audit to be made of its books and account by an independent certified public accountant of recognized by and standing. Promptly thereafter, reports of such audit shall be filed with the Commission and the Trustee, and copies of such reports shall be mailed by the Commission to all Bondholders who shall have filed their names and addresses with the Secretary and Treasurer of the Commission for such purpose. Each annual audit report shall set forth in respect of the preceding twelve-month period the findings of such certified public accountants whether Tax Revenues under the Provision for the Original Indenture have been applied in accordance with the provisions of the Original Indenture. Such audit reports shall be open to the inspection of the Bondholders and their agents and representatives.

The Commission further covenants that it will cause any additional reports or audits to be made as required by law and that, as often as may be requested, it will furnish to the Trustee, and the holder of any Bond such other information concerning the Tax Revenues as any of them may reasonably request and as may be easily provided by the Commission.

Events of Default

The Original Indenture provides that each of the following events is declared an "event of default":

(a) payment of the interest on, or principal and premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) the Commission shall for any reason be rendered incapable of fulfilling its obligations under the Original Indenture, including, without limitation, as a result of its existence being terminated or expiring; or

(c) The Commission shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like for it or for all or a substantial part of its property, or (ii) admit in writing the inability to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated a bankrupt or insolvent, or (v) commence a voluntary case under the United States Bankruptcy Code or file a voluntary petition or answer seeking reorganization, an arrangement with Creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization or insolvency proceeding, or action of the Commission shall be taken for the purpose of effecting any of the foregoing, or (vi) take any corporate action or other action to authorize any of the foregoing, or (vii) if without the application, approval or consent of the Commission, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking in respect of the Commission an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding-up or liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of the Commission or of all or any substantial part of its assets or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by the Commission in good faith, the same shall (A) result in the entry of an order for relief or any such adjudication or appointment or (B) remain undismissed. and undischarged. for a period of 60 days;

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

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

Remedies

Upon the happening and continuance of any event of default specified in (a) above with respect to the Senior Bonds, then and in every such case the Trustee may, and upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Senior Bonds then Outstanding shall, by a notice in writing to the Commission, declare the principal of all of the Bonds then outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Senior Bonds or in the Original Indenture to the contrary notwithstanding; provided, however, that if at any time after the principal of the Senior Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Original Indenture, moneys shall have accumulated in the Senior Bonds Sinking Fund sufficient to pay the principal of all matured Senior Bonds and all arrears of interest, if any, upon all the Senior Bonds then outstanding (except the principal of any Senior Bonds not then due by their terms and the interest accrued on such Senior Bonds since the last interest payment date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee, and all other amounts then payable by the Commission hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the appropriate trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Senior Bonds or in the Original

Indenture (other than a default in the payment of the principal of such Senior Bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of this Trustee, then and in every such case the Trustee may, and upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Senior Bonds not then due by their terms and then outstanding shall, by written notice to the Commission, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon; and provided, further, that notwithstanding anything contained in the Original Indenture to the contrary.

Upon the happening and continuance of any event of default specified in the Original Indenture, then and in every such case the Trustee may proceed, and upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Bonds then outstanding shall proceed, subject to the Original Indenture, to protect and enforce its rights and the rights of the Bondholders under the laws of Pennsylvania or under the Original Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Original Indenture or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem reasonable or necessary to protect and enforce such rights.

In the enforcement of any remedy under the Original Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Commission for principal, interest or otherwise under any of the provisions of the Original Indenture or of the Bonds and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds (to the extent that payment of such interest is enforceable under applicable law), together with any and all costs and expenses of collection and of all proceedings under the Original Indenture and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders and to recover and enforce judgment or decree against the Commission, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

Application of Funds: Senior Bonds

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

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

first: to the payment to the persons entitled thereto of all installments of interest then due (including any amount due to the Series 2003 Bond Insurer with respect thereto under the terms of the Insurance Agreement and any Insured Swap Payment), in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the person entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any of the Senior Bonds which shall have become due (other than Senior Bonds called for redemption for the payment of which moneys are held pursuant to the provisions for the Original Indenture), in the order of their due dates, with interest on such Senior Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full the principal of Senior Bonds due on any particular date, together with such interest, then to the

payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

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

(b) If the principal of all the Senior Bonds shall have become or shall be declared due and payable, all such monies shall be applied to the payment of the principal and interest upon the Senior Bonds and any Insured Swap Payment then due and unpaid with interest thereon as aforesaid, without preference or priority of principal, interest or Insured Swap Payment over the other, or of any Senior Bond over any other Senior Bond, ratably, according to the amounts due respectively for principal, interest and Insured Swap Payments, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Bonds.

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

Application of Funds: Subordinated Bonds

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

(a) Unless the principal of all the Subordinated Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied, subject to the application of funds for the Senior Bonds described above:

first: to the payment to the persons entitled thereto of all installments of interest then due (including any amount due to the Series 2003 Bond Insurer with respect thereto under the terms of the Insurance Agreement), in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinated Bonds;

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

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

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

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

Bondholders' Right to Direct Proceedings

Subject to rights of the Bond Insurer as set forth in the Original Indenture, anything in the Original Indenture to the contrary notwithstanding, the holders of a majority in principal amount of the Bonds then outstanding with respect to which the event of default has occurred shall have the right, subject to the provisions of the Original Indenture noted above, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Original Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholder not parties to such direction. The Trustee may exercise any right or take any other action deemed proper by the Trustee which is not inconsistent with such direction.

No holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Original Indenture or for any other remedy thereunder unless such holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the holders of not less than twenty-five percent (25%) in principal amount of the Bonds then outstanding with respect to which the event of default has occurred shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in the Original Indenture in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Original Indenture or for any other remedy hereunder. It is understood and intended that no one or more holders of the Bonds hereby secured shall have any right in any manner whatever by this or their action to affect, disturb or prejudice the security of the Original Indenture, or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Original Indenture and for the benefit of all holders of such outstanding Bonds.

Notice of Default

The Trustee shall mail to the registered owners of the Bonds then outstanding at their addresses as they appear on the registration books, written notice of the occurrence of any event of default set forth in clause (a) above

under "Events of Default" within thirty (30) days after any such event of default shall have occurred. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice of default required by the Original Indenture.

Rights of Bond Insurer

The First Supplemental Indenture and/or the Original Indenture provides that so long as any of the 2003 Bonds or the 1998 Bonds insured by the respective Bond Insurer remain outstanding and the applicable Bond Insurer is not in default of any payment required to be made under the applicable Bond Insurance Policy issued with respect thereto, certain events and actions specified in the First Supplemental Indenture and/or the Original Indenture may not be taken or happen without the written consent of the 2003 Bond Insurer or the 1998 Bond Insurer, as applicable. Such actions and events include amendment of any provision of the First Supplemental Indenture and/or the Original Indenture; execution and delivery of any supplemental indenture; removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent requiring consent of the Bondholders; initiation or approval of other actions requiring Bondholder consent; approval of any reorganization, liquidation or other similar plan with respect to the Commission; and waiver of an event of default. If Bonds in addition to the 2003 Bonds and the 1998 Bonds are then outstanding, the respective Bond Insurer's consent rights shall, in the event of any of the foregoing matters requiring Bondholder consent, be deemed to include the right to vote on behalf of all registered owners of 2003 Bonds or the 1998 Bonds, respectively, insured by the 2003 Bond Insurance Policy or the 1998 Bond Insurance Policy, as applicable.

Upon the occurrence and continuance of an event of default as defined in the Original Indenture, the Bond Insurer shall be entitled, subject to provisions of the Original Indenture, by an instrument in writing to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under the Original Indenture, including without limitation (i) the right to accelerate the principal of the 2003 Bonds as described in the Original Indenture and (ii) the right to annul any declaration of acceleration of the principal of the 2003 Bonds.

In addition, the Trustee may with the consent of the Bond Insurer, and shall at the direction of Bond Insurer (or the percentage of the holders of the 2003 Bonds specified in the Original Indenture and with the written consent of the Bond Insurer), by written notice to the Commission and the Bond Insurer, declare the principal of the 2003 Bonds to be immediately due and payable, whereupon that portion of the principal of the 2003 Bonds thereby coming due and interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

The provisions described in the preceding two paragraphs shall apply only if the Bond Insurer is not in default under the Bond Insurance Policy.

Upon an event of default under the Original Indenture, the Bond Insurer shall have the right to direct an accounting at the Commission's expense, and the Commission's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default under the Original Indenture; provided, however, that if compliance with such direction cannot occur within such period, then such period shall be extended so long as compliance has begun within such period and is being diligently pursued by the Commission, but only if such extension would not materially adversely affect the interests of any registered owner of the 2003 Bonds.

Supplemental Indentures Without Consent of Bondholders

The Commission and the Trustee may, from time to time and at any time, enter into such indentures or agreements supplemental to the Original Indenture as shall not be inconsistent with the terms and provisions of the Original Indenture for any of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in the Original Indenture or in any Supplemental Indenture, including without limitation defects which would, if not cured, cause the interest

on any series of Bonds to be included in gross income for federal income tax purposes when such interest is not to be so includable,

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee,

(c) to issue Additional Bonds pursuant to the Original Indenture,

(d) to obtain, maintain or upgrade the then-current rating of the Bonds or to obtain a Credit Facility; provided, however, no amendment with respect to obtaining a Credit Facility shall grant to the provider of the Credit Facility a lien with respect to the Trust Estate superior to that of any Bondholder,

(e) to create a common Subordinated Bonds Debt Service Reserve Fund for all Subordinated Bonds, provided that each entity which has issued a letter of credit, surety bond or bond insurance policy as to any Subordinated Bonds for all or a portion of the Subordinated Bonds Debt Service Reserve Fund shall have consented thereto, or

(f) to make any other amendment which does not materially adversely affect the rights of the Trustee or of the Bondholders.

Supplemental Indentures With Consent of Bondholders

Subject to the terms and provisions contained in the Original Indenture, including the rights of the Bond Insurer, and not otherwise, the holders of not less than a majority (more than fifty percent (50%)) in aggregate principal amount of the Senior Bonds then outstanding and the holders of not less than a majority in aggregate principal amount of the Subordinated Bonds then outstanding shall have the right, from time to time, anything contained in the Original Indenture to the contrary notwithstanding, to consent to and approve the execution by the Commission and the Trustee of such indenture or indentures supplemental to the Original Indenture as shall be deemed necessary or desirable by the Commission for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Original Indenture or in any Supplemental Indenture; provided, however, that nothing in the Original Indenture contained shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on any Bond issued thereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or (except as to Additional Bonds to the extent provided in the Original Indenture) on a parity with the lien or pledge created by the Original Indenture, or (d) a preference or priority of any Senior Bond or Senior Bonds over any other Senior Bond or Subordinated Bonds or any Subordinated Bond or Bonds over any other Subordinated Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture. Nothing contained in the Original Indenture, however, shall be construed as making necessary the approval by Bondholders of the execution of any Supplemental Indenture or agreement described above under "Supplemental Indentures Without Consent of Bondholders."

Defeasance

If, when the Bonds shall have become due and payable in accordance with their terms or otherwise as provided in the Original Indenture or shall have been duly called for redemption or irrevocable instructions to call the Bonds for redemption shall have been given by the Commission to the Trustee, the whole amount of the principal and interest and the premium, if any, so due and payable upon all of the Bonds then outstanding shall be paid or there shall have been deposited with the Trustee or the Paying Agent an amount, evidenced by moneys or Defeasance Securities, certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed, except as hereinafter provided), to be sufficient for the payment, at their maturities or redemption dates, of all principal, premium, if any, and interest on the Bonds to the date of maturity or redemption, as the case may be, and

provision shall also be made for paying all other sums payable under the Original Indenture and the Series 2003 Insurance Agreements hereunder by the Commission, then and in that case the right, title and interest of the Trustee shall thereupon cease, determine and become void, and the Trustee in such case, on demand of the Commission, and upon receipt of an Opinion of Counsel stating in substance that all conditions precedent provided for in the Original Indenture relating to defeasance have been satisfied, shall release the Original Indenture and shall execute such documents to evidence such release as may be reasonably required by the Commission, and shall turn over to the Commission or to such officer, board or body as may then be entitled by law to receive the same any surplus in any funds or accounts other than moneys held in the Rebate Fund or for redemption or payment of Bonds.

The Original Indenture provides that in the event that the principal and/or interest due on the 2003 Bonds shall be paid by the Bond Insurer pursuant to the 2003 Bond Insurance Policy, the 2003 Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Commission, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Commission to the registered owners of the 2003 Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

If the Commission deposits with the Trustee Defeasance Securities (or Defeased Tax-Exempt Securities, with respect to the 1998 Bonds) sufficient to pay the principal or redemption price of any particular Bond or Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on such Bond or Bonds shall cease to accrue on the due date and all liability of the Commission with respect to such Bond or Bonds shall cease. Thereafter, such Bond or Bonds shall be deemed not to be outstanding under the Original Indenture and the holder or holders of such Bond or Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bond or Bonds, and the Trustee shall hold such funds in trust for such holder or holders.

Subordination

The Subordinated Bonds shall be subordinated and junior in lien position and right of payment to the extent and in the manner hereinafter set forth, to all principal of, premium, if any, and interest on the Senior Bonds.

(a) No payment on account of principal of and premium, if any, or interest on such Subordinated Bonds shall be made from the Tax Revenues or any amounts in the Subordinated Bonds Debt Service Fund or Subordinated Bonds Sinking Fund, nor shall any Tax Revenues be applied to the purchase or other acquisition or retirement of such Subordinated Bonds, unless full payment of amounts due and payable on or prior to such payment date, whether at maturity, by acceleration or otherwise, for principal of and premium, if any, and interest on all Senior Bonds has been made or duly provided for in accordance with the terms of this Original Indenture. Notwithstanding the foregoing, no payment on account of principal of and premium, if any, or interest on such Subordinated Bonds shall be made from the Tax Revenues, nor shall any Tax Revenues be applied to the purchase or other acquisition or retirement of such Subordinated Bonds if, at the time of such payment or application or immediately after giving effect thereto, there shall exist a default in the payment of principal of, and premium, if any, or interest on any Senior Bonds.

(b) (i) Upon any dissolution or winding up or total or partial liquidation, reorganization or arrangement of the Commission, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal of, premium, if any, and interest due or to become due upon all Senior Bonds shall first be paid in full, or payment thereof provided for in accordance with the terms of the Senior Bonds, and any deficiency in any fund created under the Original Indenture has been satisfied, before any payment from the Tax Revenues is made on account of the Subordinated Bonds.

(ii) In the event that, notwithstanding the foregoing provisions, any holder of Subordinated Bonds shall have received any payment or distribution of Tax Revenues or any amounts in the Subordinated Bonds Debt Service Fund or the Subordinated Bonds Sinking Fund, including any such payment or distribution which may be payable or deliverable by reason of the, payment of the Subordinated Bonds (a "Distribution"), if there exists a default in the payment of principal of, premium, if any, or interest on any Senior Bonds at the time of the Distribution then and in such event such Distribution shall be received and held in trust for the holders of the Senior Bonds and shall be paid over or delivered forthwith to the Trustee

for the benefit of the holders of the Senior Bonds to the extent necessary to pay all such Senior Bonds in full after giving effect to any payment or distribution made to the holders of such Senior Bonds concurrently with the Distribution made to such holder of Subordinated Bonds.

(c) The provisions of (a) and (b) above are solely for the purpose of defining the relative rights of the Senior Bonds and the holders of Subordinated Bonds, and nothing herein shall impair, as between the Commission and the holders of the Subordinated Bonds, the obligation of the Commission, which is unconditional and absolute, subject to the provisions of Section 701 of the Original Indenture to pay to the holders thereof the principal thereof and premium, if any, and interest thereon in accordance with its terms, nor shall anything therein prevent the holders of the Subordinated Bonds from exercising all remedies otherwise permitted by applicable law or upon default thereunder, subject to the rights under (a) and (b) above of the Senior Bonds, as the case may be, to receive cash, property or securities otherwise payable or deliverable to the holders of the Subordinated Bonds.

Series 2003 Bond Insurer as Owner

So long as the Series 2003 Bond Insurance Policies are in effect and the Series 2003 Bond Insurer in its obligations thereunder, the Series 2003 Bond Insurer shall be deemed the sole Owner of the Series 2003 Bonds for all purposes (except the giving of a notice of default to Bondholders).

Amendments to Original Indenture

Certain amendments to the Original Indenture have already been reflected in the "Summary of the Original Indenture as amended by the First Supplemental Indenture", above. The following are the majority of the remaining amendments to the Original Indenture made pursuant to the First Supplemental Indenture.

1. *Amendment to the GRANTING clauses of the Original Indenture.*

The Granting clauses of the Original Indenture is amended as follows:

(a) Clause (iii) in the granting language and the definition of Trust Estate is amended to read "all moneys deposited into accounts or funds created by this Indenture (other than the Rebate fund), including Swap Receipts".

2. The fourth paragraph of Section 214 is amended in its entirety to read as follows:

In the event and to the extent that amounts payable to the Commission under such a contract are secured by the Tax Revenue on parity with the Bonds to which such contract relates, as provided for in the preceding paragraphs, the Commission shall pay to the Trustee for deposit into the Debt Service Fund Account relating to such Bonds the Insured Swap Payments as if such amounts were additional amounts of interest due on said Bonds; and the Trustee shall pay to the Parity Swap Agreement Counterparty, to the extent required under the Parity Swap Agreement, the amounts deposited in the aforesaid account. Swap Receipts shall be deposited to the credit of the Revenue Fund. (Until a termination payment received by the Commission is determined to be a Swap Receipt, such payment shall be held by the Trustee in a separate account and, to the extent directed by the Commission, applied to obtain a replacement Parity Swap Agreement, which such replacement Parity Swap Agreement must be approved in writing by the Series 2003 Bond Insurer for so long as the Series 2003 Bond Insurance Policy is in effect.) In the event and to the extent that amounts payable by the Commission under such a contract are not Insured Swap Payments, such amounts shall be payable from the Oil Franchise Tax General Fund only if and to the extent that after such payment the Commission will have moneys available to pay debt service on the Senior Obligations for the next twelve (12) months.

3. Amendment to SECTION 913 of the Original Indenture Titled "Removal of Trustee".

SECTION 913 is hereby amended in its entirety as follows:

The Trustee may be removed at any time by an instrument or concurrent instruments writing, signed by the Series 2003 Bond Insurer, or, if the Series 2003 Bond Insurer is in default in payment under the Policy, then the holders of not less than a majority in principal amount of the Bonds hereby secured and then outstanding and filed with the Commission. A photostatic copy of each such instrument shall be delivered promptly by the Commission to the Trustee. The Trustee also may be removed at any time by a resolution of the Commission so long as the Commission is not in default under any provision of this Indenture.

4. Addition of new SECTION 917 to Original Indenture Titled "Trustee may act Through Agents; Answerable Only for Misconduct or Negligence."

SECTION 917 is hereby added to the end of Article IX of the Original Indenture as follows:

The Trustee may execute any powers hereunder and perform any duties required of it through attorneys, agents, officers, or employees, and shall be entitled to advice of counsel concerning all questions hereunder. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture nor for anything whatever in connection with the trust hereunder, except only (a) its own misconduct or negligence or (b) the theft or loss, for any reason whatsoever.

5. Miscellaneous Amendments.

All references to the Trustee's "principal corporate trust office" are hereby deleted in their entirety and replaced with the words "designated corporate trust office."

APPENDIX C

SUMMARY OF PROVISIONS RELATING TO ARCs

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SUMMARY OF PROVISIONS RELATING TO ARCs

The following is a summary of the Special Provisions Relating to ARCs (“ARCs Provisions”) contained in the Indenture. The summary should not be regarded as a full statement of the provisions summarized. For complete statements of the provisions thereof, reference is made to the Indenture in its entirety, copies of which will be available for inspection at the designated corporate trust office of the Trustee.

Certain Definitions

In addition to the terms defined elsewhere in the Indenture and the Loan Agreement as set forth in Appendix B to this Official Statement, the following terms shall have the following meanings with respect to Bonds while they are ARCs, unless the context otherwise requires:

“**AA’ Financial Commercial Paper Rate**” means, on any date of determination, (a) for Auction Periods of 35 days or less, the interest equivalent of commercial paper having a maturity of 30 days, (b) for Auction Periods greater than 35 days and up to 75 days, the interest equivalent of commercial paper having a maturity of 60 days, (c) for Auction Periods greater than 75 days and up to 105 days, the interest equivalent of commercial paper having a maturity of 90 days, and (d) for Auction Periods greater than 105 days, the interest equivalent of commercial paper having a maturity of 270 days, as each such rate is published on the Business Day prior to such date by the Board of Governors of the Federal Reserve System on its World Wide Web site <http://www.federalreserve.gov/releases/o/histrates.txt>, or any successor publication (“H.15(519)”) under the caption “AA financial.” In the event that such publication has not been published in a timely manner, the “AA” Financial Commercial Paper Rate shall be calculated by the Market Agent, and shall be the bond equivalent yield of the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on the determination date of three leading dealers of U.S. dollar commercial paper in The City of New York (which may include the Market Agent) selected by the Market Agent, for U.S. dollar commercial paper having a maturity of 30, 60 or 90 days, as applicable, placed for financial issuers whose bond rating is “AA” or the equivalent, from a nationally recognized securities rating agency; provided, however, that if the dealers selected as aforesaid by the Market Agent are not quoting as mentioned in this sentence (and if the Market Agent, in its discretion, determines that such quotations cannot be obtained from any three leading dealers of U.S. dollar commercial paper in the City of New York) such rate shall be the same rate as in effect for the immediately preceding Interest Period. For purposes of this definition, the “interest equivalent” of a rate stated on a discount basis (a “discount rate”) for commercial paper of a given day’s maturity shall be equal to the product of (A) 100 times (B) the discount rate times (C) the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) of (x) the applicable number of days in a year (365 or 366) divided by (y) the difference between (1) 360 and (2) the product of the discount rate (expressed in decimals) times the applicable number of days in which such commercial paper matures.

“**After-Tax Equivalent Rate**” means, on any date of determination, the interest rate per annum, equal to the product of:

- (a) the “AA” Financial Commercial Paper Rate on such date; and
- (b) 1.00 minus the Statutory Corporate Tax Rate on such date.

“**All-Hold Rate**” means, on any date of determination, the interest rate per annum equal to 90% (as such percentage may be adjusted pursuant to the provisions described under the heading “Adjustment in Percentages”) of the lesser on such date of

- (a) the After-Tax Equivalent Rate on such date; or
- (b) the Kenny Index on such date;

rounded to the nearest one thousandth (.001) of 1%; provided that in no event shall the All-Hold Rate be more than the Maximum Rate or less than zero.

“Applicable ARCs Rate” has the meaning assigned to such term below under “Interest on ARCs”.

“Applicable Number of Business Days” means the greater of two Business Days or one Business Day plus the number of Business Days by which the Auction Date precedes the first day of the next succeeding Interest Period.

“Applicable Percentage” means, on any date of determination, the percentage determined (as such percentage may be adjusted pursuant to the provisions described under the heading “Adjustment in Percentages”) based on the lower of the prevailing credit ratings on the ARCs in effect at the close of business on the Business Day immediately preceding such date, as set forth below:

| <u>Fitch</u> | <u>S&P</u> | <u>Applicable Percentage</u> |
|------------------|------------------|------------------------------|
| “AAA” | “AAA” | 175% |
| “AA-” to “AA+” | “AA-” to “AA+” | 175% |
| “A-” to “A+” | “A-” to “A+” | 175% |
| “BBB-” to “BBB+” | “BBB-” to “BBB+” | 200% |
| Below “BBB-” | Below “BBB-” | 265% |

provided, that, in the event that the ARCs are not rated by any nationally recognized securities rating agency, the Applicable Percentage shall be 265%, and, provided further, that if a Payment Default shall have occurred and be continuing, the Applicable Percentage shall be 265%. For purposes of this definition, Fitch Ratings’ rating categories of “AAA,” “AA,” “A,” and “BBB.” and Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc.’s rating categories of “AAA,” “AA,” “A,” and “BBB” refer to and include the respective rating categories correlative thereto if either or both of such rating agencies have changed or modified their generic rating categories or if Fitch Ratings or Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. no longer rates the ARCs and have been replaced.

“ARCs” means the Bonds outstanding as Auction Rate Certificates prior to their conversion, if ever, to bear interest at Daily Rates, Weekly Rates, Short-Term Rates, Long-Term Rates or a Fixed Rate.

“Auction” means each periodic implementation of the Auction Procedures.

“Auction Agent Agreement” means the Auction Agent Agreements, dated as of August 1, 2003, relating to each subseries of ARCs, between the Trustee and the Auction Agent, and any similar agreement with a successor Auction Agent, in each case as from time to time amended or supplemented.

“Auction Agent” means any person appointed as such pursuant to the provisions described under the heading “Auction Agent.”

“Auction Agent Fee” means the fee to be paid to the Auction Agent for the services rendered by it under the Auction Agent Agreement and the Broker-Dealer Agreement.

“Auction Date” means the following dates with respect to the corresponding subseries of ARCs:

Subseries C-1: August 25, 2003
Subseries C-2: August 27, 2003
Subseries C-3: September 15, 2003
Subseries C-4: September 17, 2003

and thereafter, the Business Day immediately preceding the first day of each Interest Period, other than:

(a) each Interest Period commencing after the ownership of the ARCs is no longer maintained in book entry form by the Depository;

(b) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or

(c) any Interest Period commencing less than the Applicable Number of Business Days after the cure or waiver of a Payment Default.

Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed pursuant to the provisions described under the heading “Changes in Auction Periods or Auction Date.”

“**Auction Period**” means, with respect to any ARCs, the Interest Period applicable to the ARCs as the same may be changed pursuant to the provisions described under the heading “Changes in Auction Periods or Auction Date.”

“**Auction Procedures**” means the procedures set forth below under “Auction Procedures.”

“**Auction Rate**” means the rate of interest per annum on any Auction Date that results from the implementation of the Auction Procedures, and determined as described under the heading “Auction Procedures.”

“**Authorized Denominations**” with respect to the ARCs means \$25,000 and any integral multiple thereof.

“**Available ARCs**” has the meaning assigned to such term under “Auction Procedures.”

“**Bid**” has the meaning assigned to such term in the provisions described under the heading “Auction Procedures.”

“**Bidder**” has the meaning assigned to such term in the provisions described under the heading “Auction Procedures.”

“**Broker-Dealer**” means UBS Financial Services Inc. or any other broker or dealer (each as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures that (i) is a Participant (or an affiliate of a Participant), (ii) has a capital surplus of at least \$100,000,000, (iii) has been selected by the Commission with the approval of the Market Agent and Bond Insurer and (iv) has entered into a Broker-Dealer Agreement that remains effective.

“**Broker-Dealer Agreement**” means (a) the Broker-Dealer Agreements for each subseries of ARCs, dated as of August 1, 2003, between the Auction Agent and UBS Financial Services Inc. and (b) each other agreement between the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, in each case as from time to time amended or supplemented.

“**Broker-Dealer Fee**” means the fee to be paid to the Broker-Dealers for the services rendered by them under the Broker-Dealer Agreement.

“**Business Day**” with respect to the ARCs means any day other than April 14, April 15, December 30, December 31, such other dates as may be agreed to in writing by the Market Agent, the Auction Agent, the Broker-Dealer, and the Commission, or a Saturday, Sunday or other day on which banks in the city of New York, New York or the New York Stock Exchange, the Trustee or the Auction Agent are authorized or permitted by law or executive order to close.

“**Change of Preference Law**” means, with respect to any Holder of ARCs any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury, after the Date of Delivery which (i) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (ii) imposes or would impose or reduces

or would reduce or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by any holder of bonds the interest on which is excluded from federal gross income under Section 103 of the Code.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commission” means the Securities and Exchange Commission.

“Commonwealth” means the Commonwealth of Pennsylvania.

“Date of Delivery” means the date of issuance and delivery of the Bonds.

“Default Rate” on any date of determination means the interest rate per annum, equal to the lesser of (i) the Applicable Percentage of the Kenny Index or (ii) the Maximum Interest Rate.

“Depository” means The Depository Trust Company, New York, New York or another recognized securities depository selected by the Commission which maintains a book-entry system for the ARCs.

“DTC” means The Depository Trust Company.

“Existing Holder” means (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the Existing Holder Registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction and (b) with respect to and for the purpose of dealing with the Broker-Dealer in connection with an Auction, a Person who is a qualified owner of ARCs.

“Existing Holder Registry” means the register maintained by the Auction Agent pursuant to the Auction Agent Agreement.

“Hold Order” has the meaning set forth in the provisions set forth below under “Auction Procedures.”

“Initial Interest Payment Date” means the first Friday immediately following the Date of Delivery, which date is expected to be for each corresponding subseries of ARCS as follows:

| | |
|----------------|---------------------|
| Subseries C-1: | August 26, 2003 |
| Subseries C-2: | August 28, 2003 |
| Subseries C-3: | September 16, 2003 |
| Subseries C-4: | September 18, 2003. |

“Initial Interest Period” means the period from and including the Date of Delivery to (but not including) the Initial Interest Payment Date.

“Interest Amount” with respect to the ARCs, means the amount of interest distributable in respect of each \$ 1,000 in principal amount (taken, without rounding, to . 0001 of one cent) of ARCs for any Interest Period or part thereof, as calculated in accordance with the provisions described under the heading “Calculation of Interest.”

“Interest Payment Date” with respect to the ARCs means the day following the end of each Interest Period (provided, however, that if the duration of the Interest Period is one year or longer, then the Interest Payment Dates therefor shall be each June 1 and December 1 during such Interest Period and the day following the end of such Interest Period) and shall also mean the maturity date for the ARCs. If any such date is not a Business Day, the Interest Payment Date shall be the next succeeding Business Day.

“Interest Period” with respect to the ARCs means (a) the Initial Interest Period and each successive seven-day period (with respect to the Subseries C-1 and C-2 ARCs) and each successive thirty-five day period (with respect to the Subseries C-3 and C-4 ARCs) thereafter, (i) with respect to the Subseries C-2 and C-4 ARCs, commencing on a

Thursday (or the Business Day following the last day of the prior Interest Period, if the prior Interest Period does not end on a Wednesday) and ending on (and including) a Wednesday (unless such Wednesday is not followed by a Business Day, in which case such Interest Period will end on the next succeeding day that is followed by a Business Day) and (ii) with respect to the Subseries C-1 and C-3 ARCs, commencing on a Tuesday (or the Business Day following the last day of the prior Interest Period, if the prior Interest Period does not end on a Monday) and ending on (and including) a Monday (unless such Monday is not followed by a Business Day, in which case such Interest Period will end on the next succeeding day that is followed by a Business Day) and (b) if the Auction Periods are changed as provided in the Indenture, each period commencing on an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

“Kenny Index” means the applicable index most recently made available by Kenny S&P Evaluation Services (“Kenny”) or any successor thereto (the “Indexing Agent”) based upon 30-day yield evaluations at par of securities, the interest on which is excluded from gross income for federal income tax purposes under the Code, of not less than five “Intermediate Grade” component issuers selected by the Indexing Agent which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by the Indexing Agent in its discretion. The securities on which the Kenny Index is based shall not include any securities the interest on which is subject to a “minimum tax” or similar tax under the Code, unless all such securities are subject to such tax. In the event that Kenny no longer publishes an index satisfying the above definition of the Kenny Index or the Market Agent reasonably concludes that the Kenny Index will not be announced in a timely manner, then the Market Agent shall announce a rate based upon the same criteria used by Kenny to determine the Kenny Index and the rate announced by the Market Agent for each Auction Date thereafter shall be used in lieu of the Kenny Index for each Auction Date.

“Market Agent” means the market agent or market agents appointed pursuant to the provisions described under the heading “Market Agent,” and its or their successors or assigns.

“Market Agent Agreements” mean the Market Agent Agreements, dated as of August 1, 2003, relating to each subseries of the ARCs, between the Trustee and the Market Agent, and any similar agreement with a successor Market Agent, in each case as from time to time amended or supplemented.

“Maximum Interest Rate” means the lesser of (a) 12% per annum or (b) the maximum rate of interest permitted by Commonwealth law.

“Maximum Rate” means, on any date of determination, the interest rate per annum equal to the lesser of.

- (a) the Applicable Percentage of the higher of (i) the After-Tax Equivalent Rate on such date or (ii) the Kenny Index on such date; or
- (b) the Maximum Interest Rate;

rounded to the nearest one thousandth (.001) of 1%.

“Order” has the meaning assigned to such term in the provisions described under the heading “Auction Procedures”.

“Participant” means a member or participant in the Depository.

“Payment Default” means the failure by the Commission to make payment of interest on, premium, if any, and principal of the ARCs to Holders when due.

“Potential Holder” means any Person (including an Existing Holder that is (a) a Broker-Dealer when dealing with the Auction Agent and (b) a potential beneficial owner when dealing with a Broker-Dealer) who may be interested in acquiring ARCs (or, in the case of an Existing Holder thereof, an additional principal amount of ARCs).

“**Record Date**” with respect to the ARCs means the Applicable Number of Business Days immediately preceding each Interest Payment Date.

“**Redemption Date**” means the date fixed for such redemption.

“**Securities Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Sell Order**” has the meaning assigned to such term in the provisions described under the heading “Auction Procedures”.

“**Statutory Corporate Tax Rate**” means, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in Section II of the Code or any successor section without regard to any minimum additional tax provision or provisions, regarding changes in rates during a taxable year.

“**Submission Deadline**” means 1:00 p.m., New York City time, on such Auction Date or any other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

“**Submitted Bid**” has the meaning assigned to such term in the provisions described under the heading “Auction Procedures.”

“**Submitted Hold Order**” has the meaning assigned to such term in the provisions described under the heading “Auction Procedures.”

“**Submitted Order**” has the meaning assigned to such term in the provisions described under the heading “Auction Procedures.”

“**Submitted Sell Order**” has the meaning assigned to such term in the provisions described under the heading “Auction Procedures.”

“**Sufficient Clearing Bids**” has the meaning assigned to such term in the provisions described under the heading “Auction Procedures”.

“**Winning Bid Rate**” has the meaning assigned to such term in the provisions described under the heading “Auction Procedures.”

Global Form; Depository

- (a) As provided in the Indenture, the Bonds shall be initially issued as ARCs. Except as otherwise provided under this heading, the ARCs, in the form of one Bond for each maturity, shall be registered in the name of the Depository, and ownership thereof shall be maintained in book-entry form by the Depository for the account of the Participants thereof. Initially, the ARCs shall be registered in the name of Cede & Co., as the nominee of DTC. Except as provided in paragraph (c) below, the ARCs may be transferred, in whole but not in part, only to DTC, or to a successor of DTC selected or approved by the Commission or to a nominee of such successor Depository.
- (b) Neither the Commission, the Market Agent the Trustee nor any of their respective affiliates shall have any responsibility or obligation with respect to:
 - (i) the accuracy of the records of the Depository or any Participant with respect to any beneficial ownership interest in the ARCs;
 - (ii) the delivery to any Participant, any beneficial owner of the ARCs or any other Person, other

than the Depository, of any notice with respect to the ARCs; or

- (iii) the payment to any Participant, any beneficial owner of the ARCs or any other Person, other than the Depository, of any amount with respect to the principal, premium, if any, or interest on the ARCs.

So long as the certificates for the ARCs are not issued pursuant to subsection (c) above, the Commission and the Trustee may treat the Depository as, and deem the Depository to be, the absolute owner of the ARCs for all purposes whatsoever, including without limitation:

- (i) the payment of principal, premium, if any, and interest on the ARCs;
 - (ii) giving notices of redemption and other matters with respect to the ARCs;
 - (iii) registering transfer with respect to the ARCs; and
 - (iv) the selection of ARCs for redemption.
- (c) If at any time the Market Agent has notified the Commission that the ARCs should not be maintained in book-entry form or the Depository notifies the Commission that it is unwilling or unable to continue as Depository with respect to the ARCs, or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the Commission within 90 days after the Commission receives notice or becomes aware of such condition, as the case may be, then this Section shall no longer be applicable and the Commission shall execute (but need not prepare) and the Trustee shall authenticate and deliver certificates representing the ARCs as provided below. Certificates for the ARCs issued in exchange for a global certificate pursuant to this paragraph (c) shall be registered in such names and authorized denominations as the Depository, pursuant to instructions from the Participants or otherwise, shall instruct the Authority and the Trustee in writing. Based on information provided by the Depository, the Trustee shall promptly deliver such certificates representing the ARCs to the persons in whose names such ARCs are so registered on the Business Day immediately preceding the first day of an Interest Period.
- (d) So long as the ownership of the ARCs is maintained in book-entry form by the Depository, an Existing Holder may sell, transfer or otherwise dispose of its beneficial interest in ARCs only pursuant to a Bid or Sell Order placed in any Auction or to or through a Broker-Dealer, provided that in the case of all transfers other than pursuant to Auctions such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer.

Interest on ARCs

- (a) Interest on the ARCs shall accrue for each Interest Period and shall be payable in arrears, commencing on the Initial Interest Payment Date and on each Interest Payment Date thereafter.
- (b) The rate of interest on the ARCs for the Initial Interest Period shall be the rate of interest per annum, as shall be set forth in the Purchase Contract. The rate of interest on the ARCs for each subsequent Interest Period shall be the Auction Rate unless the Auction Rate exceeds the Maximum Rate, in which case the rate of interest on the respective ARCs for such Interest Period shall be the Maximum Rate, or unless the Maximum Rate shall actually be lower than the All-Hold Rate, in which case the rate of interest on the respective ARCs for such Interest Period shall be the Maximum Rate; provided that if, on any Auction Date, an Auction is not held for any reason, then the rate of interest for the next succeeding Interest Period shall equal the Maximum Rate on such Auction Date. Notwithstanding the foregoing, if

- (i) the ownership of the ARCs is no longer maintained in book-entry form by the Depository, the rate of interest on the ARCs for any Interest Period commencing after the delivery of certificates representing ARCs pursuant to clause (c) above under “Global Form; Depository” shall equal the Maximum Rate on the Business Day immediately preceding the first day of such Interest Period; or
- (ii) if a Payment Default occurs, Auctions will be suspended and the Applicable ARCs Rate for the Interest Period commencing on or after such Payment Default and for each Interest Period thereafter to and including the Interest Period, if any, during which, or commencing less than the Applicable Number of Business Days after, such Payment Default is cured will equal the Default Rate.

The rate per annum at which interest is payable on the ARCs for any Interest Period is referred to in this Appendix D as the “Applicable ARCs Rate.” Notwithstanding anything herein to the contrary, the Applicable ARCs Rate cannot exceed the Maximum Rate.

(c) Notwithstanding anything herein to the contrary, if my ARC or portion thereof has been selected for redemption during the next succeeding Interest Period, said ARC or portion thereof, will not be included in the Auction preceding such Redemption Date, and said ARC or portion thereof, will continue to bear interest until the Redemption Date at the rate established for the Interest Period prior to said Auction.

Payments

So long as the ARCs are registered in the name of the Depository, or the nominee thereof, payment (other than at maturity) of interest and premium, if any, on, and of principal at redemption of, the ARCs shall be made to the Depository by wire transfer provided proper wire instructions are received. Each Holder of ARCs, by such Holder’s purchase of ARCs, appoints the Trustee as its agent in connection with the payment by such Holder of its share, if any, of the amounts payable to the Auction Agent and the Broker-Dealers pursuant to the provisions described under the heading “Payment of Service Charges; Notice of Payment Defaults and Cures.”

Auction Procedures

Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Interest Period commencing after the ownership of the ARCs is no longer maintained in book-entry form by 9 the Depository; (ii) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Interest Period commencing less than the Applicable Number of Business Days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the following manner:

- (a) Orders by Existing Holders and Potential Holders.
 - (i) Prior to the Submission Deadline on each Auction Date:
 - (A) each Existing Holder of ARCs may submit to a Broker-Dealer information as to:
 - (I) the principal amount of Outstanding ARCs, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Interest Period;
 - (II) the principal amount of Outstanding ARCs, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding Interest Period shall be less than the rate per annum specified by such Existing Holder; and/or
 - (III) the principal amount of Outstanding ARCs, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Interest Period; and

(B) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of ARCs which each such Potential Holder offers to purchase if the Auction Rate for the next succeeding Interest Period shall not be less than the rate per annum specified by such Potential Holder.

The communication to a Broker-Dealer of information referred to in clause (A)(1), (A)(11), (A)(111) or (B) of this paragraph (i) is hereinafter referred to as an "Order" and collectively as "Orders" and each Existing Holder and each Potential Holder placing an Order is hereinafter referred to as a "Bidder" and collectively as "Bidders;" an Order containing the information referred to in (x) clause (A) (1) of this paragraph (i) is hereinafter referred to as a "Hold Order" and collectively as "Hold Orders," (y) clause (A)(II) or (B) of this paragraph (i) is hereinafter referred to as a "Bid" and collectively as "Bids" and (z) clause (A)(III) of this paragraph (i) is hereinafter referred to as a "Sell Order" and collectively as "Sell Orders."

(ii) (A) Subject to the provisions of subsection (b) below, a Bid by an Existing Holder shall constitute an irrevocable offer to sell:

- (I) the principal amount of Outstanding ARCs specified in such Bid if the Auction Rate determined as provided under this heading shall be less than the rate specified in such Bid; or
- (II) such principal amount or a lesser principal amount of Outstanding ARCs to be determined as set forth in clause (D) of paragraph (i) of subsection (d) of this Section 104, if the Auction Rate determined as provided under this heading shall be equal to the rate specified in such Bid; or
- (III) such principal amount or a lesser principal amount of Outstanding ARCs to be determined as set forth in clause (C) of paragraph (ii) of subsection (d) of this Section 104 if the rate specified shall be higher than the Maximum Interest Rate and Sufficient Clearing Bids have not been made.

(B) *Subject to the provisions of subsection (b) below, a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:*

- (I) the principal amount of Outstanding ARCs specified in such Sell Order, or
- (II) such principal amount or a lesser principal amount of Outstanding ARCs as set forth in clause (C) of paragraph (ii) of subsection (d) below if Sufficient Clearing Bids have not been made.

(C) *Subject to the provisions of subsection (b) below, a Bid by a Potential Holder shall constitute an irrevocable offer to purchase:*

- (I) the principal amount of Outstanding ARCs specified in such Bid if the Auction Rate determined as provided under this heading shall be higher than the rate specified in such Bid; or
- (II) such principal amount or a lesser principal amount of Outstanding ARCs as set forth in clause (E) of paragraph (i) of subsection (d) below if the Auction Rate determined as provided under this heading shall be equal to the rate specified in such Bid.

(b) Submissions by Broker-Dealers to the Auction Agent.

(i) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and shall specify with respect to each such Order:

- (A) the name of the Bidder placing such Order;

(B) the aggregate principal amount of ARCs that are the subject of such Order;

(C) to the extent that such Bidder is an Existing Holder:

(I) the principal amount of ARCs, if any, subject to any Hold Order placed by such Existing Holder;

(II) the principal amount of ARCs, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(III) the principal amount of ARCs, if any, subject to any Sell Order placed by such Existing Holder; and

(D) *to the extent such Bidder is a Potential Holder, the rate and amount specified in such Potential Holder's Bid.*

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1%.

(iii) If an Order or Orders covering all Outstanding ARCs held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Outstanding ARCs held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

(iv) Neither the Commission, the Trustee nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(v) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding ARCs held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(A) all Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of ARCs held by such Existing Holder, and if the aggregate principal amount of ARCs subject to such Hold Orders exceeds the aggregate principal amount of ARCs held by such Existing Holder, the aggregate principal amount of ARCs subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding ARCs held by such Existing Holder;

(B)

(I) any Bid shall be considered valid up to and including the excess of the principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to any Hold Orders referred to in clause (A) of this paragraph (v);

(II) subject to subclause (I) of this clause (B), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of Outstanding ARCs subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess and the stated amount of ARCs subject to each Bid with the same rate shall be reduced pro rata to cover the stated amount of ARCs equal to such excess;

(III) subject to subclause (I) and (II) of this clause (B), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order, of

their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(IV) in any such event, the aggregate principal amount of Outstanding ARCs, if any, subject to Bids not valid under this clause (B) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(C) all Sell Orders shall be considered valid up to and including the excess of the principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to valid Hold Orders referred to in clause (A) of this paragraph (v) and valid Bids referred to in clause (B) of this paragraph (v).

(vi) If more than one Bid for ARCs is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified.

(vii) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of ARCs not equal to an Authorized Denomination therefor shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of ARCs not equal to an Authorized Denomination therefor shall be rejected.

(viii) Any Bid submitted by an Existing Holder or a Potential Holder specifying a rate lower than the All-Hold Rate shall be treated as a Bid specifying the All-Hold Rate and any such Bid shall be considered as valid and shall be selected in the ascending order of the respective rates in the Submitted Bids.

(ix) An Existing Holder that offers to purchase additional ARCs is, for purposes of such offer, treated as a Potential Holder.

(x) Any Bid specifying a rate higher than the Maximum Interest Rate will (a) be treated as a Sell Order if submitted by an Existing Holder and (b) not be accepted if submitted by a Potential Holder.

(c) Determination of Sufficient Clearing Bids, Auction Rate and Winning Bid Rate.

(i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order" and collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders," as the case may be, or as "Submitted Orders") and shall determine:

(A) the excess of the total principal amount of Outstanding ARCs over the sum of the aggregate principal amount of Outstanding ARCs subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available ARCs"); and

(B) from such Submitted Orders whether:

(I) the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Rate; exceeds or is equal to the sum of:

(II) the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Interest Rate; and

(III) the aggregate principal amount of Outstanding ARCs subject to Submitted Sell Orders (in the event such excess or such equality exists, other than because the sum of the principal amounts of ARCs in subclauses (II) and (III) above is zero because all of the Outstanding ARCs are subject to Submitted Hold Orders, such Submitted Bids in subclause (I) above are hereinafter referred to collectively as "Sufficient Clearing Bids"), and

(C) if Sufficient Clearing Bids have been made, the lowest rate specified in such Submitted Bids (which shall be the “Winning Bid Rate”) such that if

(I) (aa) each such Submitted Bid from Existing Holders specifying such lowest rate and (bb) all other Submitted Bids from Existing Holders specifying lower rates were rejected, thus entitling such Existing Holders to continue to hold the principal amount of ARC’s subject to such Submitted Bids; and

(II) (aa) each such Submitted Bid from Potential Holders specifying such lowest rate and (bb) all other Submitted Bids from Potential Holders specifying lower rates were accepted,

the result would be that such Existing Holders described in subclause (I) above would continue to hold an aggregate principal amount of Outstanding ARCs which, when added to the aggregate principal amount of Outstanding ARCs to be purchased by such Potential Holders described in subclause (II) above, would equal not less than the Available ARCs.

(ii) Promptly after the Auction Agent has made the determinations pursuant to paragraph (i) of this subsection (c), the Auction Agent shall advise the Trustee of the Maximum Rate and the All-Hold Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Interest Period (the “Auction Rate”) as follows:

(A) if Sufficient Clearing Bids have been made, that the Auction Rate for the next succeeding Interest Period shall be equal to the Winning Bid Rate so determined;

(B) if Sufficient Clearing Bids have not been made (other than because all of the Outstanding ARCs are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Interest Period shall be equal to the Maximum Rate; or

(C) if all Outstanding ARCs are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Interest Period shall be equal to the All-Hold Rate.

(D) Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of ARCs. Existing Holders shall continue to hold the principal amount of ARCs that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to paragraph (i) of this subsection (d), Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) If Sufficient Clearing Bids have been made,, all Submitted Sell Orders shall be accepted and, subject to the provisions of paragraph (iv) of this subsection (d), Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders’ Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of ARCs subject to such Submitted Bids;

(B) Existing Holders’ Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of ARCs subject to such Submitted Bids;

(C) Potential Holders’ Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring such Potential Holder to purchase the aggregate principal amount of ARCs subject to such Submitted Bids;

(D) Each Existing Holder’s Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of ARCs subject to such Submitted Bid, unless the aggregate principal amount of Outstanding ARCs subject to all such Submitted Bids shall be greater than the principal amount of ARCs (the “remaining principal amount”)

equal to the excess of the Available ARCs over the aggregate principal amount of ARCs subject to Submitted Bids described in clauses (B) and (C) of this paragraph (i), in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of ARCs subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of ARCs obtained by multiplying the remaining principal amount by a fraction the numerator of which shall be the principal amount of Outstanding ARCs held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of Outstanding ARCs subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(E) Each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of ARCs obtained by multiplying the excess of the aggregate principal amount of Available ARCs over the aggregate principal amount of ARCs subject to Submitted Bids described in clauses (B), (C) and (D) of this paragraph (i) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding ARCs subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of Outstanding ARCs subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the Outstanding ARCs are subject to Submitted Hold Orders), subject to the provisions of paragraph (iv) of this subsection (d), Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate shall be rejected, thus entitling such Existing Holders to continue to hold the aggregate principal amount of ARCs subject to such Submitted Bids;

(B) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate shall be accepted, thus requiring each Potential Holder to purchase the aggregate principal amount of ARCs subject to such Submitted Bids, and

(C) Each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the ARCs subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of ARCs obtained by multiplying the aggregate principal amount of ARCs subject to Submitted Bids described in clause (B) of this paragraph (ii) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding ARCs held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding ARCs subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all Outstanding ARCs are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in paragraph (i) or (ii) of this subsection (d), any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of ARCs that is not equal to an Authorized Denomination therefor the Auction Agent shall, in such manner as it shall, in its sole discretion, determine, round up or down the principal amount of ARCs to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of ARCs purchased or sold by each Existing Holder or Potential Holder shall be equal to an Authorized Denomination therefor, if such allocation results in one or more of such Potential Holders not purchasing any ARCs.

(E) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of ARCs to be purchased and the aggregate principal amount of ARCs to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of ARCs to be sold differs from such aggregate principal amount of ARCs to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or

more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, ARCs.

Certain Orders Not Permitted

The Commission may not submit an Order in any Auction. The Auction Agent shall have no duty or liability in monitoring or enforcing compliance with this prohibition.

Payment of Service Charges; Notice of Payment Defaults and Cures

(a) The Commission shall pay to the Auction Agent, on behalf of the Holders of the ARCs, as Additional Payments under the Loan Agreement (i) when due, an amount equal to the Auction Agent Fee as calculated in the Auction Agent Agreement and (ii) when due, an amount equal to the Broker-Dealer Fee as calculated in the Broker-Dealer Agreement.

(b) By 12:30 p.m., New York City time, on the Business Day immediately succeeding each Interest Payment Date, the Trustee will determine if a Payment Default has occurred. If a Payment Default has occurred, the Trustee shall notify the Auction Agent and Broker-Dealer by 1:00 p.m., New York City time, on said date. If a Payment Default has been cured, the Trustee shall so notify the Auction Agent and the Broker-Dealer by 5:00 p.m., New York City time, on the day such Payment Default is cured.

Calculation of the Rates

The Auction Agent shall calculate the Maximum Interest Rate, the Maximum Rate and the All-Hold Rate on each Auction Date. The determination by the Auction Agent of each of such rates will (in the absence of manifest error) be final and binding upon all Holders and upon all other parties. If the ownership of the ARCs is no longer maintained in book entry form by the Depository, the Market Agent shall calculate the Maximum Rate on the Business Day immediately preceding the first day of each Interest Period commencing after the delivery of 9 certificates representing the ARCs pursuant to Subsection (c) under the heading "Global Form; Depository." If a Payment Default shall have occurred, the Market Agent shall calculate the Default Rate on the first day of (i) each Interest Period commencing after the occurrence and during the continuance of such Payment Default and (ii) any Interest Period commencing less than the Applicable Number of Business Days after the cure of any Payment Default. The Auction Agent shall determine the "AA" Financial Commercial Paper Rate for each Interest Period other than the Initial Interest Period; provided, that if the ownership of the ARCs is no longer maintained in book-entry form, or if a Payment Default has occurred, then the Market Agent shall determine the "AA" Financial Commercial Paper Rate for each such Interest Period. The determination by the Auction Agent or the Market Agent, as the case may be, of the "AA" Financial Commercial Paper Rate shall (in the absence of manifest error) be final and binding upon all parties. If calculated or determined by the Auction Agent or the Market Agent, the Auction Agent or the Market Agent (as applicable) shall promptly advise the Trustee of the "AA" Financial Commercial Paper Rate.

Computation of Interest

The amount of interest distributable to Holders of ARCs in respect of each \$25,000 in principal amount thereof for any Interest Period or part thereof shall be calculated by applying the Applicable ARCs Rate for such Interest Period or part thereof to the principal amount of \$25,000, multiplying such product by the actual number of days in the Interest Period or part thereof concerned divided by 365 or 366, as applicable, and truncating the resultant figure to the nearest one cent. Interest on the ARCs shall be computed by the Trustee on the basis of a 365-day year for the number of days actually elapsed; except that for any such calculation with respect to an Interest Payment Date occurring after January 1 of a leap year through December 31 of such leap year, such interest (for any day occurring during such period) shall be computed on the basis of a 366-day year period. In the event an Interest Payment Date occurs in any Interest Period on a date other than the first day of such Interest Period, the Trustee, after confirming the calculation required above, shall calculate the portion of the Interest Amount payable on such Interest Payment Date and the portion payable on the next succeeding Interest Payment Date. The Trustee shall make the calculation required by the foregoing provisions not later than the close of business on each Auction Date.

Notification of Rates, Amounts and Payment Dates

(a) The Trustee shall determine the aggregate amount of interest distributable on the next succeeding Interest Payment Date to the Holders of the ARCs. So long as the ownership of the ARCs is maintained in book-entry form by the Depository, the Trustee shall advise the Depository of each Record Date for the ARCs at least two Business Days prior thereto.

(b) Promptly after the Date of Delivery and promptly after each determination of the rate of interest on ARCs and the Interest Amount and in any event at least three (3) days prior to each Interest Payment Date, the Trustee shall:

(i) so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by the Depository, confirm the Auction Agent's determination of (A) the date of such Interest Payment Date, (B) interest rate applicable to the ARCs for the related Interest Period and (C) the amount payable to the Auction Agent on that Interest Payment Date pursuant to the provisions described under the heading "Payment of Service Charges; Notice of Payment Defaults and Cures" and notify the Auction Agent of any discrepancy therein; and

(ii) advise the Depository, so long as the ownership of the ARCs is maintained in book-entry form by the Depository, and the Commission of the Applicable ARCs Rate and the interest amount calculated in accordance with the provisions described under the heading "Calculation of Interest" in respect of the next succeeding Interest Payment Date.

In the event that any day that is scheduled to be an Interest Payment Date shall be changed after the Trustee shall have given the notice referred to in clause (i) of the preceding sentence, not later than 9:15 a.m., New York City time, on the Business Day next preceding the earlier of the new Interest Payment Date or the old Interest Payment Date, the Trustee shall, by such means as the Trustee deems practicable, give notice of such change to the Commission and, so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by the Depository, the Auction Agent.

Adjustment in Percentages

(a) The Market Agent shall adjust the percentage used in determining the All-Hold Rate, the Applicable Percentage used in determining the Maximum Rate and the Applicable Percentage of the Kenny Index used in determining the Default Rate, if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any Change of Preference Law such that ARCs paying the Maximum Rate, ARC's paying the All-Hold Rate and ARCs paying the Default Rate shall have substantially equal market values before and after such Change of Preference Law. Prior to any such adjustment, the Commission shall give notice thereof to any rating agency then rating the Bonds, and no such adjustment shall be made unless such adjustment will not adversely affect the rating on the Bonds. In making any such adjustment, the Market Agent shall take the following factors, as in existence both before and after such Change of Preference Law, into account:

- (i) short-term taxable and tax-exempt market rates and indices of such short-term rates;
- (ii) the market supply and demand for short-term tax-exempt securities;
- (iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the ARCs;
- (iv) general economic conditions; and
- (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the ARCs.

(b) The Market Agent shall effectuate an adjustment in the percentage used in determining the All-Hold Rate and the Applicable Percentage used in determining the Maximum Interest Rate and the Default Rate pursuant to subsection (a) above by delivering the Commission, the Trustee and the Auction Agent at least 10 days prior to the Auction Date on which the Market Agent desires to effect such change a Favorable Opinion of Bond Counsel and a certificate in substantially the form attached to the Indenture ARCs Provisions, authorizing the adjustment of the percentage used in determining the All-Hold Rate, the Applicable Percentage used in determining the Maximum Rate and the Applicable Percentage of the Kenny Index used to determine the Default Rate, which shall be specified in such certificate.

Market Agent

The Trustee is authorized and directed pursuant to the Indenture to enter into a Market Agent Agreement with UBS Financial Services Inc., as the initial Market Agent. The Market Agent shall serve as such under the terms and provisions of the Indenture and of the Market Agent Agreement. The Market Agent, including any successor appointed pursuant hereto, shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least \$25,000,000, and be authorized by law to perform all the duties imposed upon it by the Indenture and the Market Agent Agreement. The Market Agent may be removed at any time by the Trustee, acting at the direction of (a) the Commission or (b) the Holders of 66-2/3% of the aggregate principal amount of the ARCs, provided that such removal shall not take effect until the appointment of a successor Market Agent. The Market Agent may resign upon 30 days written notice delivered to the Commission and the Trustee. The Commission shall use its best efforts to appoint a successor Market Agent with the consent of the Bond Insurer that is a qualified institution, effective as of the effectiveness of any such resignation or removal. Notwithstanding that the Market Agent is the agent of the Trustee under the Market Agent Agreement, the Trustee shall not be liable in any way for any action taken, suffered, or omitted, or for any error of judgment made by the Market Agent, whether in the performance of its duties under the Market Agent Agreement or otherwise. In addition, the Trustee shall not be responsible for the fees and expenses of the Market Agent.

Auction Agent

Deutsche Bank shall serve as the initial Auction Agent for the ARCs. The Trustee is authorized and directed pursuant to the Indenture to enter into an agreement with the Auction Agent which shall provide as follows: The Auction Agent shall be (i) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, The City of New York, and having a combined capital stock, surplus and undivided profits of at least \$15,000,000 or (ii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000 and, in either case, authorized by law to perform all the duties imposed upon it hereunder and under the Auction Agent Agreement. The Auction Agent may resign and be discharged of the duties and obligations created by the Indenture by giving at least 90 days written notice to the Commission, the Trustee and the Market Agent (45 days written notice if the Auction Agent has not been paid its fee for more than 45 days after such fee is due). The Auction Agent may be removed at any time by the Trustee if the Auction Agent is an entity other than the Trustee, acting at the direction of (i) the Commission or (ii) the Holders of 66-2/3% of the aggregate principal amount of the ARCs, by an instrument signed by the Trustee and filed with the Auction Agent, the Commission and the Market Agent upon at least 90 days notice; provided that, if required by the Market Agent, an agreement in substantially the form of the Auction Agent Agreement shall be entered into with a successor Auction Agent. If the Auction Agent and the Trustee are the same entity, the Auction Agent may be removed as described above, with the Commission acting in lieu of the Trustee.

In the event that the Auction Agent shall resign or be removed or dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Commission shall use its best efforts to appoint a successor as Auction Agent with the consent of the Bond Insurer, and the Trustee shall thereupon enter into an Auction Agent Agreement with such successor.

The Auction Agent shall be acting as agent for the Trustee and the Commission in connection with Auctions. In the absence of bad faith or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or

omitted or for any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment.

Notwithstanding that the Auction Agent is the agent of the Trustee under the Indenture and under the Auction Agent Agreement, the Trustee shall not be liable in any way for any action taken, suffered or omitted, or for any error of judgment made by the Auction Agent, whether in the performance of its duties under the Auction Agent Agreement or otherwise, subject to the Auction Agent Agreement. In addition, the Trustee shall not be responsible for the fees and expenses of the Auction Agent.

Broker-Dealers

(a) The Auction Agent shall enter into a Broker-Dealer Agreement with UBS Financial Services Inc., as the initial Broker-Dealer. The Market Agent may from time to time approve one or more additional Persons to serve as Broker-Dealers under Broker-Dealer Agreements with the consent of the Bond Insurer.

(b) Any Broker-Dealer may be removed at any time by the Commission, but there shall, at all times, be at least one Broker-Dealer appointed and acting as such.

Changes in Auction Periods or Auction Date

(a) Changes in Auction Period or Periods.

(i) While any of the Bonds are Outstanding as ARCs, the Market Agent:

(A) in order to conform with then current market practice with respect to similar securities, shall; or

(B) in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the ARCs and with the written consent of the Commission, may change, from time to time, the length of one or more Auction Periods (an "Auction Period Adjustment"). The Commission shall not consent to such change in the length of the Auction Period, if such consent is required above, unless the Commission shall have received from the Market Agent not less than three days nor more than 20 days prior to the effective date of such change a written request for consent together with a certificate demonstrating the need for change in reliance on such factors. The Market Agent shall initiate the Auction Period Adjustment by giving written notice to the Trustee, the Auction Agent, the Commission and the Depository at least 10 days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall not be less than seven days.

(iii) The Auction Period Adjustment shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided under this heading and the Auction immediately preceding the proposed change.

(iv) The Auction Period Adjustment shall take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Market Agent, authorizing the Auction Period Adjustment specified in such certificate and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. If the condition referred to in (A) above is not met, the Applicable ARCs Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Applicable ARCs Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be the Auction Period determined without reference to the proposed change. In connection with any Auction Period Adjustment, the Auction Agent shall provide such further notice to such parties as is specified in the Auction Agent Agreement.

(v) If Auction Periods are changed as provided herein and if an Auction is scheduled to occur for the next Interest Period on a date that was reasonably expected to be a Business Day, but such Auction does not occur because such date is later not considered to be a Business Day, the Auction shall nevertheless be deemed to have occurred, and the Applicable ARCs Rate in effect for the next Interest Period will be the Auction Rate in effect for the preceding Interest Period and such Interest Period will generally be 35 days in duration, beginning on the calendar day following the date of the deemed Auction and ending on (and including) the applicable Auction Date (unless such Auction Date is not followed by a Business Day, in which case on the next succeeding Business Day). If the preceding Interest Period was other than generally 35 days in duration, the Auction Rate for the deemed Auction will instead be the rate of interest determined by the Market Agent on equivalently rated auction securities with a comparable length of auction period.

(vi) If the Auction Period Adjustment is either (A) from an Auction Period of one year or less to an Auction Period of more than one year or (B) from an Auction Period of more than one year to an Auction Period of one year or less, the Auction Rate Adjustment shall not occur unless the Trustee, the Bond Insurer and the Commission have been provided with a Favorable Opinion of Bond Counsel.

(vii) Any change in the Auction Period to an Auction Period that extends beyond 35 days shall require the written consent of the Bond Insurer.

(viii) Conversion from one Auction Period to another Auction Period is conditioned upon receipt of an underwriting commitment or another contract of purchase with a purchaser acceptable to the Bond Insurer.

(ix) Any Interest Payment Date less than monthly shall be subject to the consent of the Bond Insurer.

(b) Changes in the Auction Dates. While any of the Bonds are outstanding as ARCs, the Market Agent:

(i) in order to conform with then current market practice with respect to similar securities, shall;
or

(ii) in order to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the ARCs and with the written consent of the Commission, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in the Appendix D with respect to one or more specified Auction Periods. The Commission shall not consent to such change in the Auction Date, if such consent is required in subparagraph (b)(ii) above, unless the Commission shall have received from the Market Agent not less than three days nor more than 20 days prior to the effective date of such change a written request for consent together within a certificate demonstrating the need for change in reliance on such factors. The Market Agent shall provide notice of any determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least 10 days prior to the proposed changed Auction Date to the Trustee, the Auction Agent, the Commission and the Depository.

(c) In connection with any change described above, the Auction Agent shall provide such further notice to such parties as is specified in the Auction Agent Agreement.

(d) No change shall be made to the Auction Period or Auction Date unless the Commission shall give notice thereof to any rating agency then rating the Bonds, and no change shall be made unless such change will not adversely affect the ratings on the Bonds.

Credit Ratings

The Commission shall take all reasonable action necessary to enable at least one nationally recognized statistical rating organization (as that term is used in the rules and regulations of the SEC under the Securities Exchange Act of 1934) to provide credit ratings for the ARCs.

Notices

The Market Agent shall provide the Trustee and, so long as no default under the Indenture has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by the Depository, the Auction Agent with notice of any change in the Maximum Interest Rate, which change must be consented to by the Bond Insurer.

Purchases of ARCs

The Commission shall not acquire ARCs unless such ARCs are redeemed or otherwise canceled on the day of any purchase.

Notice of Payment Default

(a) If the Commission determines that a Payment Default has occurred the Commission shall promptly notify the Trustee and Bond Insurer in writing thereof

(b) So long as the ownership of the ARCs is maintained in book-entry form by the Depository, upon the occurrence of a Payment Default the Trustee shall promptly send a notice thereof to the Auction Agent and Market Agent by telecopy or similar means.

(c) So long as the ownership of the ARCs is maintained in book-entry form by the Depository, the Trustee shall promptly send notice to the Auction Agent by telecopy or similar means if a Payment Default is cured.

Redemption Dates and Prices

The outstanding ARCs are subject to redemption in accordance with the Indenture as set forth in this Official Statement.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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[Form of Opinion of Bond Counsel]

_____, 2003

To the Purchasers of
the Below-Referenced Bonds:

Re: Pennsylvania Turnpike Commission Oil Franchise Tax Multi-Modal Senior
Revenue Bonds, Series C of 2003

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance by the Pennsylvania Turnpike Commission (the "**Commission**") of its Oil Franchise Tax Multi-Modal Senior Revenue Bonds, Series C of 2003, in the aggregate principal amount of \$160,000,000 (the "**Bonds**") pursuant to a resolution adopted by the Commission on July 15, 2003 (the "**Resolution**") and pursuant to and secured by a Second Supplemental Trust Indenture dated as of August 1, 2003 (the "**Second Supplemental Indenture**"), amending and supplementing the Trust Indenture dated as of August 1, 1998 (as amended and supplemented by the First Supplemental Indenture dated as of August 1, 2003, and as further supplemented by the Second Supplemental Indenture, the "**Indenture**"), from the Commission to National City Bank of Pennsylvania (the "**Trustee**").

The Bonds are issued under and secured by the Indenture for the purpose of providing funds to pay, together with other available funds, the costs of a project consisting of providing funds: (a) to finance a portion of the costs of the turnpike extension and improvement projects designated in Act 61 (hereinafter defined); (b) to fund necessary reserves to the extent required, (c) to pay the bond insurance premium, and (d) to pay costs of issuance of the Bonds (the "**Project**"). Pursuant to the Indenture, the Bonds are limited obligations of the Commission, payable solely from the revenues received by the Commission pursuant to the Commission Allocation (hereinafter defined), certain funds held by the Trustee under the Indenture and any other funds, if any, of the Commission hereinafter specifically pledged to pay the principal of and interest on the Bonds.

The Commission was created under and by authority of the Act of the General Assembly of Pennsylvania approved May 21, 1937, P.L. 774 No. 211, as amended and supplemented by several Acts of the General Assembly, including, *inter alia*, 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; the Act of August 5, 1991, P.L. 238; the Act of April 16, 1992, P.L. 169; and the Act of November 24, 1992, P.L. 725. All such acts are sometimes hereafter referred to as the "**Enabling Acts**". Such Enabling Acts constitute the Commission as an instrumentality of the Commonwealth of Pennsylvania (the "**Commonwealth**"). The General Assembly of the Commonwealth, by Act of August 5, 1991, P.L. 238, Act of April 16, 1992, P.L. 169, Act of July 2, 1993, P.L. 58 and Act of February 14, 1994, No. 3 (collectively the "**Oil Franchise Tax Act**"), has imposed an additional 55 mills to the "oil company franchise tax for highway construction" and directed that 14% of such additional 55 mills (the "**Commission Allocation**") be distributed for toll roads designated

pursuant to the Act of September 30, 1985, P.L. 240, No. 61 (such act, as amended, is hereinafter referred to as "*Act 61*"). Under the Oil Franchise Tax Act, the oil company franchise taxes are collected by the Commonwealth Department of Revenue and deposited into the Motor License Fund of the Commonwealth held by the Department of Transportation. The Oil Franchise Tax Act provides that the Commission Allocation "is hereby appropriated monthly" to the Commission. The Oil Franchise Tax Act also provides that the Commonwealth pledges and agrees with any purchaser of the bonds to be issued by the Commission and secured by oil and franchise tax revenues that the "Commonwealth will not limit or alter the rights vested in the Pennsylvania Turnpike Commission to the appropriation and distribution of such tax revenues."

In our capacity as Bond Counsel, we have examined the Constitution and such statutes of the Commonwealth and such resolutions of the Commission and proceedings related thereto as we have deemed necessary to enable us to render the opinion set forth below. We also have examined and relied upon the proceedings authorizing the issuance of the Bonds and certain certifications and agreements (including a Tax Regulatory Agreement intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations (the "*Code*")), affidavits, receipts and other documents, including the Indenture and specimen Bond, which we have considered relevant. We also have relied on a certificate of the Trustee as to its authentication of the Bonds.

In rendering the opinions set forth below, we have relied upon the genuineness, authenticity, truthfulness and completeness of all documents, records and other instruments which we have examined, other than those documents prepared by us. We have not undertaken to verify the factual matters set forth therein by independent investigation. Except as set forth in paragraph 8 below, our opinion is given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof.

As to questions of fact material to our opinions, we have relied upon the representations of the Commission contained in the proceedings relating to the issuance of the Bonds and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion herein related thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon the foregoing, we are of the opinion, as of the date hereof, under existing law and subject to the qualifications hereinafter set forth, that:

1. The Commission is a validly existing instrumentality of the Commonwealth with full power and authority to undertake the Project, to execute and deliver the Second

Supplemental Indenture, to issue the Bonds, to pledge the Commission Allocation to secure and to pay the principal of and interest on the Bonds and to use the proceeds of the Bonds to finance the Project.

2. The Commission has duly adopted the Resolution authorizing, among other things, the execution and delivery of the Second Supplemental Indenture.

3. The Second Supplemental Indenture has been duly authorized, executed and delivered by the Commission and the obligations of the Commission thereunder constitute legal, valid and binding obligations, enforceable in accordance with their terms.

4. The Bonds have been duly authorized, executed, issued and delivered by the Commission and are the legal, valid and binding limited obligations of the Commission, enforceable in accordance with their terms.

5. The Bonds are secured by the Indenture on an equal and ratable basis with all other parity bonds issued or to be issued under the Indenture and any indenture supplemental thereto, and the Indenture creates a valid pledge of, and a valid and binding security interest in, the Tax Revenues (as defined in the Indenture).

6. Pursuant to the Oil Franchise Tax Act, the Commission Allocation has been appropriated monthly by the Commonwealth. The payment of the Commission Allocation by the Commonwealth does not require further legislative appropriation or approval.

7. Under existing law, the Bonds are exempt from personal property taxes in Pennsylvania, and interest thereon is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

8. The interest on the Bonds is excluded from the gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. For the purpose of rendering the opinion set forth in this paragraph, we have assumed compliance by the Commission with the requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Commission has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Our opinions as to the validity, binding effect and enforceability of the Indenture and the Bonds are subject to the effect of any applicable bankruptcy, fraudulent conveyance or transfer, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity, at law, or in bankruptcy).

We have not undertaken and will not undertake any responsibility to supplement or update our opinions to consider or inform any person of events or actions occurring or taken (or not occurring or not taken) subsequent to the date hereof, including, but not limited to those which may affect the tax status of interest on the Bonds.

Very truly yours,

COHEN & GRIGSBY, P.C.

APPENDIX E

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH], [YEAR].

MBIA Insurance Corporation

SPECIMEN

Attest:

Assistant Secretary

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