

*In the opinion of Bond Counsel, interest on the 2006 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the conditions described in “TAX EXEMPTION.” Interest on the 2006 Bonds will not be a specific preference item for purposes of the individual and corporate alternative minimum taxes; however, such interest may be subject to certain other federal taxes affecting corporate holders of the 2006 Bonds. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the 2006 Bonds are exempt from Pennsylvania personal property taxes and the interest on the 2006 Bonds is exempt from Pennsylvania income tax and Pennsylvania corporate net income tax. For a more complete discussion, see “TAX EXEMPTION.”*

**\$240,675,000**

**PENNSYLVANIA TURNPIKE COMMISSION**

**\$98,705,000 Oil Franchise Tax Senior Revenue Refunding Bonds, Series A of 2006**  
**\$141,970,000 Oil Franchise Tax Subordinated Revenue Refunding Bonds, Series B of 2006**

**Dated: Date of Delivery**

**Due: December 1, as shown herein**

The Pennsylvania Turnpike Commission Oil Franchise Tax Senior Revenue Refunding Bonds, Series A of 2006 and Oil Franchise Tax Subordinated Revenue Refunding Bonds, Series B of 2006 (the “2006 Bonds”) are being issued pursuant to Trust Indenture dated as of August 1, 1998, as supplemented by, among others, a Third Supplemental Indenture dated as of November 1, 2006 (as supplemented and amended, the “Indenture”), between the Pennsylvania Turnpike Commission (the “Commission”) and U. S. Bank National Association, as trustee (the “Trustee”). Manufacturers and Traders Trust Company serves as paying agent for the 2006 Bonds.

The 2006 Bonds are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the 2006 Bonds. Beneficial ownership interests in the 2006 Bonds will be recorded in book-entry only form in denominations of \$5,000 or any integral multiple thereof. Purchasers of 2006 Bonds will not receive bonds representing their beneficial ownership in the 2006 Bonds but will receive a credit balance on the books of their respective DTC Participants or DTC Indirect Participants. So long as CEDE & Co. is the registered owner of the 2006 Bonds, principal of, premium, if any, and interest on the 2006 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. The 2006 Bonds will be transferable or exchangeable to another nominee of The Depository Trust Company or as otherwise described 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 2006 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 2006 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.**

Interest on the 2006 Bonds, which is payable on June 1 and on December 1 of each year, commencing June 1, 2007, and principal of the 2006 Bonds, is payable by the Trustee to Cede & Co., and such interest and principal payments are to be disbursed to the beneficial owners of 2006 Bonds through their respective DTC Participants or DTC Indirect Participants. The 2006 Bonds are subject to optional redemption prior to maturity as described herein.

Payment of the principal of and interest on the 2006 Bonds when due will be insured by two financial guaranty insurance policies to be issued by Ambac Assurance Corporation simultaneously with the delivery of the 2006 Bonds. See BOND INSURANCE.

***Ambac***

The maturity dates, interest rates, approximate yields or prices on the 2006 Bonds are set forth on the inside front cover page.

**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.**

**JPMorgan**

**UBS Investment Bank      Banc of America Securities LLC      Ferris Baker Watts, Inc.**  
**Merrill Lynch & Co.      Goldman Sachs & Co.      Wachovia Bank, N.A.**  
**Sovereign Securities Corporation, LLC      Commonwealth Securities and Investments, Inc.**

The 2006 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 Dilworth Paxson LLP, Philadelphia, Pennsylvania, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Buchanan Ingersoll & Rooney, PC, Pittsburgh, Pennsylvania, Counsel for the Underwriters and for the Commission by its Chief Counsel, Doreen A. McCall, Esquire. It is anticipated that the 2006 Bonds will be available for delivery in New York, New York on or about November 8, 2006.

**\$240,675,000**  
**PENNSYLVANIA TURNPIKE COMMISSION**

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

**\$98,705,000 OIL FRANCHISE TAX SENIOR REVENUE REFUNDING BONDS**  
**SERIES A OF 2006**

Year (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP <sup>(a)</sup>
12/1/2010	2,345,000.00	5.000%	3.640%	105.092%	709221LD5
12/1/2011	2,775,000.00	5.000%	3.680%	106.045%	709221LE3
12/1/2012	2,920,000.00	5.000%	3.750%	106.721%	709221LF0
12/1/2013	3,070,000.00	5.000%	3.780%	107.499%	709221LG8
12/1/2014	3,230,000.00	5.000%	3.820%	108.120%	709221LH6
12/1/2015	8,940,000.00	5.000%	3.860%	108.646%	709221LJ2
12/1/2016	9,400,000.00	5.000%	3.920%	108.907%	709221LK9
12/1/2017	9,885,000.00	5.000%	3.970%	108.474%	709221LL7
12/1/2018	10,395,000.00	5.000%	4.000%	108.215%	709221LM5
12/1/2019	10,925,000.00	5.000%	4.040%	107.871%	709221LN3
12/1/2020	4,275,000.00	5.000%	4.100%	107.357%	709221LP8
12/1/2021	4,495,000.00	5.000%	4.130%	107.102%	709221LQ6
12/1/2022	12,695,000.00	5.000%	4.140%	107.017%	709221LR4
12/1/2023	13,355,000.00	5.000%	4.160%	106.847%	709221LS2

**\$141,970,000 OIL FRANCHISE TAX SUBORDINATED REVENUE REFUNDING BONDS**  
**SERIES B OF 2006**

Year (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
12/1/2008	300,000.00	4.000%	3.550%	100.886%	709221LT0
12/1/2009	300,000.00	4.000%	3.600%	101.148%	709221LU7
12/1/2010	750,000.00	4.000%	3.640%	101.346%	709221LV5
12/1/2011	2,080,000.00	4.000%	3.680%	101.464%	709221LW3
12/1/2012	2,165,000.00	3.750%	3.750%	100.000%	709221LX1
12/1/2013	2,245,000.00	4.000%	3.780%	101.350%	709221LY9
12/1/2014	2,345,000.00	4.000%	3.820%	101.237%	709221LZ6
12/1/2015	2,435,000.00	4.000%	3.860%	101.060%	709221MA0
12/1/2016	7,145,000.00	4.250%	3.920%	102.720%	709221MB8
12/1/2017	7,455,000.00	5.000%	3.990%	108.301%	709221MC6
12/1/2018	7,840,000.00	5.000%	4.020%	108.043%	709221MD4
12/1/2019	8,245,000.00	5.000%	4.060%	107.699%	709221ME2
12/1/2020	2,975,000.00	4.000%	4.250%	97.371%	709221MF9
12/1/2021	3,095,000.00	4.125%	4.330%	97.746%	709221MG7
12/1/2022	9,520,000.00	5.000%	4.160%	106.847%	709221MH5
12/1/2023	10,005,000.00	5.000%	4.180%	106.677%	709221MJ1
12/1/2026	7,770,000.00	5.000%	4.230%	106.255%	709221MK8
12/1/2027	8,170,000.00	5.000%	4.250%	106.086%	709221ML6
12/1/2028	13,370,000.00	4.375%	4.540%	97.712%	709221MM4
12/1/2029	13,955,000.00	4.375%	4.560%	97.374%	709221MN2
12/1/2030	14,555,000.00	4.750%	4.450%	102.409%	709221MP7
12/1/2031	15,250,000.00	4.750%	4.470%	102.246%	709221MQ5

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# PENNSYLVANIA TURNPIKE COMMISSION

## COMMISSIONERS

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Chairman

TIMOTHY J. CARSON  
Vice Chairman

J. WILLIAM LINCOLN  
Secretary/Treasurer

ALLEN D. BIEHLER

PASQUALE T. DEON, SR.

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JOSEPH G. BRIMMEIER  
Chief Executive Officer

KEVIN F. LONGENBACH  
Chief Operating Officer

J. BLAIR FISHBURN  
Chief Financial Officer

ALEXANDER R. JANSEN  
Chief Engineer

DOREEN A. McCALL  
Chief Counsel

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U. S. BANK NATIONAL ASSOCIATION  
Trustee and Authenticating Agent

MANUFACTURERS & TRADERS TRUST COMPANY  
Paying Agent

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HOPKINS & COMPANY  
Financial Advisor

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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 or either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2006 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Commission and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as representations by, the Underwriters. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

The 2006 Bonds are not and will not be registered under the Securities Act of 1933, or under any state securities laws, and the Indenture has not been and will not be qualified under the Trust Indenture Act of 1939, as amended, because of available exemptions therefrom. Neither the Securities and Exchange Commission nor any federal, state, municipal, or other governmental agency will pass upon the accuracy, completeness, or adequacy of this Official Statement.

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

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2006 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 ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY, OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2006 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.**

## TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>1</b>
PENNSYLVANIA TURNPIKE COMMISSION.....	1
INDENTURE AND ENABLING ACTS .....	1
SECURITY .....	2
EXISTING OBLIGATIONS.....	2
USE OF PROCEEDS.....	3
REDEMPTION .....	3
BOND INSURANCE.....	3
BOOK-ENTRY ONLY.....	3
PENNSYLVANIA TURNPIKE SYSTEM .....	3
OTHER COMMISSION INDEBTEDNESS.....	4
<b>DESCRIPTION OF THE 2006 BONDS .....</b>	<b>4</b>
GENERALLY .....	4
REDEMPTION OF THE 2006 BONDS .....	6
<b>BOOK-ENTRY ONLY SYSTEM .....</b>	<b>8</b>
<b>ESTIMATED SOURCES AND USES OF FUNDS .....</b>	<b>10</b>
<b>PLAN OF FINANCING .....</b>	<b>11</b>
<b>SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.....</b>	<b>11</b>
SOURCES OF PAYMENT; OIL FRANCHISE TAX .....	11
SECURITY FOR THE BONDS; REMEDIES.....	11
BOND INSURANCE.....	13
FLOW OF FUNDS .....	13
SUBORDINATED BONDS DEBT SERVICE RESERVE FUND.....	14
REVENUE FUND EXCESS BALANCE AND OIL FRANCHISE TAX GENERAL FUND.....	15

ADDITIONAL BONDS.....	15
ADDITIONAL BONDS FOR REFUNDING PURPOSES.....	16
<b>OIL FRANCHISE TAX.....</b>	<b>16</b>
COMMISSION ALLOCATION.....	17
PLEDGE AND APPROPRIATION.....	17
ACT 3.....	17
LIQUID FUELS AND FUELS AS THE SUBJECTS OF OIL FRANCHISE TAX.....	18
COLLECTION AND CALCULATION OF OIL FRANCHISE TAX.....	18
AMOUNTS OF OIL FRANCHISE TAX COLLECTED.....	19
HISTORICAL CONSUMPTION AMOUNTS.....	20
ESTIMATED DEBT SERVICE COVERAGE.....	22
<b>HISTORICAL AND PROJECTED COVERAGE.....</b>	<b>22</b>
<b>BOND INSURANCE.....</b>	<b>23</b>
<b>INTEREST RATE SWAP AGREEMENTS.....</b>	<b>23</b>
<b>THE COMMISSION.....</b>	<b>26</b>
<b>PENNSYLVANIA TURNPIKE SYSTEM.....</b>	<b>27</b>
<b>CAPITAL IMPROVEMENT PROGRAM.....</b>	<b>28</b>
<b>OTHER COMMISSION INDEBTEDNESS.....</b>	<b>29</b>
<b>FINANCIAL STATEMENTS.....</b>	<b>29</b>
<b>TAX EXEMPTION.....</b>	<b>30</b>
<b>CONTINUING DISCLOSURE.....</b>	<b>31</b>
<b>UNDERWRITING.....</b>	<b>32</b>
<b>RELATIONSHIPS OF CERTAIN PARTIES.....</b>	<b>33</b>
<b>RATINGS.....</b>	<b>33</b>
<b>LITIGATION.....</b>	<b>33</b>
<b>LEGAL MATTERS.....</b>	<b>33</b>
<b>TRUSTEE.....</b>	<b>33</b>
<b>FINANCIAL ADVISOR.....</b>	<b>34</b>
<b>LEGALITY FOR INVESTMENT.....</b>	<b>34</b>
<b>VERIFICATION OF MATHEMATICAL CALCULATIONS.....</b>	<b>34</b>
<b>MISCELLANEOUS.....</b>	<b>34</b>
APPENDIX A - SELECTED DATA ON THE COMMONWEALTH OF PENNSYLVANIA	
APPENDIX B - SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS	
APPENDIX C - FORM OF OPINION OF BOND COUNSEL	
APPENDIX D - FORM OF BOND INSURANCE POLICIES	

## OFFICIAL STATEMENT

\$240,675,000

PENNSYLVANIA TURNPIKE COMMISSION

\$98,705,000 OIL FRANCHISE TAX SENIOR REVENUE REFUNDING BONDS

SERIES A OF 2006

\$141,970,000 OIL FRANCHISE TAX SUBORDINATED REVENUE REFUNDING BONDS

SERIES B OF 2006

## 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 \$240,675,000 aggregate principal amount of the Commission's (i) \$98,705,000 Oil Franchise Tax Senior Revenue Refunding Bonds, Series A of 2006, (the "**2006A Bonds**" or the "**2006 Senior Bonds**") and (ii) \$141,970,000 Oil Franchise Tax Subordinated Revenue Refunding Bonds, Series B of 2006, (the "**2006B Bonds**" or the "**2006 Subordinated Bonds**" and, together with the 2006A Bonds or the 2006 Senior Bonds, the "**2006 Bonds**"). The outstanding 1998 Bonds (as hereinafter defined), 2003 Fixed Rate Bonds (as hereinafter defined), the 2003 Multi-Modal Senior Bonds (as hereinafter defined), the 2006 Bonds and any Additional Bonds issued under the provisions of the Indenture (as hereinafter defined) 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 2006 Bonds, the Indenture, the Bond Insurance and the Disclosure Agreement (as hereinafter defined) 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.

### PENNSYLVANIA TURNPIKE COMMISSION

The Commission is an instrumentality of the Commonwealth created by the Enabling Acts (as defined below), with power to construct, operate and maintain the System (as defined below). Its composition, powers, duties, functions, duration and all other attributes are derived from the Enabling Acts as amended and supplemented by subsequent legislation. The Enabling Acts may be modified, suspended, extended or terminated at any time by further legislation. See "THE PENNSYLVANIA TURNPIKE SYSTEM."

### INDENTURE AND ENABLING ACTS

The 2006 Bonds are being issued pursuant to the Trust Indenture dated as of August 1, 1998 (the "**Original Indenture**"), between the Commission and U. S. Bank National Association, as assignee of National City Bank of Pennsylvania, as trustee (the "**Trustee**"), as supplemented by a First Supplemental Trust Indenture dated as of August 1, 2003 (the "**First Supplemental Indenture**"), a Second Supplemental Trust Indenture dated as of August 1, 2003 (the "**Second Supplemental Indenture**"), and a Third Supplemental Trust Indenture dated as of November 1, 2006 (the "**Third Supplemental Indenture**," and collectively with the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, 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 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 Subordinated Bonds Debt Service Reserve Fund which is pledged only for the benefit of the Subordinated Bonds and other than the Rebate Fund), (iv) all Swap Receipts, and (v) 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). The aforementioned (i), (ii), (iii), (iv) and (v) 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."

Senior Bonds, Additional Senior Bonds, certain amounts due on the Parity Swap Agreements (defined hereinafter), and all amounts due with respect thereto under the Insurance Agreements (defined hereinafter) or successor agreement thereto are senior in right of payment and security to the Subordinated Bonds; provided, however, that the Subordinated Bonds have a first lien on the Subordinated Bonds Debt Service Reserve Fund. 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. THERE IS NO DEBT SERVICE RESERVE FUND FOR THE SENIOR BONDS. See APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS" and "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Subordinated Bonds Debt Service Reserve Fund." Although Senior Bonds have no dedicated debt service reserve fund, excess balances in the Revenue Fund are transferred from time to time to an Oil Franchise Tax General Fund held by the Trustee which is available, among other things, to make up deficiencies in the various funds and accounts established under the Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Revenue Fund Excess Balance and Oil Franchise Tax General Fund."

THE 2006 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.

## EXISTING OBLIGATIONS

The 2006 Senior Bonds will be secured as Senior Bonds, and the 2006 Subordinated Bonds will be secured as Subordinated 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 by the Commission under the Indenture and currently outstanding are the following:



- ☞ \$310,475,000 Oil Franchise Tax Senior Revenue Bonds, Series A of 1998, (the "1998 Senior Bonds") of which \$82,760,000 was outstanding as of September 30, 2006;
- ☞ \$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 \$62,915,000 was outstanding as of September 30, 2006;
- ☞ \$124,730,000 Oil Franchise Tax Senior Revenue Bonds, Series A of 2003, ("2003 Fixed Rate Senior Bonds"), of which \$112,085,000 was outstanding as of September 30, 2006;
- ☞ \$197,955,000 Oil Franchise Tax Subordinated Revenue Bonds, Series B of 2003, ("2003 Fixed Rate Subordinated Bonds" and, together with the 2003 Fixed Rate Senior Bonds, the "2003 Fixed Rate Bonds"), of which \$187,165,000 was outstanding as of September 30, 2006; and
- ☞ \$160,000,000 aggregate principal amount of Oil Franchise Tax Multi-Modal Senior Revenue Bonds, Series C of 2003 (the "2003 Multi-Modal Senior Bonds") of which \$160,000,000 was outstanding as of September 30, 2006.

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 the 1998 Senior Bonds and \$144,880,000 of the 1998 Subordinated Bonds.

The Commission entered into various interest rate swap agreements which constitute Parity Swap Agreements under the Indenture. See "INTEREST RATE SWAP AGREEMENTS" herein.

#### **USE OF PROCEEDS**

The proceeds of the 2006 Bonds will be used to (i) refund certain maturities of the 1998 Bonds and the 2003 Fixed Rate Bonds; (ii) fund the Subordinated Debt Service Reserve Fund to the extent required, (iii) pay the premium for bond insurance, and (iv) pay costs of issuance (the "*Project*").

#### **REDEMPTION**

The 2006 Bonds are subject to optional redemption prior to maturity as more fully set forth herein. See "DESCRIPTION OF THE 2006 BONDS –Redemption of the 2006 Bonds."

#### **BOND INSURANCE**

Payment of the principal of and interest on the 2006 Bonds when due will be insured by two separate financial guaranty insurance policies (collectively, the "*Bond Insurance Policy*") to be issued by Ambac Assurance Corporation (the "Bond Insurer" or "Ambac Assurance") simultaneously with the delivery of the 2006 Bonds. One such policy shall insure payments of principal and interest when due on the 2006A Bonds and one policy shall insure payments of principal and interest when due on the 2006B Bonds. See "BOND INSURANCE."

#### **BOOK-ENTRY ONLY**

The Depository Trust Company ("*DTC*"), New York, New York, will act as securities depository for the 2006 Bonds. All 2006 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 present Pennsylvania Turnpike System is composed of a 359 mile Turnpike Mainline traversing the southern portion of Pennsylvania from east to west and a 110 mile north-south section identified as the Northeast Extension. A north-south connection, known as the Beaver Valley Expressway, is approximately 16 miles in length and intersects the Turnpike Mainline in the southwestern portion of the Commonwealth. The Amos K. Hutchinson Bypass is approximately 13 miles in length and adjoins the Turnpike Mainline near the New Stanton Interchange. In addition, a 23-mile section of the Mon/Fayette Project and an eight mile section from the Pennsylvania/West Virginia border to Fairchance, which is located just south of Uniontown, are open as part of the Pennsylvania Turnpike System. When

completed, the Mon/Fayette Expressway will extend 65 miles from Interstate Route 68 in West Virginia to Interstate Route 376 near Pittsburgh. (Such roads, together with any other roads for which the Commission has operational responsibility and is collecting Tolls, unless the Commission identifies a particular road other than the Mainline Section and the Northeast Extension as not being part of the System, constitute the "*System*").

The Turnpike Mainline connects with the Ohio Turnpike at its western terminus and with the New Jersey Turnpike at its eastern terminus. The Turnpike Mainline commences on the eastern boundary of Pennsylvania at the Delaware River Bridge which connects the 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 Pennsylvania Turnpike System has a total of 57 interchanges which connect it with major arteries and population centers in its 531 mile traffic corridor. Thirty of the interchanges are located on the Turnpike Mainline, including Turnpike Mainline barriers at the New Jersey and Ohio state lines, and ten interchanges are situated on the Northeast Extension. The additional seventeen interchanges are located on the three extensions previously noted. There are twenty-one service plazas along the Pennsylvania Turnpike System providing gasoline and diesel fuel, other automotive supplies and services and restaurant services. See "THE PENNSYLVANIA TURNPIKE SYSTEM" below.

#### **OTHER COMMISSION INDEBTEDNESS**

Approximately \$1,676,505,000 of Turnpike Revenue Bonds (the "*Turnpike Revenue Bonds*") are outstanding under the Trust Indenture originally dated as of July 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 2006 Bonds and do not and will not have any claim on the Commission Allocation or Trust Estate. Likewise the holders of the 2006 Bonds will have no claim on Turnpike Revenues.**

Additionally, the Commission is receiving a portion of the Commonwealth's vehicle registration fee revenues (the "*Registration Fee Revenues*") allocated by statute to the Commission for the holders of any of the Commission's Registration Fee Revenue Bonds (the "*Registration Fee Revenue Bonds*"), a total of \$465,560,000 of which are currently outstanding. The Registration Fee Revenue Bonds, the proceeds of which were spent on portions of the Mon/Fayette Expressway, are secured by Registration Fee Revenues. Registration Fee Revenue Bonds are to be paid solely from the Registration Fee Revenues. The Registration Fee Revenues are *not* pledged to secure the Bonds or the Turnpike Revenue Bonds. **The holders of the 2006 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.

All capitalized terms used in this Official Statement that are not otherwise defined shall have the meanings set forth in the Indenture. See APPENDIX B – "SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS."

#### **DESCRIPTION OF THE 2006 BONDS**

##### **GENERALLY**

The 2006 Bonds shall bear interest at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. The 2006 Bonds shall bear interest from and including the Dated Date (defined below) thereof until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions thereof, whether at maturity, upon redemption or otherwise. Interest on the 2006 Bonds shall be paid on June 1 and

December 1 of each year commencing June 1, 2007 (each, an "***Interest Payment Date***"). Each 2006 Bond shall bear interest on overdue principal at the rate borne by such 2006 Bonds. Interest on the 2006 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The 2006 Bonds shall have a "***Series Issue Date***" which shall be the date of original issuance and first authentication and delivery against payment therefor, and which shall be set forth on the face side of all 2006 Bonds authenticated by the Authenticating Agent. 2006 Bonds issued prior to the first Interest Payment Date following the Series Issue Date shall have a "Dated Date" of the date of original issuance. 2006 Bonds issued on or subsequent to the first Interest Payment Date following the Series Issue Date shall have a "Dated Date" which is the same as the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication shall be an Interest Payment Date to which interest on the 2006 Bonds has been paid in full or duly provided for, in which case they shall have a "Dated Date" which is the same as such date of authentication; provided that if, as shown by the records of the Paying Agent, interest on the 2006 Bonds shall be in default, 2006 Bonds issued in exchange for 2006 Bonds surrendered for transfer or exchange shall have a "Dated Date" which is the same as the date to which interest has been paid in full on the 2006 Bonds or, if no interest has been paid on the 2006 Bonds, the Series Issue Date of the 2006 Bonds.

The 2006 Bonds will be issued as fully registered bonds in authorized denominations of \$5,000 and any integral multiple thereof.

**Payment of Principal of and Interest on the 2006 Bonds.** The principal of and redemption premium, if any, and interest on the 2006 Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The principal of and the redemption premium, if any, on all 2006 Bonds shall be payable by check or draft at maturity or upon earlier redemption to the Persons in whose names such 2006 Bonds are registered on the Bond Register at the maturity or redemption date thereof, upon the presentation and surrender of such 2006 Bonds at the Principal Office of the Trustee or of any Paying Agent named in the 2006 Bonds.

The interest payable on each 2006 Bond on any Interest Payment Date shall be paid by the Trustee to the Person in whose name such Bond is registered on the Bond Register at the close of business on the Record Date for such interest, (i) by check or draft mailed on the applicable Interest Payment Date to such Registered Owner at his address as it appears on such Bond Register or at such other address as is furnished to the Trustee in writing by such Owner or (ii) by electronic transfer in immediately available funds, if the 2006 Bonds are held by a Securities Depository, or at the written request addressed to the Trustee by any Owner of 2006 Bonds in the aggregate principal amount of at least \$1,000,000, such request to be signed by such Owner, containing the name of the bank (which shall be in the continental United States), its address, its ABA routing number, the name and account number to which credit shall be made and an acknowledgment that an electronic transfer fee is payable, and to be filed with the Trustee no later than ten Business Days before the applicable Record Date preceding such Interest Payment Date.

The Record Date for determining the Owner entitled to payment of interest with respect to the 2006 Bonds on any given Interest Payment Date is the 15th day of the month immediately preceding such Interest Payment Date.

Defaulted Interest with respect to any 2006 Bond shall cease to be payable to the Owner of such 2006 Bond on the relevant Record Date and shall be payable to the Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed in the following manner. The Commission shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each 2006 Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and shall deposit with the Trustee at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment; money deposited with the Trustee shall be held in trust for the benefit of the Owners of the 2006 Bonds entitled to such Defaulted Interest. Following receipt of such funds the Trustee shall fix

a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Commission of such Special Record Date and, in the name and at the expense of the Commission, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Owner of a 2006 Bond entitled to such notice at the address of such owner as it appears on the Bond Register not less than 10 days prior to such Special Record Date.

So long as the 2006 Bonds are in book-entry only form, the principal and redemption price of, and interest on, such 2006 Bonds is payable by check or draft mailed or wire transferred to Cede & Co., as nominee for DTC and registered owner of the 2006 Bonds, for redistribution by DTC to its Participants and in turn to Beneficial Owners as described under "BOOK-ENTRY ONLY SYSTEM."

**Registration, Transfer and Exchange.** The Trustee has been appointed Bond Registrar and as such shall keep the Bond Register at its Principal Office. The Person in whose name any 2006 Bond shall be registered on the Bond Register shall be deemed and regarded as the absolute owner of such 2006 Bond for all purposes, and payment of or on account of the principal of and redemption premium, if any, and interest on any such 2006 Bond shall be made only to or upon the order of the Registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such 2006 Bond, including the interest thereon, to the extent of the sum or sums so paid.

Any 2006 Bond may be transferred only upon the Bond Register upon surrender thereof to the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such transfer, the Commission shall execute and the Trustee shall authenticate and deliver in exchange for such 2006 Bond a new 2006 Bond or 2006 Bonds, registered in the name of the transferee, of any Authorized Denomination and of the same maturity and series and bearing interest at the same rate.

The Trustee may charge an amount sufficient to reimburse it for any tax, fee or other governmental charge required to be paid in connection with any such transfer, registration, conversion or exchange plus such amount as the Commission deems appropriate for such transfer, registration, conversion or exchange. The Trustee shall not be required to (i) transfer or exchange any 2006 Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of such 2006 Bond and ending at the close of business on the day of such mailing, or (ii) transfer or exchange any 2006 Bond so selected for redemption in whole or in part, or during a period beginning at the opening of business on any Record Date for such 2006 Bond and ending at the close of business on the relevant Interest Payment Date therefor. See also "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding registration, transfer and exchange of the 2006 Bonds.

The Indenture, and all provisions thereof, are incorporated by reference in the text of the 2006 Bonds, and the 2006 Bonds provide that each registered owner, Beneficial Owner, Participant or Indirect Participant (as such terms are defined hereinafter) by acceptance of a 2006 Bond (including receipt of a book-entry credit evidencing an interest therein) assents to all of such provisions as an explicit and material portion of the consideration running to the Commission to induce it to issue such 2006 Bond.

#### **REDEMPTION OF THE 2006 BONDS**

**OPTIONAL REDEMPTION.** The 2006 Bonds are subject to optional redemption as follows:

The 2006 Senior Bonds maturing on or after December 1, 2017 are subject to redemption prior to maturity at any time on and after December 1, 2016, as a whole or in part by lot, at the option of the Commission at par, plus accrued interest to the date of redemption, all in the manner provided by the Indenture.

The 2006 Subordinated Bonds maturing on or after December 1, 2017 are subject to redemption prior to maturity at any time on and after December 1, 2016, as a whole or in part by lot, at the option

of the Commission at par, plus accrued interest to the date of redemption, all in the manner provided by the Indenture.

**Redemption Procedures.** If less than all of the 2006 Bonds which are stated to mature on the same date shall be called for redemption, the particular 2006 Bonds or portions of 2006 Bonds to be redeemed shall be selected by lot by the Trustee or in such manner as the Trustee deems fair and appropriate; provided, however, that the Trustee shall treat each Fixed Rate Bond as representing that number of 2006 Bonds respectively which is obtained by dividing the principal amount thereof by \$5,000.

In the event of any such redemption, either in whole or in part, official notice of any such 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 Registered Owner of the 2006 Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Trustee. As long as DTC remains the sole registered owner of the 2006 Bonds, notice of redemption shall be sent to DTC as provided in the Indenture. Such mailing shall not be a condition precedent to such redemption and failure to mail any such notice shall not affect the validity of the proceedings for the redemption of 2006 Bonds. Notice of redemption having been given as aforesaid, the 2006 Bonds or portions thereof so called for redemption shall become due and payable at the applicable redemption price therein provided, and from and after the date so fixed for redemption, interest on the 2006 Bonds or portions thereof so called for redemption shall cease to accrue and become payable. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2006 Bonds called for redemption or of any other action premised on such notice. See "BOOK-ENTRY ONLY SYSTEM."

In the case of an optional redemption, the notice may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (2) that the Commission retains the right to rescind such notice at any time prior to the scheduled redemption date if the Commission delivers a certificate of a Commission Official to the Trustee instructing the Trustee to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in the Indenture.

Failure to give any notice to any Owner, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other 2006 Bonds. Any notice mailed shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any Owner receives the notice.

**Selection of 2006 Bonds to be Redeemed.** 2006 Bonds shall be redeemed only in Authorized Denominations. If less than all 2006 Bonds of a Series are to be redeemed and paid prior to maturity, such 2006 Bonds shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate. In the case of a partial redemption of 2006 Bonds when 2006 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 2006 Bond of the minimum Authorized Denomination. If it is determined that a portion, but not all, of the principal amount represented by any 2006 Bond is to be selected for redemption, then upon notice of intention to redeem such portion, the Owner of such 2006 Bond or such Owner's attorney or legal representative shall forthwith present and surrender such 2006 Bond to the Trustee (1) for payment of the redemption price (including the premium, if any, and interest to the date fixed for redemption) of the principal amount called for redemption, and (2) for exchange, without charge to the Owner thereof for a new 2006 Bond or 2006 Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such 2006 Bond. If the Owner of any such 2006 Bond shall fail to present such 2006 Bond to the Trustee for payment and exchange as aforesaid, said 2006 Bond shall, nevertheless, become due and payable on the redemption date to the extent of the principal amount called for redemption (and to that extent only).

**Notice and Effect of Call for Redemption.** Official notice of any such 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 Registered Owner of the 2006 Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Trustee. As long as DTC remains the sole registered owner of the 2006 Bonds, notice of redemption shall be sent to DTC as provided in the Indenture. Such mailing shall not be a condition precedent to such redemption and failure to mail any such notice shall not affect the validity of the proceedings for the redemption of 2006 Bonds. Notice of redemption having been given as aforesaid, the 2006 Bonds or portions thereof so called for redemption shall become due and payable at the applicable redemption price therein provided, and from and after the date so fixed for redemption, interest on the 2006 Bonds or portions thereof so called for redemption shall cease to accrue and become payable. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2006 Bonds called for redemption or of any other action premised on such notice. See "BOOK-ENTRY ONLY SYSTEM."

In the case of an optional redemption, the notice may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date and (2) that the Commission retains the right to rescind such notice at any time prior to the scheduled redemption date if the Commission delivers a certificate of a Commission Official to the Trustee instructing the Trustee to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in the Indenture.

Failure to give any notice to any Owner, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other 2006 Bonds. Any notice mailed shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any Owner receives the notice.

### **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2006 Bonds. The 2006 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2006 Bond certificate will be issued for each maturity of each Series of the 2006 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 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, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2006 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2006 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 2006 Bonds, except in the event that use of the book-entry system for the 2006 Bonds is discontinued.

To facilitate subsequent transfers, all 2006 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2006 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2006 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2006 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 to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2006 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2006 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2006 Bonds may wish to ascertain that the nominee holding the 2006 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2006 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2006 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 2006 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2006 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Commission or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2006 Bonds at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2006 Bond certificates are required to be printed and delivered.

The Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2006 Bond certificates will be printed and delivered to DTC.

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

NEITHER THE COMMISSION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BOOK-ENTRY 2006 BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OR ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE APPLICABLE INDENTURE TO BE GIVEN HOLDERS OR OWNERS OF BOOK-ENTRY 2006 BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BOOK-ENTRY 2006 BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BOOK-ENTRY 2006 BONDS.

In the event that the Book-Entry Only System is discontinued and the Beneficial Owners become registered owners of the 2006 Bonds, the 2006 Bonds will be transferable in accordance with the provisions of the Indenture.

#### **ESTIMATED SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of funds with respect to the 2006 Bonds:

	<b>2006 Bonds Aggregate</b>
<b><i>Sources of Funds:</i></b>	
Par amount	\$ 240,675,000.00
Net Original Issue (Discount/Premium)	11,962,824.20
Available Indenture Funds	6,173,215.63
Total Sources of Funds	\$ 258,811,039.83
<b><i>Use of Funds:</i></b>	
Deposit: Escrow Fund	\$ 255,867,105.63
Deposit to Subordinated Bonds Debt	
Service Reserve Fund	-0-
Costs of Issuance <sup>(1)</sup>	<u>2,943,934.20</u>
Total Uses of Funds	\$ 258,811,039.83

<sup>(1)</sup> Includes Underwriters' discount, legal fees, bond insurance premium, initial Trustee's, Paying Agent's and Escrow Agent's fees, fees for the rating agencies, Financial Advisor's fees, verification agent fees, printing, miscellaneous and out-of-pocket expenses.



## PLAN OF FINANCING

The proceeds of the 2006 Bonds will be used to (i) refund, in whole or in part, certain maturities of the 1998 Bonds and the 2003 Fixed Rate Bonds (collectively, the "*Refunded Bonds*"); (ii) pay the premium for bond insurance, and (iii) pay costs of issuance (the "*Project*"). The principal of each series of the Refunded Bonds will be paid on the earlier of the applicable maturity date or first available optional redemption date.

### 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 deposited into accounts or funds created by the Indenture (other than the Subordinated Bonds Debt Service Reserve Fund which is pledged only for the benefit of the Subordinated Bonds and other than the Rebate Fund), (iv) all Swap Receipts, and (v) all investment earnings on all moneys held in accounts and funds established by the Indenture (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 and other than the Rebate Fund).

#### 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 any Parity Swap Agreements (as defined below) and Reimbursement Obligations (as defined below).

A Parity Swap Agreement means an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, futures contract, contracts providing for payments based on levels of or changes in interest rates, currency exchange rates, stock or other indices or contracts to exchange cash flows or a series of payments, and contracts including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, currency rate, spread or similar exposure under which 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. Under the Indenture, amounts payable by the Commission on such a Parity Swap Agreement shall be secured on a parity basis with the Bonds to which such contract relates but only to the extent so provided in such contract and only if such contract is either executed and delivered substantially concurrently with the issuance of any of the Bonds to which it relates or if, among other requirements, each Rating Agency which then has a rating assigned to any Bond that would be secured on parity with the Commission's obligation under said contract confirms in writing to the Trustee that the Commission's execution and delivery of such contract will not result in a reduction or withdrawal of such rating.

A Reimbursement Obligation means 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. A Reimbursement Agreement means an agreement between the Commission and one or more Banks pursuant to which, among other things, such Bank or Bank issues 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.

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; provided, however, that the Subordinated Bonds have a first lien on the Subordinated Bonds Debt Service Reserve Fund. 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."

In connection with the issuance of the 2003 Senior Bonds and certain Parity Swap Agreements in the initial aggregate notional amount of \$160,000,000 entered into by the Commission with respect to the 2003 Multi-Modal Senior Bonds, the Commission and MBIA Insurance Corporation ("**MBIA**") entered into an Insurance and Reimbursement Agreement dated as of August 1, 2003 (the "**Insurance Agreement**"), under which MBIA agreed to issue its financial guaranty insurance policies insuring the timely payment of amounts due on the 2003 Bonds (the "**2003 Bond Insurance Policies**") and its insurance policies guaranteeing the payment of certain amounts due by the Commission to the counterparties under the Parity Swap Agreements entered into in connection with the 2003 Multi-Modal Senior Bonds (the "**Swap Policies**"), and the Commission agreed, among other things, to reimburse MBIA for any losses that it may suffer as a result of the failure of the Commission to perform or comply with the covenants and conditions contained in the Insurance Agreement and the Related Documents ("**Related Documents**" being the 2003 Bonds, the Indenture, the Parity Swap Agreements related to the 2003 Multi-Modal Senior Bonds and the various other agreements executed in connection with the issuance of the 2003 Bonds) or enforcing any covenants or conditions under the Insurance Agreement or the Related Documents. Payments which the Commission expressly agreed to make to MBIA include, among others, the payment of premiums due for issuance of the bond insurance and swap policies and the reimbursement of all payments made by MBIA under the term of the 2003 Bond Insurance Policies or the Swap Policies. Payments due by the Commission to MBIA under the Insurance Agreement are secured under the Indenture on a parity basis with Senior Bonds, Additional Senior Bonds, and certain amounts payable under Parity Swap Agreements, and are senior in right of payment and security to the Subordinated Bonds.

Payments due by the Commission on the two constant maturity swaps entered into by the Commission with respect to the 2003 Multi-Modal Senior Bonds are not insured. See "INTEREST RATE SWAP AGREEMENTS – Swaps Associated With Oil Franchise Tax Bonds and Other Commission Bonds."

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.

## **BOND INSURANCE**

Payment of principal of and interest on the 2006 Bonds when due will be insured by two separate financial guaranty insurance policies to be issued by Ambac Assurance simultaneously with the delivery of the 2006 Bonds. One such policy shall insure payment of principal and interest when due on the 2006 Senior Bonds. The Second such policy shall insure payment of principal and interest when due on the 2006 Subordinated Bonds. See "BOND 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 20<sup>th</sup> 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 to be 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, and 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. Additionally, Swap Receipts 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 the Insurance Agreement, in the following order of priority:

(1) In the same order of priority, (a) a deposit to the Interest Account of the Senior Bonds Debt Service Fund in an amount equal to one-sixth of the interest due on the Senior Bonds on the next succeeding Interest Payment Date (including any amount due to the Series 2003 Bond Insurer in respect thereto under the terms of the Insurance Agreement) and the Insured Swap Payment (regularly scheduled payments and Insured Termination Payments) payable to the Parity Swap Agreement Counterparty pursuant to the Parity Swap Agreements; (b) a deposit to the Principal Account of the Senior Bonds Debt Service Fund in 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, a deposit to the Senior Bonds Sinking Fund in 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) a deposit to the Interest Account of the Subordinated Bonds Debt Service Fund in an amount equal to one-sixth of the interest due on the Subordinated Bonds on the next succeeding Interest Payment Date (including any amounts due with respect thereto under the terms of the Insurance Agreement); (b) a deposit to the Interest Account of the Subordinated Bonds Debt Service Fund in 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; and (c) without duplication, a deposit to the Subordinated Bonds Sinking Fund in 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. The current balance in the Oil Franchise Tax General Fund is approximately \$49,400,000. Funds in the Oil Franchise Tax General Fund represent excess oil franchise tax revenues not required for Debt Service and such funds may be used by the Commission for any of its purposes. 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. As of the date of issuance and delivery of the 2006 Subordinated Bonds, it is expected that the balance in the Subordinated Bonds Debt Service Reserve Fund will be in excess of the Debt Service Reserve Requirement for the Subordinated Bonds. Accordingly, the amount in excess of the Debt Service Reserve Requirement for the Subordinated Bonds will be transferred from the Subordinated Bonds Debt Service Reserve Fund to the Revenue Fund and will be applied to the funding of the escrow deposits for the Refunded 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 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 thereof, 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 Fund with cash or with a surety bond at an acceptable rating 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 was 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, Chief Financial Officer, or Deputy Executive Director/Finance and Administration 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, Chief Financial Officer, or Deputy Executive Director/Finance and Administration 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, Chief Financial Officer, or Deputy Executive Director/Finance and Administration 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 APPENDIX C – "FORM OF OPINION OF BOND COUNSEL."

In the Indenture, the Commission also covenants that 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 alcohols, 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 this 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 for purposes of calculating the Oil Franchise Tax was approximately \$0.90 from April 1991 through December 2004; however, this average has increased recently as a result of an average wholesale price for purposes of calculating the Oil Franchise Tax of \$1.17 in 2005 and the capped rate of \$1.25 for 2006.

**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 ten fiscal years of the Commonwealth and sets forth the estimated Oil Franchise Tax collections for 2007 through 2011 as set forth in the Governor's Executive Budget for the Commonwealth's '06-'07 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 <sup>(1)</sup>)

Commission Fiscal Year Ending May 31	Tax Collected on Additional 55 mills	Commission Allocation <sup>(2)</sup>
<b>Actual</b>		
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	46,135
2004	330,161	47,198
2005	367,952	51,020
2006	429,610	55,736
<b>Estimated<sup>(3)</sup></b>		
2007	\$459,330	\$ 67,347
2008	463,326	65,294
2009	467,344	65,381
2010	471,422	65,951
2011	475,510	66,523

Sources: Governor's Executive Budget for Fiscal Year 2006-07 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 2006-07 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 2006-07 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**

<b>Fiscal Year Ending June 30</b>	<b>Gasoline</b>	<b>Diesel</b>	<b>Total Gallonage</b>
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	5,110,834,586	1,290,939,416	6,401,774,002
2004	5,200,933,976	1,358,502,975	6,559,436,951
2005	5,162,651,346	1,378,060,341	6,540,711,687
2006 <sup>1</sup>	4,638,066,419	1,300,521,570	5,938,587,989

<sup>1</sup> Through May 2006 (Eleven Months)

Source: GALFIS.xls - Bureau of Research, Department of Revenue

**DEBT SERVICE SCHEDULE <sup>(1)</sup>**

The following table shows the debt service for the 2006 Bonds, the 2003 Fixed Rate Bonds, the 2003 Multi-Modal Senior Bonds and 1998 Bonds outstanding:

<b>Year Ending December 31</b>	<b>2006 Bonds Debt Service</b>	<b>2003 Debt Service<sup>(2)</sup></b>	<b>1998 Outstanding Debt Service</b>	<b>Total Debt Service</b>	<b>Total Senior Debt Service</b>	<b>Total Subordinated Debt Service</b>
2007	\$12,284,113.27	\$19,470,962.50	\$7,534,013.75	\$39,289,089.52	\$22,830,526.39	\$16,458,563.13
2008	11,846,425.00	19,925,881.25	7,535,368.75	39,307,675.00	22,518,693.75	16,788,981.25
2009	11,834,425.00	19,924,518.75	7,547,593.75	39,306,537.50	22,516,893.75	16,789,643.75
2010	14,617,425.00	19,963,131.25	4,795,643.75	39,376,200.00	22,139,481.25	17,236,718.75
2011	16,230,175.00	19,977,706.25	3,193,893.75	39,401,775.00	22,463,343.75	16,938,431.25
2012	16,238,225.00	19,997,206.25	3,193,793.75	39,429,225.00	22,477,343.75	16,951,881.25
2013	16,241,037.50	20,007,756.25	3,195,281.25	39,444,075.00	22,488,393.75	16,955,681.25
2014	16,257,737.50	20,018,518.75	3,198,093.75	39,474,350.00	22,506,193.75	16,968,156.25
2015	21,802,437.50	14,483,237.50	3,201,968.75	39,487,643.75	22,514,193.75	16,973,450.00
2016	26,428,037.50	9,901,450.00	3,204,106.25	39,533,593.75	22,527,943.75	17,005,650.00
2017	26,449,375.00	9,901,450.00	3,205,875.00	39,556,700.00	22,544,900.00	17,011,800.00
2018	26,477,375.00	9,901,450.00	3,208,400.00	39,587,225.00	22,563,425.00	17,023,800.00
2019	26,500,625.00	9,901,450.00	3,206,275.00	39,608,350.00	22,573,300.00	17,035,050.00
2020	13,622,125.00	22,791,450.00	3,207,525.00	39,621,100.00	22,581,550.00	17,039,550.00
2021	13,629,375.00	22,801,950.00	3,214,025.00	39,645,350.00	22,599,050.00	17,046,300.00
2022	27,901,956.25	8,579,700.00	3,215,275.00	39,696,931.25	22,623,800.00	17,073,131.25
2023	27,936,206.25	8,579,700.00	3,216,275.00	39,732,181.25	22,648,800.00	17,083,381.25
2024	3,408,206.25	31,579,700.00	4,786,775.00	39,774,681.25	23,107,300.00	16,667,381.25
2025	3,408,206.25	31,563,036.00	4,787,962.50	39,759,204.75	22,949,136.00	16,810,068.75
2026	11,178,206.25	23,775,406.00	4,795,125.00	39,748,737.25	22,994,506.00	16,754,231.25
2027	11,189,706.25	23,791,138.00	4,797,550.00	39,778,394.25	23,010,238.00	16,768,156.25
2028	15,981,206.25	23,827,232.00	0.00	39,808,438.25	23,046,332.00	16,762,106.25
2029	15,981,268.75	23,856,644.00	0.00	39,837,912.75	23,075,744.00	16,762,168.75
2030	15,970,737.50	23,903,352.00	0.00	39,874,089.50	23,122,452.00	16,751,637.50
2031	15,974,375.00	23,940,312.00	0.00	39,914,687.00	23,159,412.00	16,755,275.00
2032	0.00	40,406,502.00	0.00	40,406,502.00	23,185,602.00	17,220,900.00
<b>Total</b>	<b>419,388,988.27</b>	<b>522,770,840.75</b>	<b>88,240,820.00</b>	<b>1,030,400,649.02</b>	<b>590,768,554.64</b>	<b>439,632,094.38</b>

(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. This Parity Swap is in place until the final maturity of the related Bonds. The Swap Agreement is of the same notional amount and for the same term as the 2003 Multi-Modal Senior Bonds. Payments made or received under the constant maturity swaps in place with respect to the 2003 Multi-Modal Senior Bonds are not incorporated into the computation of debt service.

## 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 Fixed Rate Bonds, 2003 Multi-Modal Senior Bonds and 2006 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, 2003 Fixed Rate Bonds, 2003 Multi-Modal Senior Bonds and the 2006 Bonds are the only series of Oil Franchise Tax Bonds outstanding.

### HISTORICAL AND PROJECTED COVERAGE

Commission Fiscal Year Ending 5/31	Historical Tax Receipts <sup>(1)</sup>	Senior Debt Service <sup>(2)</sup>	Estimated Senior Coverage	Total Debt Service <sup>(3)</sup>	Estimated Total Coverage <sup>(4)</sup>
1997	\$42,313,000	\$19,999,846	2.12	\$34,782,416	1.22
1998	41,432,000	19,999,846	2.07	34,782,416	1.19
1999	42,759,000	19,999,846	2.14	34,782,416	1.23
2000	41,275,000	19,995,499	2.06	34,779,129	1.19
2001	44,379,000	19,996,773	2.22	34,777,973	1.28
2002	45,512,000	19,999,846	2.28	34,782,416	1.31
2003	46,135,000	19,995,546	2.31	34,779,916	1.33
2004	47,198,000	22,745,523	2.08	39,564,094	1.19
2005	51,020,000	22,577,747	2.26	39,473,000	1.29
2006	55,736,000	22,553,036	2.47	39,434,000	1.41

(1) Actual Commission Allocation received through FY 2005. FY 2006-2034 coverage assumes Tax Receipts equal to FY 2005.

(2) With respect to FY 1997 through 2005, computed on the basis of Maximum Principal and Interest Requirements on the Senior Bonds. With respect to the 2003 Multi-Modal Senior Bonds, the fixed swap rate payable by the Commission to the swap counterparty plus annual broker-dealer and related fees to be paid by the Commission is used in lieu of the variable rate on the underlying 2003 Multi-Modal Senior Bonds. This Parity Swap Agreement is in place until the final maturity of the 2003 Multi-Modal Senior Bonds. The Swap Agreement is of the same notional amount and for the same term as the 2003 Multi-Modal Senior Bonds. Payments made or received under the constant maturity swaps in place with respect to the 2003 Multi-Modal Senior Bonds are not incorporated into the computation of debt service.

(3) Computed using the same methodology as Senior Debt Service, but with the addition of Maximum Principal and Interest Requirements on Subordinated Bonds.

(4) 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.

## FACTORS AFFECTING USE OF LIQUID FUELS AND OTHER 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 other 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.

## **BOND INSURANCE**

The following information under this heading "BOND INSURANCE" has been provided to the Commission by the Bond Insurer. Two separate financial guaranty insurance policies shall be issued in substantially the same form. One such policy shall insure payment of principal and interest when due on the 2006 Senior Bonds. The second such policy shall insure payment of principal and interest when due on the 2006 Subordinated Bonds. Reference is made to APPENDIX D for a specimen of the Bond Insurer's policies.

### **PAYMENT PURSUANT TO FINANCIAL GUARANTY INSURANCE POLICY**

Ambac Assurance Corporation ("Ambac Assurance") has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the 2006 Bonds, effective as of the date of issuance of the 2006 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the 2006 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Paying Agent. The insurance will extend for the term of the 2006 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2006 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay the principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2006 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Financial Guaranty Insurance Policy shall be fully discharged.

In the event the Paying Agent has notice that any payment of principal of or interest on a 2006 Bond that has become Due for Payment and that is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

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

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

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the 2006 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2006 Bond, appurtenant coupon, if any, or right to payment of the principal of or interest on such 2006 Bond and will be fully subrogated to the surrendering holder's rights to payment.

#### **AVAILABLE INFORMATION**

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

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

#### **INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

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

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;
2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006;
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006;
4. The Company's Current Report on Form 8-K dated July 25, 2006 and filed on July 26, 2006;
5. The Company's Current Report on Form 8-K dated and filed on July 26, 2006; and
6. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2006 and filed on August 9, 2006.

7. The Company's Current Report on Form 8-K dated and filed on October 25, 2006.

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

## INTEREST RATE SWAP AGREEMENTS

### INTEREST RATE SWAP POLICY.

The Commission has adopted an Interest Rate Swap Policy ("Policy") to establish guidelines for the use and management of all interest rate management agreements, including, but not limited to, interest rate swaps, swaptions, caps, collars and floors (collectively "Swaps" or "Agreements") incurred in connection with the incurrence of debt. The Commission may change the Policy in its sole discretion.

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

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

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

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

Prohibited Agreements. The Commission will not use Agreements that:

- (i) Are speculative or create extraordinary leverage as risk;
- (ii) Lack adequate liquidity to terminate without incurring a significant bid/ask spread;
- (iii) Provide insufficient price transparency to allow reasonable valuation.

Annual Swap Report. The Commission's Director of Treasury Management, in consultation with the Commission's Financial Advisor, Swap Advisor and Bond Counsel, will evaluate the risks associated with outstanding Swaps at least annually and provide to the Senior Executives and the Commissioners a written report of the findings based upon criteria set forth in the Policy.

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

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

**SWAPS ASSOCIATED WITH OIL FRANCHISE TAX BONDS AND OTHER COMMISSION BONDS**

The Commission has several interest rate exchange agreements with respect to other series of the Bonds, including the 2003 Bonds, as well as with respect to certain series of its Registration Fee Revenue Bonds and Turnpike Revenue Bonds. With respect to the 2003 Multi-Modal Senior Bonds, the Commission in September 2006 entered into a variable to fixed rate swap rate. This swap is a Parity Swap Agreement which is of the same notional amount and for the same term as the 2003 Multi-Modal Senior Bonds. Certain payments required to be made by the Commission under this swap is insured by MBIA. See “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Security for Bonds; Remedies.” In addition, the Commission entered into two constant maturity swaps with respect to the 2003 Multi-Modal Senior Bonds, which, in the aggregate, are in the same notional amount as the 2003 Multi-Modal Senior Bonds (together, the “CMS Swap”) and have the same term as the 2003 Multi-Modal Senior Bonds. The CMS Swap is a Parity Swap Agreement and payments required to be made by the Commission under the CMS Swap are not insured. Under the terms of the CMS Swap, the Commission pays a percentage of 30-day LIBOR and receives a percentage of 10-year LIBOR from the Counterparty. The CMS Swap has a forward starting date of November 15, 2007.

**THE COMMISSION**

The Commission is an instrumentality of the Commonwealth created by the Enabling Acts, with power to construct, operate and maintain the System. Its composition, powers, duties, functions, duration and all other attributes are derived from the Enabling Acts as amended and supplemented by subsequent legislation. The Enabling Acts may be modified, suspended, extended or terminated at any time by further legislation.

The Commission is required to be composed of five members, one of whom, Allen D. 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>
Mitchell Rubin	Chairman	June 30, 2010
Timothy J. Carson	Vice Chairman	February 8, 2009
J. William Lincoln	Secretary/Treasurer	May 18, 2008
Pasquale T. Deon, Sr.	Commissioner	June 30, 2010
Allen D. Biehler	Commissioner	Ex-Officio

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. 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 authorizes, after certain approvals, the conversion of certain portions of the interstate system to toll roads, if necessary.

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

#### **EXECUTIVE PERSONNEL**

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, Esq., 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.

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

### **PENNSYLVANIA TURNPIKE SYSTEM**

#### **GENERAL**

The present Pennsylvania Turnpike System is composed of a 359 mile Turnpike Mainline traversing the southern portion of Pennsylvania from east to west and a 110 mile north-south section identified as the Northeast Extension. A north-south connection, known as the Beaver Valley Expressway, is approximately 16 miles in length and intersects the Turnpike Mainline in the southwestern portion of the Commonwealth. The Amos K. Hutchinson Bypass is approximately 13 miles in length and adjoins the Turnpike Mainline near the New Stanton Interchange. In addition, a 23-mile section of the Mon/Fayette Project and an eight mile section from the Pennsylvania/West Virginia border to Fairchance, which is located just south of Uniontown, are open as part of the Pennsylvania Turnpike System. When completed, the Mon/Fayette Expressway will extend approximately 65 miles 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. 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 Pennsylvania Turnpike was constructed prior to development of the National Interstate Highway System but portions have been designated as Interstate Routes. However, no Federal Highway Trust Fund monies have been utilized in the construction of the Turnpike Mainline, Northeast Extension, Beaver Valley Expressway or Amos K. Hutchinson Bypass section of the Turnpike. The Turnpike Mainline has been designated as Interstate Route 276 between the area where Interstate Route 95 crosses the Pennsylvania Turnpike System and the Valley Forge Interchange. The portion of the Turnpike Mainline west of the Valley Forge Interchange to the western terminus at the Ohio state line has been designated as Interstate Route 76. In addition, the Turnpike Mainline between the New Stanton and Breezewood Interchanges has been designated as Interstate Route 70. The Northeast Extension has been designated as Interstate Route 476.

The Pennsylvania Turnpike System was constructed and opened to traffic in sections. The original Turnpike Mainline segment between Irwin and Carlisle was opened in 1940. Ten years later, in 1950 the 100-mile section between Carlisle and King of Prussia, was completed and opened. After 1950, construction of new segments of the Pennsylvania Turnpike System occurred at more frequent intervals with the Turnpike Mainline segment in service as of May, 1956. The initial segment of the Northeast Extension between the Turnpike Mainline and the temporary interchange just south of the Lehigh Tunnel was opened in 1955. The final segment, from 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 and new appropriations 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 Penn DOT 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 other is a 17 mile section of the Mon/Fayette Expressway from Interstate Route 70 in Washington County to Pennsylvania Route 51 in Allegheny County. These are now part of the System. When completed, the Mon/Fayette Expressway will extend from Interstate Route 68 in West Virginia to Interstate Route 376 near Pittsburgh, a distance of approximately 65 miles.

Two other projects will complete the entire Mon/Fayette Expressway. A 15 mile section, extending from Uniontown to Brownsville, has received environmental clearance and final engineering

design and right-of-way acquisition is now underway. Construction bids for approximately 8 miles of the 15 mile Uniontown to Brownsville Project were received in the first half of 2006. Construction is now underway on this 8 mile section with an opening scheduled for 2009, the remainder of the 15 miles will not move to construction until additional funding is identified. A 24 mile section, extending from Pennsylvania Route 51 to Interstate Route 376 in Pittsburgh, received environmental clearance in December 2004. Final design is currently underway and Right-of-Way acquisition is scheduled to begin no earlier than 2007. Construction will begin no earlier than 2009.

The proposed Southern Beltway is to be constructed from the Mon/Fayette Expressway, near Finleyville, extending as part of a beltway south of Pittsburgh to Pennsylvania 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. The remaining section, from U.S. 22 to PA 60, has recently been completed and was opened to traffic on October 11, 2006.

The total estimated cost of the Mon/Fayette Expressway and the Southern Beltway is approximately \$5.7 billion. Proceeds of the 1998 and 2003 Bonds have been applied toward these costs. In total, approximately \$1.3 billion has been expended on these projects. The Commission has approximately \$600 million of funds on hand available to pay costs of the presently estimated approximately \$3.8 billion needed to complete the project. It should be noted that due to the extended period required to complete the Mon/Fayette Expressway and the Southern Beltway projects and the many variables inherent in projects of this scale, the cost to complete the projects is likely to continue to increase. Costs of the projects include not only hard costs such as steel, asphalt and concrete, all of which are subject to price fluctuation, but also labor and land acquisition costs, which have in the past, do currently, and may in the future require litigation to establish property values. It is anticipated that the remaining costs to complete the Mon/Fayette Expressway and the Southern Beltway will be financed with Oil Franchise Tax Revenues and Registration Fee Revenues along with other funding sources that have not been identified at present. Although the Mon/Fayette Expressway and the Southern Beltway are toll roads, Mainline System Revenues will not be pledged for the financing of their construction.

#### **OTHER COMMISSION INDEBTEDNESS**

Currently \$1,676,505,000 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 2006 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 2006 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 \$465,560,000 of Registration Fee Revenue Bonds which are outstanding under the Commission's Indenture. **The holders of the 2006 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.

#### **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. Such financial statements relate to the financial affairs of the Commission. Because the 2006 Bonds are payable solely from the Oil Franchise Tax and the general credit and assets of the Commission are not available to pay the 2006 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.

## TAX EXEMPTION

### FEDERAL TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2006 Bonds will not be includable in the gross income of the holders thereof for federal income tax purposes and will not be a specific preference item for purposes of computing the alternative minimum tax imposed on individuals and corporations. However, interest on the 2006 Bonds paid or accrued during any period any 2006 Bonds are held by a corporation may be subject to alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended (the "*Code*"), due to the adjustment for adjusted current earnings provided for in the Code. In addition, interest on the 2006 Bonds received or accrued in any taxable year by certain foreign corporations may be included in computing the "dividend equivalent amount" of such corporations subject to the branch profits tax imposed on such corporations under Section 884 of the Code. Further, interest on the 2006 Bonds may be subject to federal income taxation under Section 1375 of the Code for S corporations which have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the Gross Revenues of such S corporations is passive investment income.

Ownership of the 2006 Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the 2006 Bonds. Bond Counsel expresses no opinion as to any such consequences, and prospective purchasers of the 2006 Bonds who may be subject to such collateral consequences should consult their tax advisors.

In rendering this opinion, Bond Counsel has relied on certain of the representations and covenants of the Commission set for in the Indenture and the Commission's Tax Regulatory Agreement with respect to the 2006 Bonds, Bond Counsel has assumed compliance by the Commission with its covenants to comply with the provisions of the Code relating to actions to be taken by the Commission in respect of the 2006 Bonds after the issuance thereof to the extent necessary to effect or maintain the federal exclusion from gross income of the interest on the 2006 Bonds. These covenants relate to, among other things, the use of and investment of proceeds of the 2006 Bonds and the rebate to the United States Treasury of specified arbitrage earnings, if any. Failure of the Commission to comply with such covenants could result in the interest on the 2006 Bonds becoming subject to federal income tax from the date of issuance.

### OTHER FEDERAL TAX CONSIDERATIONS

Prospective purchasers should be aware that on May 17, 2006, the President signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (the "Reconciliation Act"). The Reconciliation Act contains a provision under which interest paid on tax-exempt obligations will be subject to information reporting (and backup withholding for interest paid after March 31, 2007) in a manner similar to interest paid on taxable obligations. The provision is effective for interest paid on tax-exempt obligations after December 31, 2005, regardless of when the tax-exempt obligations were issued. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

### ORIGINAL ISSUE DISCOUNT; ORIGINAL ISSUE PREMIUM

The 2006B Bonds maturing on December 1, 2020, 2021, 2028 and 2029, are being issued at an original issue discount. The original issue discount in the selling price of any such 2006 Bond (an "*OID Bond*"), to the extent properly allocable to each holder of such OID Bond, is excluded from gross income for federal income tax purposes with respect to such holder. The original issue discount is the excess of the stated redemption price or principal due at maturity of such OID Bond over the initial

offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such OID Bonds were sold.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount so accrued in the particular accrual period will be considered to be excluded from gross income for federal income tax purposes and will increase the holder's tax basis in such OID Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such OID Bond. Owners of OID Bonds should consult their tax advisors as to the determination for federal income tax purposes of original issue discount accrued or accreted upon purchase, sale or redemption of such OID Bonds.

The 2006 Bonds other than the OID Bonds are being issued at an original issue premium. 2006 Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some case, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the 2006 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser's basis in a Premium Bond and, under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocated to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the 2006 Bonds.

#### **PENNSYLVANIA TAX EXEMPTION**

In the opinion of Bond Counsel, under existing law, the 2006 Bonds are exempt from personal property taxes in Pennsylvania and the interest on the 2006 Bonds is exempt from Pennsylvania personal income tax and corporate net income tax.

#### **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 2006 Bonds, to be dated as of November 1, 2006. (the "*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, 2006, 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 2006 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 2006 Bonds; (vii) modifications to rights of holders of the 2006 Bonds; (viii) 2006 Bond calls; (ix) defeasances; (x) release, substitution, or sale of

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\* Any filing in connection with the Commission's continuing disclosure undertaking may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

property securing repayment of the 2006 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 2006 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 2006 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 2006 Bonds.

The Disclosure Agreement will recite that it is entered into for the benefit of the registered owners from time to time of the 2006 Bonds. For the purposes of the Disclosure Agreement, for so long as the 2006 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 2006 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 2006 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 2006 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.

The Commission has complied with its previous continuing disclosure undertakings.

## UNDERWRITING

The 2006 Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement (the "**Underwriters**") for whom J.P. Morgan Securities Inc., is acting as the Representative. The Underwriters have severally agreed to purchase the 2006 Bonds at an aggregate underwriting discount of \$1,472,931 from the initial public offering price of the 2006 Bonds. The Underwriters will be obligated to purchase all of the 2006 Bonds if any of such 2006 Bonds are purchased. The Underwriters may offer and sell the 2006 Bonds to certain dealers (including the dealers depositing such 2006 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**

Dilworth Paxson LLP, Bond Counsel, and Buchanan Ingersoll & Rooney, PC, Counsel to the Underwriters, have both provided legal services to the Commission in various matters. U.S. Bank National Association, the Trustee, has performed other services for the Commission.

## **RATINGS**

Standard & Poor's Rating Group and Moody's Investors Service are expected to assign their municipal bond ratings of "AAA" and "Aaa," respectively, to the 2006 Bonds, with the understanding that upon delivery of the 2006 Bonds, a policy insuring the payment when due of the principal of and interest on the 2006 Bonds will be issued by Bond Insurer.

The Commission has received underlying ratings of "AA" and "A1," respectively, from Standard & Poor's Rating Group and Moody's Investors Service for the 2006 Senior Bonds. The Commission has received underlying ratings of "A+" and "A3," respectively, from Standard & Poor's Rating Group and Moody's Investors Service for the 2006 Subordinated Bonds

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 Rating Group, 25 Broadway, New York, NY 10004 and Moody's Investors Service, 99 Church Street, New York, NY 10007. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies, or any of them, if, in their or its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the 2006 Bonds.

## **LITIGATION**

There is no litigation pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2006 Bonds, or in any way contesting or affecting the validity of the 2006 Bonds or any proceedings of the Commission taken with respect to the offer or sale thereof, or the pledge or application of any monies or security provided for the payment of the 2006 Bonds, or the existence or powers of the Commission.

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

There are currently approximately 109 open claims for personal injury and/or property damage pending against the Commission, none of which individually or in the aggregate are deemed to expose the Commission to a material risk of loss.

## **LEGAL MATTERS**

Certain legal matters will be passed upon by Dilworth Paxson LLP, Philadelphia, Pennsylvania, Bond Counsel. A copy of the form of opinion of Bond Counsel which will be delivered with the 2006 Bonds is set forth in "APPENDIX C - FORM OF OPINION OF BOND COUNSEL." Certain other legal matters will be passed upon for the Underwriters by their Counsel, Buchanan Ingersoll & Rooney, PC, Pittsburgh, Pennsylvania, and for the Commission by its Chief Counsel, Doreen A. McCall, Esquire.

## **TRUSTEE**

The Commission has appointed U.S. Bank National Association, Philadelphia, Pennsylvania, as the Trustee and Authenticating Agent under the Indenture. The obligations and duties of the Trustee are as described in the Indenture. The Trustee has not evaluated the risks, benefits or propriety of any investment in the 2006 Bonds, and makes no representation, and has reached no conclusions, regarding the validity of the 2006 Bonds, the security therefor, the adequacy of the provisions for payment thereof or the tax-exempt status of the interest on the 2006 Bonds. The Trustee has relied upon

the opinion of Bond Counsel for the validity and tax-exempt status of the interest on the 2006 Bonds as well as other matters set out in that opinion. Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Commission of any of the 2006 Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such 2006 Bonds by the Commission.

Under the terms of the Indenture 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 and 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 2006 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.

Additional information about the Trustee may be found at its website at <http://www.usbank.com/corporatetrust>. The U.S. Bank website is not incorporated into this Official Statement by such reference and is not a part hereof.

#### **FINANCIAL ADVISOR**

The Commission has retained Hopkins & Company, Philadelphia, Pennsylvania, as Financial Advisor with respect to the authorization and issuance of the 2006 Bonds. The Financial Advisor is not obligated to undertake or assume responsibility for, nor has it undertaken or assumed responsibility for, an independent verification of the accuracy, completeness or fairness of the information contained in this Official Statement. Hopkins & Company is an independent advisory firm and is not engaged in the business of underwriting, holding or distributing municipal or other public securities.

#### **LEGALITY FOR INVESTMENT**

Under the laws of the Commonwealth, the 2006 Bonds are authorized investments for fiduciaries and may be legally deposited as security for public funds in the Commonwealth.

#### **VERIFICATION OF MATHEMATICAL CALCULATIONS**

Drucker & Scaccetti, P.C., Certified Public Accountants, Philadelphia, Pennsylvania, will deliver to the Commission a report verifying, from the information provided to them by the Commission or its agents or representatives, the mathematical accuracy as of the date of the closing on the 2006 Bonds of (1) the computations contained in the provided schedules used to determine that the anticipated receipts from the escrow securities and cash deposits listed in the schedules, to be held in escrow by the escrow agent, will be sufficient to pay, when due, the principal and interest payment requirements of the Refunded Bonds, and (2) the computations of yield on the escrow securities and the 2006 Bonds, contained in the provided schedules used by Bond Counsel in its determination that the interest on the 2006 Bonds is exempt from tax. Drucker & Scaccetti will express no opinion on the assumptions provided to it, nor as to the exemption from taxation on the interest on the 2006 Bonds.

#### **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 Bond Insurance Policy, the Disclosure Agreement, the 1998 Bonds, the 2003 Fixed Rate Bonds, the 2003 Multi-Modal Senior Bonds and the 2006 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 Bond Insurance Policy, the Disclosure Agreement, the 1998 Bonds, the 2003 Fixed Rate Bonds, the 2003 Multi-Modal Senior Bonds and the 2006 Bonds are subject to the full texts thereof.

Neither this Official Statement nor any advertisement of the 2006 Bonds is to be construed as a contract with the holders of the 2006 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

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## APPENDIX A

THE 2006 BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION AND SHALL NOT BE DEEMED TO BE A DEBT OF THE COMMONWEALTH OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH, BUT THE 2006 BONDS SHALL BE PAYABLE SOLELY FROM THE TRUST ESTATE (AS DEFINED HEREIN) WHICH CONSISTS PRIMARILY OF THE COMMISSION ALLOCATION PAID TO THE COMMISSION OR THE TRUSTEE BY THE COMMONWEALTH AND CERTAIN FUNDS HELD UNDER THE INDENTURE AND THE EARNINGS THEREON.

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## 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 \$4.8 billion in crop and livestock products annually. In 2005, agribusiness and food related industries reached record export sales surpassing \$1 billion in economic activity. Over 58,000 farms form the backbone of the State's agricultural economy. Farmland in Pennsylvania includes over four million acres of harvested cropland and three 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. Agriculture exports have grown by more than 4% since 2003.

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 accounts for 1.5% of employment with economic activity of nearly \$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, 175 billion cubic feet of natural gas, and about 1.4 million barrels of oil are extracted from Pennsylvania.

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 both inter and intra state trade and commerce.

### POPULATION

The Commonwealth is highly urbanized. Of the Commonwealth's 2005 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, 12.4 million people in 2005, 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 45 or over. The following tables present the population trend from 1996 to 2005 and the age distribution of the population for 2004.

**Population Trends**  
**Pennsylvania, Middle Atlantic Region and the United States**  
**1996-2005**

As of July 1	Total Population In Thousands			Total Population as a % of 1996 base		
	PA	Middle Atlantic Region <sup>(a)</sup>	U.S.	PA	Middle Atlantic Region <sup>(a)</sup>	U.S.
1996.....	12,038	38,191	265,228	100%	100%	100%
1997.....	12,015	38,213	267,783	99	100	101
1998.....	12,002	38,257	270,248	99	100	102
1999.....	11,994	38,334	272,690	99	100	103
2000.....	12,286	38,718	282,193	102	101	107
2001.....	12,296	39,892	285,108	102	104	108
2002.....	12,324	40,065	287,985	102	105	109
2003.....	12,365	40,233	290,850	102	105	110
2004.....	12,394	40,360	293,657	103	105	111
2005.....	12,430	40,402	296,410	103	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 — 2004**  
**Pennsylvania, Middle Atlantic Region and the United States**

Age	Pennsylvania	Middle Atlantic Region <sup>(a)</sup>	United States
Under 5 years .....	5.7 %	6.3 %	6.8 %
5-24 years .....	26.6	26.7	28.0
25-44 years .....	26.7	28.4	28.8
45-64 years .....	25.7	24.9	24.1
65 years and over.....	15.3	13.7	12.3

(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 2005 increased at an average annual rate of 0.8 percent compared with a 0.8 percent rate for the Middle Atlantic region and 1.2 percent rate for the U.S. The following table shows employment trends from 1996 through 2005.

**Non-Agricultural Establishment Employment Trends  
Pennsylvania, Middle Atlantic Region and the United States  
1996-2005**

Calendar Year	Total Establishment Employment In Thousands			Total Establishment Employment as a % of 1996 base		
	PA	Middle Atlantic Region <sup>(a)</sup>	U.S.	PA	Middle Atlantic Region <sup>(a)</sup>	U.S.
1996.....	5,306	16,884	119,708	100 %	100 %	100 %
1997.....	5,406	17,198	122,776	102	102	103
1998.....	5,495	17,532	125,930	104	104	105
1999.....	5,586	17,943	128,993	105	106	108
2000.....	5,691	18,321	131,785	107	109	110
2001.....	5,682	18,271	131,826	107	108	110
2002.....	5,640	18,083	130,341	106	107	109
2003.....	5,611	17,997	129,999	106	117	109
2004.....	5,644	18,105	131,435	106	107	110
2005.....	5,704	18,275	133,463	108	108	111

<sup>(a)</sup> 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 88 percent of total employment by 2005. Consequently, manufacturing employment constitutes a diminished share of total employment within the Commonwealth. Manufacturing, contributing 12.0 percent of 2005 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 2005, the services sector accounted for 43.9 percent of all non-agricultural employment while the trade sector accounted for 16.4 percent. The following table shows trends in employment by sector for Pennsylvania from 2001 through 2005.

**Non-Agricultural Establishment Employment by Sector**  
**Pennsylvania**  
**2001-2005**  
(In Thousands)

	CALENDAR YEAR									
	2001		2002		2003		2004		2005	
	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%
Manufacturing:										
Durable .....	492.1	8.7	448.8	8.0	418.3	7.5	412.0	7.3	412.9	7.2
Non-Durable .....	328.5	5.8	310.1	5.5	293.3	5.2	278.1	4.9	268.9	4.7
Total										
Manufacturing <sup>(d)</sup> .....	820.6	14.4	758.9	13.5	711.6	12.7	690.1	12.2	681.8	12.0
Non-Manufacturing:										
Trade <sup>(a)</sup> .....	899.4	15.8	890.8	15.8	888.0	15.8	892.0	15.8	935.4	16.4
Finance <sup>(b)</sup> .....	338.3	6.0	336.2	6.0	337.9	6.0	335.7	5.9	335.6	5.9
Services .....	2,397.0	42.2	2,421.3	42.9	2,438.7	43.5	2,486.8	44.1	2,506.7	43.9
Government .....	728.3	12.8	738.9	13.1	745.6	13.3	744.4	13.2	745.3	13.1
Utilities <sup>(c)</sup> .....	230.5	4.1	228.6	4.1	226.6	4.0	228.0	4.0	226.3	4.0
Construction .....	249.9	4.4	248.1	4.4	245.7	4.4	249.2	4.4	253.8	4.4
Mining .....	18.5	0.3	18.0	0.3	17.2	0.3	18.0	0.3	18.8	0.3
Total										
Non-Manufacturing <sup>(d)</sup> .....	4,861.9	85.6	4,881.9	86.3	4,899.7	87.3	4,954.1	87.8	5,021.9	88.0
Total Employees <sup>(d)(e)</sup> .....	5,682.5	100.0	5,640.8	99.8	5,611.3	100.0	5,644.2	100.0	5,703.7	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.

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

Source: PA Bureau of Labor & Industry

The following table presents the percentages of non-agricultural employment in various sectors in Pennsylvania and the United States in 2005.

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

	2005 Calendar Year	
	Pennsylvania	United States
Manufacturing .....	12.0 %	10.6 %
Trade <sup>(a)</sup> .....	16.4	16.2
Finance <sup>(b)</sup> .....	5.9	6.1
Services .....	43.9	42.1
Government .....	13.1	16.3
Utilities <sup>(c)</sup> .....	4.0	2.9
Construction .....	4.4	5.4
Mining .....	0.3	0.4
Total <sup>(d)</sup> .....	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-eighth of total non-agricultural employment in Pennsylvania, the fabricated metals industries employed the largest number of workers. Employment in fabricated metals industries was 13.2 percent of Pennsylvania manufacturing employment but only 0.1 percent of total Pennsylvania non-agricultural employment in 2005. The following table shows trends in manufacturing employment by industry for Pennsylvania from 2001 through 2005.

**Manufacturing Establishment Employment by Industry**  
**Pennsylvania**  
**2001-2005**  
(In Thousands)

	2001		2002		2003		2004		2005	
	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%
<b>Durable Goods:</b>										
Primary Metals .....	53.7	7.8	48.3	6.4	44.6	6.3	43.1	6.2	42.7	6.3
Fabricated Metals .....	101.1	9.2	94.9	12.5	88.9	12.5	88.6	12.8	90.3	13.2
Machinery (excluding electrical)	68.2	11.4	60.5	8.0	56.0	7.9	54.8	7.9	55.3	8.1
Electrical Equipment .....	29.8	8.1	26.6	3.5	25.4	3.6	25.6	3.7	25.8	3.8
Transportation	50.5	5.5	44.4	5.9	41.5	5.8	42.7	6.2	43.8	6.4
Furniture Related Products .....	26.6	4.1	25.5	3.4	24.4	3.4	24.4	3.5	23.9	3.5
Other Durable Goods ...	162.2	11.5	148.6	19.6	137.5	19.3	132.8	19.2	131.1	19.2
<b>Total Durable Goods<sup>(a)</sup></b>	<b>492.1</b>	<b>57.7</b>	<b>448.8</b>	<b>59.1</b>	<b>418.3</b>	<b>58.8</b>	<b>412.0</b>	<b>59.7</b>	<b>412.9</b>	<b>60.6</b>
<b>Non-Durable Goods:</b>										
Pharmaceutical/Medicine .....	25.8	4.3	27.2	3.6	25.6	3.6	22.6	3.3	21.9	3.2
Food Products .....	76.7	9.0	75.1	9.9	74.5	10.5	72.6	10.5	71.3	10.5
Chemical Products .....	61.9	7.3	61.4	8.1	57.8	8.1	53.0	7.7	51.8	7.6
Printing and Publishing ..	44.4	8.7	41.1	5.4	39.3	5.5	37.7	5.5	37.0	5.4
Plastics/Rubber Products ..	47.5	2.3	44.5	5.9	42.0	5.9	40.9	5.9	39.9	5.9
Paper Products .....	32.8	3.9	30.5	4.0	28.8	4.0	27.6	4.0	26.9	3.9
Other Non-Durable Goods .....	39.4	6.8	30.3	4.0	25.3	3.6	23.7	3.4	20.1	2.9
<b>Total Non-Durable Goods<sup>(a)</sup></b>	<b>328.5</b>	<b>42.5</b>	<b>310.1</b>	<b>40.9</b>	<b>293.3</b>	<b>41.2</b>	<b>278.1</b>	<b>40.3</b>	<b>268.9</b>	<b>39.4</b>
<b>Total Manufacturing Employees<sup>(a)</sup></b>	<b>820.6</b>	<b>100.0</b>	<b>758.9</b>	<b>100.0</b>	<b>711.6</b>	<b>100.0</b>	<b>690.1</b>	<b>100.0</b>	<b>681.8</b>	<b>100.0</b>

(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 5.4 percent in 1996. The resumption of faster economic growth resulted in a decrease in the Commonwealth's annual unemployment rate to 4.2 percent in 2000. Since that time, the combination of a recession and slow economic growth has pushed the Commonwealth's annual unemployment rate to 5.0 percent through 2005. From 1996 through 2005, Pennsylvania's annual average unemployment rate was at or below the Middle Atlantic Region's average. Since 2002 Pennsylvania's annual average has been at or below both the Middle Atlantic and the United States. As of March 2006, the most recent month for which figures are available, Pennsylvania had a seasonally adjusted annual unemployment rate of 5.5 percent. The

following table represents the annual non-adjusted unemployment rate in Pennsylvania, the Middle Atlantic Region, and the United States from 1996 through 2005.

**Annual Average Unemployment Rate  
Pennsylvania, Middle Atlantic Region and the United States  
1996-2005**

<u>Calendar Year</u>	<u>Pennsylvania</u>	<u>Middle Atlantic Region<sup>(a)</sup></u>	<u>United States</u>
1996.....	5.4%	6.0%	5.4%
1997.....	5.1	5.8	4.9
1998.....	4.6	5.1	4.5
1999.....	4.4	4.8	4.2
2000.....	4.2	4.2	4.0
2001.....	4.8	4.7	4.7
2002.....	5.6	5.9	5.8
2003.....	5.7	6.1	6.0
2004.....	5.4	5.5	5.5
2005.....	5.0	4.9	5.1

<sup>(a)</sup> 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  
June 2005**

<u>Company</u>	<u>Rank</u>	<u>Company</u>	<u>Rank</u>
Wal-Mart Associates .....	1	Heartland Employment .....	16
University of Pennsylvania .....	2	Sears Roebuck & Co .....	17
Pennsylvania State University .....	3	Vanguard Group Inc. ....	18
Giant Food Stores.....	4	Pennsylvania Blue Shield .....	19
United Parcel Service Inc .....	5	Verizon Pennsylvania Inc.....	20
University of Pittsburgh .....	6	GMR Restaurants of Pennsylvania Inc .....	21
Weis Markets Inc .....	7	Acme Markets Inc. ....	22
UPMC Presbyterian .....	8	May Department Stores Co .....	23
Merck & Co Inc .....	9	Wachovia Bank .....	24
The Home Depot USA Inc.....	10	Temple University .....	25
US Airways Inc .....	11	The Children Hospital of Philadelphia .....	26
PNC Bank NA .....	12	Hershey Foods Corporation .....	27
Lowe's Home Centers Inc .....	13	Eat'n Park Restaurants Inc.....	28
KMART of Pennsylvania LP.....	14	Rite Aid of Pennsylvania Inc.....	29
Giant Eagle Inc.....	15	Mellon Bank NA .....	30

Source: Pennsylvania Department of Labor, Office of Employment Security.

**PERSONAL INCOME**

Personal income in the Commonwealth for 2005 is \$433.75 billion, an increase of 5.0 percent over the previous year. During the same period, national personal income increased at a rate of 5.6 percent. Based on the 2005 personal income estimates, per capita income for 2005 is at \$34,897 in the Commonwealth compared to per capita income in the United States of \$34,586. The following tables represent annual personal income data and per capita income from 1996 through 2005.

**Personal Income  
Pennsylvania, Mideast Region and the United States  
1996-2005**

Year	Total Personal Income Dollars in Millions			Total Personal Income As a % of 1996 base		
	PA	Mideast Region <sup>(a)</sup>	U.S. <sup>(b)</sup>	PA	Mideast Region <sup>(a)</sup>	U.S.
1996 .....	\$ 297,493	\$1,252,041	\$ 6,512,485	100 %	100 %	100 %
1997 .....	311,508	1,319,270	6,907,332	105	105	106
1998 .....	330,160	1,404,640	7,415,709	111	112	113
1999 .....	342,610	1,467,261	7,796,137	115	117	119
2000 .....	364,837	1,580,733	8,422,074	122	126	129
2001 .....	372,339	1,627,895	8,716,992	125	130	133
2002 .....	382,251	1,648,004	8,872,871	128	132	136
2003 .....	392,791	1,686,808	9,157,257	132	135	140
2004 .....	412,890	1,790,581	9,705,504	138	143	149
2005 .....	433,752	1,890,698	10,251,639	145	151	157

(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  
1996-2005**

Calendar Year	Per Capita Income			As a % of U.S.	
	PA	Mideast Region <sup>(a)</sup>	U.S.	PA	Mideast Region <sup>(a)</sup>
1996 .....	\$ 27,588	\$ 27,588	\$ 24,177	101 %	114 %
1997 .....	25,475	28,944	25,334	101	114
1998 .....	26,961	30,654	26,883	100	114
1999 .....	27,937	31,824	27,939	100	114
2000 .....	29,695	34,076	29,845	99	114
2001 .....	30,281	34,906	30,574	99	112
2002 .....	31,016	35,155	30,810	101	114
2003 .....	31,767	35,797	31,484	101	114
2004 .....	33,312	37,851	33,050	101	115
2005 .....	34,897	39,891	34,586	101	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 2001 through 2005.

**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<sup>(a)</sup></u>	<u>United States</u>
<b>Total Personal Income</b>			
2001.....	3.4%	3.3 %	7.9%
2002.....	2.7	1.2	1.8
2003.....	2.8	2.4	3.2
2004.....	5.1	6.2	6.0
2005.....	5.0	5.6	5.6
<b>Manufacturing</b>			
2001.....	-1.5%	-1.5%	-3.2%
2002.....	-0.9	-0.7	-0.4
2003.....	-0.1	1.2	2.8
2004.....	1.6	1.5	1.8
2005.....	3.1	2.9	4.7
<b>Trade<sup>(b)</sup></b>			
2001.....	1.6%	1.0%	1.0%
2002.....	2.3	1.7	1.6
2003.....	5.1	4.0	2.9
2004.....	5.2	4.4	8.4
2005.....	6.5	6.1	6.8
<b>Finance<sup>(c)</sup></b>			
2001.....	5.8%	4.8%	6.5%
2002.....	5.4	-3.7	2.4
2003.....	5.3	1.3	5.0
2004.....	5.9	10.8	8.3
2005.....	3.0	8.3	6.0
<b>Services</b>			
2001.....	6.4%	6.3%	5.7%
2002.....	0.2	-1.5	-1.9
2003.....	2.0	1.6	1.7
2004.....	10.1	7.4	7.0
2005.....	9.9	9.0	9.9
<b>Utilities<sup>(d)</sup></b>			
2001.....	3.6%	3.9%	4.0%
2002.....	4.8	10.0	5.2
2003.....	5.0	3.4	3.2
2004.....	1.4	1.7	5.6
2005.....	-2.8	3.9	5.3
<b>Construction</b>			
2001.....	5.7%	7.5%	5.1%
2002.....	2.7	2.7	1.6
2003.....	1.2	1.3	1.4
2004.....	3.7	4.8	8.3
2005.....	9.5	7.6	10.6
<b>Mining</b>			
2001.....	4.7%	5.0%	9.5%
2002.....	-2.0	-4.1	-2.9
2003.....	-2.1	-1.1	2.8
2004.....	11.2	10.5	11.9
2005.....	10.3	9.4	13.1

(a) Mideast 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 \$17.29 for manufacturing and production workers compares to the national average of \$17.75 for 2004. The following table presents the average hourly wage rates for 2000 through 2004.

**Average Hourly Wages  
Production Workers on Manufacturing Payrolls  
Pennsylvania and the United States  
2000-2004**

Calendar Year	PA	U.S.
2000 .....	\$ 14.60	\$ 15.80
2001 .....	14.85	16.23
2002 .....	15.99	17.18
2003 .....	16.70	17.75
2004 .....	17.29	18.09

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  
1995-2004**

Year	Market Value <sup>(a)</sup>	Assessed Valuation	Ratio of Assessed Valuation to
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
2002	467,311,009,700	325,451,064,697	69.6
2003	478,362,689,800	348,726,965,926	72.9
2004	523,595,339,800	352,014,550,601	67.2

<sup>(a)</sup> 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 2005.

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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**

**DEFINITIONS OF CERTAIN TERMS**

The following words and terms as used in the Original Indenture as amended by the First Supplemental Indenture, the Second Supplemental Indenture and the Third 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 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 under the Indenture.

“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 2006 Bonds, Series 2003 Bonds and the 1998 Bonds, referred to in the Original Indenture and in the First Supplemental Indenture, Second Supplemental Indenture and Third Supplemental Indenture.

“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 at this time be the Trustee with respect to the Series 2006 Bonds.

“Authorized Denominations” shall mean, with respect to the Series 2006 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 2006 Bond, any Series 2003 Bond, any Series 1998 Bond or any Additional Bond issued under the provisions of the 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. The Bond Insurer for the Series 2006 Bonds is Ambac Assurance Corporation.

“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 the Original Indenture.

“Bond Registrar” shall mean, with respect to the Series 2006 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 2006 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 2006 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 the Original Indenture and the Third Supplemental Indenture.

“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 the Indenture, shall include, without intending thereby to limit or restrict any proper definition of such word under the provisions of the act authorizing such Project, all obligations and expenses and all items of cost which are set forth in 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. 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
  - a. U.S. Export-Import Bank

- 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
- g. U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

“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 the Original Indenture.

“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 the Original Indenture.

“Indenture” shall mean the Original Indenture as amended and supplemented.

“Initial Series” shall mean the Series 2006 Bonds.

“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 Series 2006 Bonds and the Series 2003 Bonds, Interest Payment Date shall mean June 1 and December 1 of each year.

“Insurance Agreement” shall mean the Insurance and Reimbursement Agreement between the Series 2003 Bond Insurer and the Commission.

“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 the 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 Ann, Aal 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-I” 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-I" or "A" or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the criteria set forth in the 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.

"Project" shall mean the 2006 Project, 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 2006 Bonds issued under the Third Supplemental Indenture.

"Qualified Financial Institution" shall mean (a) any U.S. domestic institution which is a bank, trust company, national banking association, a corporation, subject to register 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 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.

"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. and Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, 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 the Original Indenture.

“Senior Bonds” shall mean the 2006 Series A Bonds, the 2003 Series A Senior Bonds, the 1998 Series A Senior Bonds and any Additional Senior Bonds issued under the 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 the Indenture.

“Senior Bonds Sinking Fund” shall mean the special fund created by the 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 2006. Bond Insurance Policies” shall mean the financial guaranty insurance policies issued by the Series 2006 Bond Insurer insuring the payment when due of the principal of and interest on the Series 2006 Bonds as provided therein.

“Series 2006 Bond Insurer” shall mean Ambac Assurance Corporation.

“2006 Series A Project” shall have the meaning set forth in the recitals to the Third Supplemental Indenture.

“Series 2006 Rebate Fund” shall mean the fund so established pursuant to the Third Supplemental Indenture.

“Series Issue Date” means, with respect to the Series 2006 Bonds, the date of original issuance of the Series 2006 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 2006 Bonds not paid on a regularly scheduled Interest Payment Date.

“State” means the Commonwealth of Pennsylvania.

“Subordinated Bonds” shall mean the 2006 Series B Subordinated Bonds, 2006 Series B Subordinated Bonds, the 1998 Series B Subordinated Bonds and any Additional Subordinated Bonds which may be issued under this 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 the Indenture.

“Subordinated Bonds Debt Service Reserve Fund” shall mean the special fund created by the 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 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 November 1, 2006 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 this 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 this 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 Indenture.

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

## **THE ORIGINAL INDENTURE AS AMENDED AND SUPPLEMENTED**

The 2006 Bonds will be issued under the Third Supplemental Indenture. The following summarizes certain provisions of the Indenture but is not to be regarded as a full statement thereof and reference should be made to the Indenture itself for all of the terms and provisions thereof

### ***Grant of Security Interest***

Pursuant to the Indenture, the Commission has granted 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 Indenture (other than the Rebate Fund), (iv) Swap Receipts, and (v) all investment earnings on all monies held in accounts and funds established by the 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, the Insurance 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 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 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 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 2006 Bonds, the Series 2003 Bonds and the Series 1998 Bonds will not be lower than the rating on such Series 2006 Bonds, 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 2006 Bonds will not be lower than the rating on such Series 2006 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 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 Indentured 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 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 Indenture. The 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 Indenture creates 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 the 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 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 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 is subject to mandatory redemption is 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 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 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 2006 Bond Insurer with respect thereto.

(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 (or, in the case of the period from the date of issuance of the any Subordinated Bonds to the first maturity date for the applicable Subordinated Bond, a monthly amount equal to the product of the principal amount owed on such first maturity date divided by the number of months from the date of issuance of such Subordinated Bond to such first maturity date), including any amounts due the Series 2006 Bond Insurer with respect thereto, 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

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 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 the priority as, making the deposits provided for in the Original Indenture, 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 descended 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 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 2006 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.

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 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 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 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 Bonds for the next twelve (12) months.

### ***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 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 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 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 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 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

(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 Indenture and any Subordinated Indebtedness permitted pursuant to the Indenture. 2” .~

(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 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 Indenture have been applied in accordance with the provisions of the 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 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 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 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 the Indenture or otherwise, shall be applied as follows, subject to the payment of fees and other amounts owing to the Trustee pursuant to the 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 2006 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 Indenture

(b) If the principal of all the Senior 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 Senior Bonds with interest thereon as aforesaid and any Insured Swap Payment then due and unpaid 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 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 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 person 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 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 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 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 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.

### ***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 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 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 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 party 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 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 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 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 fluids 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 the 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.

### ***Rights of the Bond Insurer***

The Third Supplemental Indenture contains a number of provisions required by the 2006 Bond Insurer. Such provision, among other things, grant the 2006 Bond Insurer the right to receive notices of certain events and other information, the right to consent to certain actions, acceleration rights, impose requirements for Permitted Investments, valuation, trustee related provisions, defeasance, the right to control certain remedies granted to the Owners of the 2006 Bonds or the Trustee for the benefit of such Owner, and recognition as a third-party beneficiary thereunder. For the purposes of exercising voting rights under the Indenture, including the Third Supplemental Indenture, Ambac Assurance Corporation shall be deemed to be the Owner of the 2006 Bonds.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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## APPENDIX C

(Form of opinion of Dilworth Paxson LLP in connection with the issuance and delivery of the Bonds)

November \_\_, 2006

To the Purchasers of  
the Below-Referenced Bonds:

Re: \$ \_\_\_\_\_ Pennsylvania Turnpike Commission Oil Franchise Tax Senior Revenue Refunding Bonds, Series A of 2006, and \$ \_\_\_\_\_ Oil Franchise Tax Subordinated Revenue Refunding Bonds, Series B of 2006

Ladies and Gentlemen:

We have served as Bond Counsel to the Pennsylvania Turnpike Commission (the "Commission") in connection with the issuance of its Oil Franchise Tax Senior Revenue Refunding Bonds, Series A of 2006, in the aggregate principal amount of \$ \_\_\_\_\_ (the "Senior Bonds") and its Oil Franchise Tax Subordinated Revenue Refunding Bonds, Series B of 2006, in the aggregate principal amount of \$ \_\_\_\_\_ (the "Subordinated Bonds" and, together with the Senior Bonds, the "Bonds") pursuant to a resolution adopted by the Commission on October 3, 2006 (the "Resolution") and pursuant to and secured by a Third Supplemental Trust Indenture dated as of November 1, 2006 (the "Third Supplemental Indenture"), amending and supplementing the Trust Indenture dated as of August 1, 1998 (the "Original Indenture" and, together with the Third Supplemental Indenture, and all amendments and supplements to the Original Indenture, the "Indenture"), from the Commission to U.S. Bank National Association, as successor trustee (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: (a) refunding certain maturities of the Commission's Oil Franchise Tax Revenue Bonds, Series of 1998, and the Commission's Oil Franchise Tax Revenue Bonds, Series of 2003; (b) funding the Subordinated Bonds Debt Service Reserve Fund to the extent required; (c) paying the premium for bond insurance with respect to the Bonds; and (d) paying the costs of issuance of the Bonds (together, 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". The 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 opinions 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 and Non-Arbitrage Certificate 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 Bonds, 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 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 Third 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 Third Supplemental Indenture.

3. The Third 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,

**APPENDIX D**

**FORM OF BOND INSURANCE POLICIES**

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**Financial Guaranty Insurance Policy**

Obligor:

Policy Number:

Obligations:

Premium:

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

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

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

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

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

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

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



President



Secretary

Effective Date:

Authorized Representative

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



Authorized Officer of Insurance Trustee

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