NEW ISSUE - BOOK-ENTRY-ONLY **Ratings: See "RATINGS" herein.**

On the Closing Date (as defined herein) of the 2019 Bonds (as defined herein) assuming that no Change In Law (as defined herein) has occurred, Bond Counsel will deliver its opinion that interest on the 2019 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions and interest on the 2019 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum tax. Assuming that no Change in Law has occurred, on the Closing Date, Bond Counsel will deliver its opinion that under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), as enacted and construed on the Closing Date, the 2019 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2019 Bonds or the interest thereon. For a more complete discussion, see "TAX MATTERS" herein.

PENNA TURN PIKE

$179,815,000
PENNSYLVANIA TURNPIKE COMMISSION
TURNPIKE REVENUE REFUNDING BONDS, SERIES OF 2019
(FORWARD DELIVERY)

Dated: Date of Delivery **Due: As shown on Inside Front Cover**

The Pennsylvania Turnpike Commission Turnpike Revenue Refunding Bonds, Series of 2019 (Forward Delivery) (the ***"2019 Bonds"***) are being issued pursuant to a Supplemental Trust Indenture No. 47 dated as of October 1, 2018 (***"Supplemental Indenture No. 47"***) to the Amended and Restated Trust Indenture dated as of March 1, 2001, as previously amended and supplemented (the ***"Restated Indenture"*** and together with Supplemental Indenture No. 47, the ***"Senior Indenture"***), between the Pennsylvania Turnpike Commission (the ***"Commission"***) and U.S. Bank National Association, as successor trustee (the ***"Trustee"***). The 2019 Bonds are being issued for the purpose of financing: (i) the current refunding of the Commission's outstanding Turnpike Revenue Bonds, Series B of 2009 maturing on and after December 1, 2020 (the ***"Refunded Bonds"***); and (ii) a portion of the costs of issuing the 2019 Bonds.

The 2019 Bonds will be dated the date of initial issuance and delivery thereof. The 2019 Bonds will mature on December 1 of the years and bear interest from their delivery date at the rates shown on the inside cover page hereof, calculated on the basis of a year of 360 days consisting of twelve 30-day months. Interest on the 2019 Bonds will be payable on each June 1 and December 1, commencing December 1, 2019.

The 2019 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 (***"DTC"***), which will act as securities depository for the 2019 Bonds. Beneficial ownership interests in the 2019 Bonds will be recorded in book-entry only form in denominations of $5,000 or any multiple thereof. Purchasers of the 2019 Bonds will not receive bonds representing their beneficial ownership in the 2019 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 2019 Bonds, principal of and interest on the 2019 Bonds will be paid to Cede & Co., as nominee of DTC, which will, in turn, remit such principal and interest to the Participants and Indirect Participants for subsequent disbursement to the Beneficial Owners, as described herein. The 2019 Bonds will be transferable or exchangeable to another nominee of DTC or as otherwise described herein. So long as Cede & Co. is the registered owner of the 2019 Bonds, payments of principal and interest on the 2019 Bonds will be made directly by the Trustee under the Senior Indenture, as described herein. See "DESCRIPTION OF THE 2019 BONDS - Book-Entry Only System."

The 2019 Bonds will not be subject to optional redemption prior to maturity.

THE 2019 BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION AND SHALL NOT BE DEEMED TO BE A DEBT OF THE COMMONWEALTH OF PENNSYLVANIA (THE *"COMMONWEALTH"*) OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH, BUT THE 2019 BONDS SHALL BE PAYABLE SOLELY FROM THE TRUST ESTATE (AS DEFINED HEREIN) WHICH CONSISTS PRIMARILY OF TOLLS FROM THE SYSTEM (AS DEFINED HEREIN). THE COMMONWEALTH IS NOT OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER FOR PAYMENT OF THE 2019 BONDS OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT OF THE 2019 BONDS. THE COMMISSION HAS NO TAXING POWER.

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. POTENTIAL INVESTORS IN THE 2019 BONDS SHOULD CAREFULLY REVIEW THE INFORMATION AND RISKS UNDER THE CAPTIONS "CERTAIN FORWARD DELIVERY CONSIDERATIONS" HEREIN. EACH UNDERWRITER RESERVES THE RIGHT TO OBLIGATE ITS INITIAL PURCHASERS AGREEING TO PURCHASE THE 2019 BONDS TO EXECUTE A FORWARD DELIVERY AGREEMENT IN SUBSTANTIALLY THE FORM SET FORTH IN APPENDIX G HERETO.

The 2019 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 Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania, Counsel for the Underwriters. Certain legal matters will be passed upon for the Commission by its Chief Counsel, Doreen A. McCall, Esquire, and by McNees Wallace & Nurick LLC, Lancaster, Pennsylvania, Disclosure Counsel to the Commission. It is anticipated that delivery of the 2019 Bonds in book-entry form will be made through the facilities of DTC in New York, New York on or about September 24, 2019.

PNC Capital Markets LLC

Citigroup Morgan Stanley

Raymond James **Estrada Hinojosa** **Stifel/Backstrom McCarley Berry & Co., LLC**

This Official Statement is dated September 20, 2018.

$179,815,000

PENNSYLVANIA TURNPIKE COMMISSION
TURNPIKE REVENUE REFUNDING BONDS, SERIES OF 2019
(FORWARD DELIVERY)

MATURITY SCHEDULE

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] No. (709224)
2020	$26,230,000	5.00%	2.640%	102.734	K65
2021	27,460,000	5.00	2.760	104.716	K73
2022	29,690,000	5.00	2.820	106.594	K81
2023	30,600,000	5.00	2.910	108.177	K99
2024	32,130,000	5.00	3.020	109.434	L23
2025	33,705,000	5.00	3.130	110.438	L31

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2017 CUSIP Global Services. All rights reserved. CUSIP ® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Commission or the Underwriters or their respective agents or counsel takes responsibility for the accuracy of such CUSIP® numbers.

PENNSYLVANIA TURNPIKE COMMISSION

COMMISSIONERS

LESLIE S. RICHARDS
Secretary of Transportation
Chair

WILLIAM K. LIEBERMAN
Vice Chair

BARRY T. DREW
Secretary/Treasurer

PASQUALE T. DEON, SR
Commissioner

JOHN WOZNIAK
Commissioner

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Chief Executive Officer

CRAIG R. SHUEY
Chief Operating Officer

NIKOLAUS H. GRIESHABER
Chief Financial Officer

BRADLEY J. HEIGEL
Chief Engineer

DOREEN A. MCCALL
Chief Counsel

RAY A. MORROW
Chief Compliance Officer

U.S. BANK NATIONAL ASSOCIATION
Trustee and Authenticating Agent

PFM FINANCIAL ADVISORS LLC
Financial Advisor

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

No dealer, broker, salesman or other person has been authorized by the Commission or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any or either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2019 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, DTC and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. 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. This Official Statement will be made available through the Electronic Municipal Market Access System (***"EMMA"***), which is the sole Nationally Recognized Municipal Securities Information Repository.

The 2019 Bonds are not and will not be registered under the Securities Act of 1933, as amended, or under any state securities laws, and the Senior Indenture has not been and will not be qualified under the Trust Indenture Act of 1939, as amended, because of available exemptions therefrom. Neither the United States Securities and Exchange Commission (the ***"SEC"***) nor any federal, state, municipal, or other governmental agency will pass upon the accuracy, completeness, or adequacy of this Official Statement.

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED

AT ANY TIME WITHOUT NOTICE. THE COMMISSION RESERVES THE RIGHT TO INCREASE THE SIZE OF THIS OFFERING SUBJECT TO PREVAILING MARKET CONDITIONS.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY, OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2019 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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TURNPIKE REVENUE REFUNDING BONDS, SERIES OF 2019
(FORWARD DELIVERY)

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the Appendices hereto, is furnished by the Pennsylvania Turnpike Commission (the ***"Commission"***) in connection with the issuance of $179,815,000 aggregate principal amount of Pennsylvania Turnpike Commission Turnpike Revenue Refunding Bonds, Series of 2019 (Forward Delivery) (the ***"2019 Bonds"***).

Certain information concerning the Commission is attached hereto as APPENDIX A. Audited financial statements of the Commission for the years ended May 31, 2018 and May 31, 2017 are attached hereto as APPENDIX B. A summary of certain provisions of the Senior Indenture (as defined below) is attached hereto as APPENDIX C. A form of the opinion of Bond Counsel to be delivered in connection with the issuance of the 2019 Bonds is attached hereto as APPENDIX D. A table setting forth the total debt service requirements for the Turnpike Revenue Bonds (as defined below), the Subordinate Revenue Bonds (as defined below) and the Special Revenue Bonds (as defined below) is attached hereto as APPENDIX E.

The Pennsylvania Turnpike 2018 Traffic and Revenue Forecast Study prepared by CDM Smith dated April 20, 2018 (the ***"2018 Traffic Study"***) is attached hereto as APPENDIX F. The 2018 Traffic Study, which should be reviewed in its entirety, updates the study conducted by CDM Smith (formerly Wilbur Smith Associates) in March 2015, together with "bring down" letters developed by CDM Smith in March 2016 and May 2017, updating forecasts developed in the March 2015 traffic study (collectively, the ***"2015 Traffic Study"***).

All capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the definitions set forth in APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE – DEFINITIONS OF CERTAIN TERMS." All references herein to the Enabling Acts (as defined below), the 2019 Bonds, the Senior Indenture and the Continuing Disclosure Agreement are qualified in their entirety by reference to the complete texts thereof. Copies of drafts of such documents, except for the Enabling Acts, may be obtained during the initial offering period from the principal office of the Representative (as hereinafter defined) and, thereafter, executed copies may be obtained from U.S. Bank National Association, as successor trustee (the ***"Trustee"***). All statements in this Official Statement involving matters of opinion, estimates, forecasts, projections or the like, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized.

Pennsylvania Turnpike Commission

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

Senior Indenture and Enabling Acts

The 2019 Bonds are being issued pursuant to a Supplemental Trust Indenture No. 47 dated as of October 1, 2018 (***"Supplemental Indenture No. 47"***) to the Amended and Restated Trust Indenture dated as of March 1, 2001, as previously amended and supplemented (the ***"Restated Indenture"*** and together with Supplemental Indenture No. 47, the ***"Senior Indenture"***), between the Commission and the Trustee, all pursuant to and authorized by an Act of the General Assembly of Pennsylvania approved July 18, 2007, P. L. 169, No. 44 (***"Act 44"***), and various Acts of the General Assembly approved on several dates, including the Act of May 21, 1937, P. L. 774, Act 211; the Act of May 24, 1945, P. L. 972; the Act of February 26, 1947, P. L. 17; the Act of May 23, 1951, P. L. 335; the Act of August 14, 1951, P. L. 1232; and the Act of September 30, 1985, P. L. 240, No. 61 (***"Act 61"***) to the extent not repealed by Act 44, and the Act of November 25, 2013, P.L. 974, No. 89 (***"Act 89"***) (collectively, the ***"Enabling Acts"***), and the Resolution adopted by the Commission on August 21, 2018 (the ***"Bond Resolution"***).

Plan of Financing

The 2019 Bonds are being issued for the purpose of financing: (i) the current refunding of the Commission's outstanding Turnpike Revenue Bonds, Series B of 2009 maturing on and after December 1, 2020 (the ***"Refunded Bonds"***); and (ii) a portion of the costs of issuing the 2019 Bonds. The Refunded Bonds will be called for optional redemption on December 1, 2019.

Forward Delivery Bond Purchase Agreement

The 2019 Bonds are being sold pursuant to a Forward Delivery Bond Purchase Agreement dated September 20, 2018 (the ***"Forward Delivery Purchase Agreement"***) between the Commission and PNC Capital Markets LLC, acting for itself, and as representative (the ***"Representative"***) of the underwriters named therein (collectively, the ***"Underwriters"***) and will be delivered on or about September 24, 2019, subject to the approval of validity and certain other matters by Bond Counsel and the satisfaction of certain other conditions set forth in the Forward Delivery Purchase Agreement. See "CERTAIN FORWARD DELIVERY CONSIDERATIONS" herein.

An investment in the 2019 Bonds involves certain additional risks due to the delayed delivery of the 2019 Bonds. The delivery of the 2019 Bonds is subject to satisfaction of certain conditions precedent. For a discussion of certain factors that should be considered by prospective investors in evaluating an investment in the 2019 Bonds, see "CERTAIN FORWARD DELIVERY CONSIDERATIONS" herein. Each prospective purchaser of the 2019 Bonds should make an independent evaluation of all of the information presented in this Official Statement, including the information under the caption "CERTAIN FORWARD DELIVERY CONSIDERATIONS."

DESCRIPTION OF THE 2019 BONDS

General

The 2019 Bonds will bear interest at fixed rates and will mature on the dates and in the amounts set forth on the inside front cover page of this Official Statement. Interest on the 2019 Bonds will accrue from the Dated Date (as defined below) and will be payable semi-annually to maturity on each June 1 and December 1 (each, an ***"Interest Payment Date"***), commencing on December 1, 2019.

The 2019 Bonds have a Series Issue Date which shall be the date of original issuance and first authentication and delivery against payment therefor. 2019 Bonds issued prior to the first Interest Payment Date shall have a "Dated Date" that is the same as the Series Issue Date.

Payment of Principal of and Interest on the 2019 Bonds. So long as the 2019 Bonds are in book-entry only form, the principal or redemption price of, and interest on, such 2019 Bonds is payable by check mailed or wire transferred to Cede & Co., as nominee for DTC and Registered Owner of the 2019 Bonds, for redistribution by DTC to its Participants and in turn to Beneficial Owners as described under "DESCRIPTION OF THE 2019 BONDS - Book-Entry Only System."

The interest payable on each 2019 Bond on any Interest Payment Date shall be paid by the Trustee to the Person in whose name such 2019 Bond is registered on the Bond Register at the close of business on the Record Date (as defined below) for such interest, such payment to be made (i) by check or draft mailed on the applicable Interest Payment Date to such Registered Owner at the 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 2019 Bonds are held by a Securities Depository, or at the written request addressed to the Trustee by any Owner of 2019 Bonds in the aggregate principal amount of not less than $1,000,000, such request to be signed by such Owner, and 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 by the Owner that an electronic transfer fee is payable. Any such written request must be filed with the Trustee no later than ten (10) 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 2019 Bonds on any given Interest Payment Date is the fifteenth (15^{th}) day (whether or not a Business Day) of the month immediately preceding such Interest Payment Date.

In the event interest on any 2019 Bond is not paid when due (***"Defaulted Interest"***), the provisions relating to Defaulted Interest under Supplemental Indenture No. 47 shall apply. See APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE - THE SENIOR INDENTURE" for information with respect to the payment of Defaulted Interest.

Authorized Denominations. The 2019 Bonds will be issued as fully registered bonds in authorized denominations of $5,000 and any integral multiple thereof.

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 2019 Bond shall be registered on the Bond Register shall be deemed and regarded as the absolute Owner of such 2019 Bond for all purposes, and payment of or on account of the principal of and redemption premium, if any, and interest on any such 2019 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 2019 Bond, including the interest thereon, to the extent of the sum or sums so paid.

Any 2019 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 2019 Bond a new 2019 Bond or 2019 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 Commission, the Securities Depository or 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 or exchange. The Trustee shall not be required to transfer or exchange any 2019 Bond: (i) during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of redemption and ending at the close of business on the day of such mailing, or (ii) so selected for redemption in whole or in part, or (iii) during a period beginning at the opening of business on any Record Date for such 2019 Bond and ending at the close of business on the relevant Interest Payment Date therefor. See also "DESCRIPTION OF THE 2019 BONDS - Book-Entry Only System" herein for further information regarding registration, transfer and exchange of the 2019 Bonds.

The 2019 Bonds provide that each Registered Owner, Beneficial Owner, Participant or Indirect Participant (as such terms are defined hereinafter), by acceptance of a 2019 Bond (including receipt of a book-entry credit evidencing an interest therein), assents to all of the provisions of the Senior Indenture.

Redemption of 2019 Bonds

Optional Redemption. The 2019 Bonds are not subject to optional redemption prior to maturity.

Book-Entry Only System

The Depository Trust Company (***"DTC"***), New York, New York, will act as securities depository for the 2019 Bonds. The 2019 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 2019 Bond certificate will be issued in the aggregate principal amount of each maturity of the 2019 Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the

DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("***Indirect Participants***"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.†

Purchases of 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2019 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 2019 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 2019 Bonds, except in the event that use of the book-entry system for the 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 2019 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 2019 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 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2019 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2019 Bonds, such as redemptions, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2019 Bonds may wish to ascertain that the nominee holding the 2019 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 2019 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

† The information contained on such website link is not incorporated by reference in this Official Statement.

Payments of principal of, redemption premium, if any, and of interest on the 2019 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 dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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 2019 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, 2019 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, 2019 Bond certificates will be printed and delivered to DTC.

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

NEITHER THE COMMISSION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DIRECT PARTICIPANT, OR BY ANY DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BOOK-ENTRY 2019 BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DIRECT PARTICIPANT, OR BY ANY DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE SENIOR INDENTURE TO BE GIVEN HOLDERS OR OWNERS OF BOOK-ENTRY 2019 BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BOOK-ENTRY 2019 BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BOOK-ENTRY 2019 BONDS.

In the event that the Book-Entry Only System is discontinued and the Beneficial Owners become Registered Owners of the 2019 Bonds, the 2019 Bonds will be transferable in accordance with the provisions of the Senior Indenture.

PENNSYLVANIA TURNPIKE SYSTEM

The following provides a general description of the Pennsylvania Turnpike System and certain other information relating to operations of the Commission. Such information is not complete and is qualified by reference to the more complete information set forth in this Official Statement in APPENDIX A – "THE PENNSYLVANIA TURNPIKE COMMISSION."

The present Pennsylvania Turnpike System is composed of the following: (i) the 359 mile Turnpike Mainline traversing the southern portion of Pennsylvania from east to west; (ii) the 110 mile north-south section identified as the Northeast Extension; (iii) the approximately 16 mile north-south connection, known as the Beaver Valley Expressway which intersects the Turnpike Mainline in the southwestern portion of the Commonwealth; (iv) the approximately 13 mile Amos K. Hutchinson Bypass, which adjoins the Turnpike Mainline near the New Stanton Interchange; (v) completed segments of the Mon/Fayette Expressway project totaling approximately 48 miles; and (vi) a 6 mile Southern Beltway project from PA 60 to US 22, near the Pittsburgh International Airport. Such roads, together with any other roads for which the Commission has operational responsibility and is collecting Tolls (as defined below), presently constitute the ***"System."***

The Turnpike Mainline connects with the Ohio Turnpike at its western terminus and with the New Jersey Turnpike at its eastern terminus. The Turnpike Mainline commences on the eastern boundary of Pennsylvania at the Delaware River Bridge which connects the System to the New Jersey Turnpike. The Turnpike Mainline traverses the state in a westerly direction generally paralleling the southern border of the state immediately north of Philadelphia and south of Harrisburg to the vicinity of Somerset. West of Somerset, the highway follows a northwesterly direction to the northeast of Pittsburgh and to the Ohio state line, south of Youngstown, Ohio.

The System has a total of 68 toll interchanges which connect it with major arteries and population centers in its 552 mile traffic corridor. Thirty-two of the interchanges are located on the Turnpike Mainline, including barriers at the New Jersey and Ohio state lines, and 11 interchanges are situated on the Northeast Extension. The additional 25 interchanges are located on the three extensions noted above. There are 17 service plazas along the System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. In addition to the toll interchanges, the Commission has also constructed four E-ZPass Only interchanges which are designed for the exclusive use of E-ZPass customers, located at Virginia Drive (east of the Fort Washington interchange); Street Road (west of the Bensalem interchange); Route 29 (west of the Valley Forge Interchange) and at Route 903 in Carbon County. In addition, a cashless tolling location, which uses an overhead gantry to assess tolls while allowing vehicles to pass at highway speed without stopping, has been constructed and is operational at the Delaware River Bridge (westbound) which is part of the 1-95 Connector in Bucks County.

Revenue Sources of the Commission

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

Tolls. The largest part of the Commission's revenues is derived from the collection of all rates, rents, fees, charges, fines or other income derived by the Commission from the vehicular usage of the System and all rights to receive the same (as defined in the Senior Indenture, collectively the ***"Tolls"***). The Tolls are pledged to secure the Commission's outstanding turnpike revenue bonds issued under the Senior Indenture (collectively, the ***"Turnpike Revenue Bonds"*** or ***"Senior Revenue Bonds"***) and other parity and subordinate obligations under the Senior Indenture (including certain interest rate swap agreements), which are subject to or may be issued under the terms of the Senior Indenture. As of the date of this Official Statement, $5,456,620,000 in aggregate principal amount of Turnpike Revenue Bonds are Outstanding under the Senior Indenture. The foregoing amount includes certain notes evidencing and securing $250,000,000 in loans (issued in five tranches) through the Immigrant Investor Program (known as the EB-5 visa program) administered by U.S. Citizenship and Immigration Services (the ***"EB-5 Loans"***), the proceeds of which are being used to fund a portion of the I-95 Interchange project and certain projects in the Commission's current or any prior ten year capital plan. See APPENDIX A - "THE PENNSYLVANIA TURNPIKE COMMISSION—CERTAIN FINANCIAL INFORMATION" for additional information on the EB-5 Loans. Also included in the principal amount outstanding under the Senior Indenture on the date of this Official Statement is $886,925,000 aggregate principal amount of floating rate notes (***"FRNs"***), which includes direct purchase obligations in the principal amount of $243,650,000. Other obligations issued and Outstanding under the Senior Indenture include the Commission's obligations under various interest rate swap agreements having a total current notional amount of $978,836,000. See APPENDIX A - "THE PENNSYLVANIA TURNPIKE COMMISSION—CERTAIN FINANCIAL INFORMATION - Financial Policies and Guidelines." The Tolls are not pledged to secure the Subordinate Revenue Bonds (as defined below), the Special Revenue Bonds (as defined below), the Oil Franchise Tax Revenue Bonds (as defined below) and the Registration Fee Revenue Bonds (as defined below). Certain payments made from moneys in the General Reserve Fund which are derived from Tolls are, however, pledged on a wholly subordinate basis to secure payments due on Subordinate Revenue Bonds and Special Revenue Bonds.

Since 2009, the Commission has implemented annual increases in toll rates and other charges, as well as modifications to its commercial discounts, and expects to continue to implement future toll increases as determined by the Commission to be necessary to meet the then existing debt, capital and operational obligations of the Commission, including its payment obligations under Act 44. For a discussion of the Commission's revenue sources, including current rates and tolls and toll increases, see APPENDIX A - "THE PENNSYLVANIA TURNPIKE COMMISSION—CERTAIN FINANCIAL INFORMATION - Revenue Sources of the Commission," and "- Toll Schedule and Rates."

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

<u>Oil Franchise Tax Revenues</u>. The Commission's second principal stream of revenues consists of that portion of the Commonwealth's oil franchise tax revenues (the ***"Oil Franchise Tax Revenues"***) allocated by statute to the Commission or the holders of the Commission's Oil Franchise Tax Revenue Bonds (the ***"Oil Franchise Tax Revenue Bonds"***), $1,072,919,026.10 of which are outstanding as of the date of this Official Statement (including compounded amounts as of June 1, 2018 for capital appreciation bonds). The Oil Franchise Tax Revenue Bonds, the proceeds of which were spent on portions of the Mon/Fayette Expressway and the Southern Beltway, are secured solely by Oil Franchise Tax Revenues. **The Oil Franchise Tax Revenues are not pledged to secure the 2019 Bonds, other Turnpike Revenue Bonds, other obligations under the Senior Indenture, the Subordinate Indenture Bonds or the Registration Fee Revenue Bonds.**

Registration Fee Revenues. The Commission's third principal stream of revenues consists of that portion of the Commonwealth's vehicle registration fee revenues (the ***"Registration Fee Revenues"***) allocated by statute to the Commission or the holders of any of the Commission's Registration Fee Revenue Bonds (the ***"Registration Fee Revenue Bonds")***, $377,895,000 of which are outstanding as of the date of this Official Statement. The Registration Fee Revenue Bonds, the proceeds of which were spent on portions of the Mon/Fayette Expressway and the Southern Beltway, are secured by Registration Fee Revenues. Registration Fee Revenue Bonds are to be paid solely from the Registration Fee Revenues. **The Registration Fee Revenues are not pledged to secure the 2019 Bonds, other Turnpike Revenue Bonds, other obligations under the Senior Indenture, the Subordinate Indenture Bonds or the Oil Franchise Tax Revenue Bonds.**

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

Pennsylvania Legislation Affecting Transportation Funding

Pursuant to Act 89, the comprehensive transportation legislation enacted by the Pennsylvania legislature, the Commission's funding obligations under Act 44 have significantly changed. For a discussion of such legislative changes and their impact on Act 44 and the Commission generally, see APPENDIX A - "THE PENNSYLVANIA TURNPIKE COMMISSION—THE COMMISSION - Enabling Acts."

Traffic and Revenue Study

Attached hereto as APPENDIX F is the 2018 Traffic Study prepared by CDM Smith. The 2018 Traffic Study, which should be reviewed in its entirety, updates the 2015 Traffic Study conducted by CDM Smith (formerly Wilbur Smith Associates).

Total adjusted gross toll revenue is estimated to increase from $1.2 billion in Fiscal Year 2017-18 to $4.5 billion by Fiscal Year 2047-48, representing 4.6% average annualized growth. Traffic data for the Fiscal Year ended May 31, 2018 indicates a 7.7% increase in adjusted gross toll revenue, with an increase in traffic volume of 0.4%, as compared to the same period in Fiscal Year ended May 31, 2017. See APPENDIX A - "THE PENNSYLVANIA TURNPIKE COMMISSION—CERTAIN FINANCIAL INFORMATION - Five-Year Financial History." The Traffic Study should be read in its entirety for a full description of the assumptions and methodologies used to develop such forecasts. The Commission believes that it will have sufficient revenue to meet the debt, capital and operational obligations of the Commission in future years. See "CERTAIN RISK FACTORS" herein and APPENDIX F –"TRAFFIC AND REVENUE STUDY."

PLAN OF FINANCING

The 2019 Bonds are being issued to provide funds to finance the costs of: (i) the current refunding of the Refunded Bonds; and (ii) a portion of the costs of issuing the 2019 Bonds. The Refunded Bonds will be called for optional redemption on December 1, 2019.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES OF FUNDS	
Par Amount of 2019 Bonds	$179,815,000.00
Original Issue Premium	13,021,334.50
Debt Service Fund Release	2,945,588.26
TOTAL SOURCES	$195,781,922.76
USES OF FUNDS	
Redemption Requirement of Refunded Bonds	$194,772,087.50
Costs of Issuance(1)	1,009,835.26
TOTAL USES	$195,781,922.76

(1) Costs of Issuance include, but are not limited to, Underwriters' discount, legal fees, rating agency fees, printing expenses, Financial Advisor fees, Trustee's fees and other miscellaneous costs and expenses.

SECURITY FOR THE 2019 BONDS

Security

The 2019 Bonds are limited obligations of the Commission. They are secured, along with the other outstanding Bonds and certain other Parity Obligations issued under the Senior Indenture, by the pledge by the Commission to the Trustee of (1) all Revenues (which includes all Tolls), (2) all moneys deposited into accounts or funds, other than the Rebate Fund, created by the Senior Indenture, (3) any insurance proceeds required to be deposited under the Senior Indenture, (4) all payments received pursuant to Parity Swap Agreements, and (5) all investment earnings on all moneys held in accounts and funds, other than the Rebate Fund, established by the Senior Indenture (all five of these items being collectively referred to as the ***"Trust Estate"***).

OIL FRANCHISE TAX REVENUES AND REGISTRATION FEE REVENUES, AS WELL AS OTHER SOURCES OF THE COMMISSION'S REVENUES NOT DERIVED FROM TOLLS, INCLUDING CONCESSION REVENUE, ARE EXCLUDED FROM THE TRUST ESTATE. THE TRUST ESTATE ALSO EXCLUDES ALL MONEYS HELD IN THE REBATE FUND. ANY ADDITIONAL BONDS AND PARITY OBLIGATIONS ISSUED PURSUANT TO THE SENIOR INDENTURE (OTHER THAN SUBORDINATED INDEBTEDNESS) WILL BE EQUALLY AND RATABLY SECURED UNDER THE SENIOR INDENTURE, EXCEPT TO THE EXTENT SUCH ADDITIONAL BONDS ARE NOT DEBT SERVICE RESERVE FUND BONDS.

THE 2019 BONDS SHALL NOT BE DEEMED TO BE A DEBT OF THE COMMONWEALTH OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH. THE COMMONWEALTH IS NOT OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT OF ANY OF THE 2019 BONDS.

Payments of the principal of and the interest on the Turnpike Revenue Bonds, including the 2019 Bonds and any Additional Bonds and payments on certain other Parity Obligations, are secured, pro rata and without preference or priority of one Turnpike Revenue Bond or Parity Obligation over another, by a valid pledge of the Trust Estate and by the Senior Indenture, except to the extent that such Bonds are not Debt Service Reserve Fund Bonds. **The 2019 Bonds have been designated by the Commission as Debt Service Reserve Fund Bonds and are secured by moneys in the Debt Service Reserve Fund**. See "Debt Service Reserve Fund" below.

The Senior Indenture further provides that the Commission may not issue Additional Bonds or incur other Parity Obligations except upon satisfaction of various requirements as expressly provided in the Senior Indenture. See "SECURITY FOR THE 2019 BONDS - Additional Bonds Test" herein and APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE."

Rate Covenant

The Commission has agreed in the Senior Indenture that it will at all times establish and maintain schedules of Tolls for traffic over the System so that the Net Revenues of the System in each Fiscal Year will at all times be at least sufficient to provide funds in an amount not less than (1) the greater of (i) 130% of the Annual Debt Service for such Fiscal Year on account of all Applicable Long-Term Indebtedness then outstanding under the provisions of the Senior Indenture; or (ii) 100% of the Maximum Annual Debt Service on all Applicable Long-Term Indebtedness, plus (a) the amount of required transfers from the Revenue Fund to the credit of the Reserve Maintenance Fund pursuant to the Annual Capital Budget, and (b) an amount sufficient to restore any deficiency in the Debt Service Reserve Fund, if applicable, within an 18-month period; plus (2) the amount of any Short-Term Indebtedness outstanding pursuant to the Senior Indenture for more than 365 consecutive days. In addition, the amount of Net Revenues in excess of the sum of the amounts set forth in clauses (1) and (2) above, together with Other Revenues pledged to the payment of Subordinated Indebtedness, shall be sufficient to pay the Annual Debt Service for any Subordinated Indebtedness. See also "SECURITY FOR THE 2019 BONDS - General Reserve Fund" below for discussion of the rate covenant applicable to Subordinate Indenture Bonds under the Subordinate Trust Indenture, dated as of April 1, 2008, between the Commission and Wells Fargo Bank, N.A., as successor trustee, as heretofore amended and supplemented (the ***"Subordinate Indenture"***).

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

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

In preparing its recommendations, the Consultant may rely upon written estimates of Revenues prepared by the other Consultants of the Commission. Copies of such written estimates signed by such

Consultants shall be attached to such recommendations. The Commission covenants that promptly after receipt of such recommendations and the adoption of any revised schedules of Tolls, certified copies thereof will be filed with the Trustee. The ability of the Commission to collect Tolls in an amount sufficient to comply with the Rate Covenant could be adversely affected by many factors, some of which are beyond the Commission's control.

The Commission covenanted in the Senior Indenture that Tolls will be classified in a reasonable way to cover all traffic, so that the Tolls may be uniform in application to all traffic falling within any reasonable class regardless of the status or character of any person, firm or corporation participating in the traffic; provided, however, that the foregoing shall not be interpreted to restrict the Commission's right, in its discretion in connection with its management of the System, to establish and maintain flexible Toll schedules including, but not limited to, provisions for, utilizing or otherwise taking into account, peak and nonpeak pricing, introductory pricing, weight, method of payment, frequency, carpooling, electronic or other Toll collection technologies, traffic management systems, and similar classifications. The Commission has covenanted in the Senior Indenture that it shall not grant free passage or reduced Tolls within a class, except in the limited manner permitted by the Senior Indenture, which includes, among others, for operational or safety reasons including, but not limited to, reasons arising out of a work stoppage, work slowdown or work action, and for use by Commission employees and the Army, Air Force, Navy, Coast Guard, Marine Corps or militia or any branch thereof in time of war or other emergency. Any reduced Toll or grant of free passage shall be reviewed by the Commission with a Consultant before implementing the same unless the same is temporary (e.g., having a duration of less than one year).

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

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

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

Revenue Fund

All Revenues will be deposited daily, as near as practicable, with the Trustee or in the name of the Trustee with a depositary or depositaries designated by the Commission and approved by the Trustee, to the credit of the Revenue Fund. The moneys in the Revenue Fund are to be held by the Trustee in trust and applied in accordance with the Senior Indenture.

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

(a) Rebate Fund;

(b) Operating Account;

(c) Debt Service Fund;

(d) Reserve Maintenance Fund;

(e) Debt Service Reserve Fund, if applicable; and

(f) General Reserve Fund.

Operating Account

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

Debt Service Fund

After first having made the foregoing specified deposits to the Operating Account, the Trustee is required to withdraw from the Revenue Fund and deposit to the applicable account in the Debt Service Fund held by the Trustee under the Senior Indenture, the amounts hereinafter specified which shall be applied by the Trustee for the purposes for which the same shall be deposited:

(a) On or before the last Business Day preceding an Interest Payment Date, an amount which equals the interest due on such Interest Payment Date on any Bonds or Parity Obligations; provided, however, that in the case of any fixed rate bonds, term mode bonds and multi-modal fixed mode bonds (collectively, ***"Fixed Rate Bonds")***, the withdrawal from the Revenue Fund and deposit to the Debt Service Fund shall be made on or before the first Business Day of each calendar month in an amount which equals the amount necessary to pay, and for the purpose of paying, one-sixth (1/6) of the interest due on any Fixed Rate Bonds issued under the Senior Indenture on the next succeeding Interest Payment Date (or, in the case of the period from the date of issuance of such Fixed Rate Bonds to the first Interest Payment Date for the applicable Fixed Rate Bonds, a monthly amount equal to the interest amount owed on such first Interest Payment Date divided by the number of months from the date of issuance of such Fixed Rate Bond to such first Interest Payment Date) plus any accumulated unfunded balance relating to prior months' deposit requirements;

(b) On or before the last Business Day preceding a principal payment date, an amount which equals the principal amount of the Bonds or Parity Obligations maturing on such principal payment date; provided, however, that in the case of any Fixed Rate Bonds, the withdrawal from the Revenue Fund and deposit to the Debt Service Fund shall be made on or before the first Business Day of each calendar month in 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 Fixed Rate Bonds issued under the Senior Indenture maturing (including mandatory sinking fund installments) on the next succeeding principal payment date (or, in the case of the period from the date of issuance of such Fixed Rate Bonds to the first date on which principal is due on such Fixed Rate Bonds, a monthly amount equal to the principal amount owed on such first principal maturity date divided by the number of months from the date of issuance of such Fixed Rate Bond to such first principal maturity date) plus any accumulated unfunded balance relating to prior months' deposit requirements; and

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

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

If at the time the Trustee is required to make a withdrawal from the Debt Service Fund and the moneys therein shall not be sufficient for such purpose, the Trustee shall withdraw the amount of such deficiency from the moneys on deposit in the following funds or accounts and transfer the same to the Debt Service Fund in the following order: the Debt Service Reserve Fund, if applicable, the General Reserve Fund, and the Reserve Maintenance Fund. **The 2019 Bonds have been designated by the Commission as Debt Service Reserve Fund Bonds and are secured by moneys in the Debt Service Reserve Fund.** See "Debt Service Reserve Fund" below.

The 2019 Bonds are Fixed Rate Bonds.

Reserve Maintenance Fund

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

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

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

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

Debt Service Reserve Fund

A Debt Service Reserve Fund has been established under the Senior Indenture to provide additional security for Debt Service Reserve Fund Bonds. **The 2019 Bonds have been designated by the Commission as Debt Service Reserve Fund Bonds and are secured by moneys in the Debt Service Reserve Fund.**

The Senior Indenture requires that the balance in the Debt Service Reserve Fund be maintained at the Debt Service Reserve Requirement, which is an amount equal to the Maximum Annual Debt Service on account of all the Debt Service Reserve Fund Bonds. Debt Service Reserve Fund Bonds include Long-Term Indebtedness specified by the Commission in a Supplemental Indenture as being secured by the Debt Service Reserve Fund. See APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE—THE SENIOR INDENTURE - Debt Service Reserve Fund" for information with respect to the Debt Service Reserve Fund under the Senior Indenture.

Following the issuance of the 2019 Bonds and the deposit into the Debt Service Reserve Fund described above under "ESTIMATED SOURCES AND USES OF FUNDS," funds on deposit in the Debt Service Reserve Fund will be sufficient, in the aggregate, to meet the Debt Service Reserve Requirement under the Senior Indenture, taking into account the 2019 Bonds.

General Reserve Fund

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

(a) to purchase or redeem Bonds;

(b) to secure and pay the principal or redemption price of, and interest on, any Subordinated Indebtedness;

(c) to make payments into the Construction Fund;

(d) to fund improvements, extensions and replacements of the System; or

(e) to further any corporate purpose.

The Trustee has been directed to disburse from the General Reserve Fund, to the trustee under the Subordinate Indenture, funds sufficient to meet debt service requirements on the Subordinate Indenture Bonds. Under the Subordinate Indenture, the Commission has agreed that it will at all times establish and maintain Tolls for traffic over the System so that the amount paid into the General Reserve Fund in each Fiscal Year after deducting any liquidity reserve or other required holdback or deposit then in effect will be at least sufficient to provide funds in an amount not less than (i) 115% of the annual debt service on Subordinate Revenue Bonds (and obligations on parity with Subordinate Revenue Bonds), plus (ii) 100% of the annual debt service on Special Revenue Bonds (and obligations on a parity with Special Revenue Bonds and certain further subordinated bonds), plus (iii) any amount required under the Subordinate Indenture to restore within eighteen (18) months any deficiency in the debt service reserve fund held under the Subordinate Indenture. Failure to meet this covenant will not constitute a default under the Subordinate Indenture (or the Senior Indenture), but will require the Commission to retain a consultant to advise with respect to schedules of Tolls in order to bring the Commission into compliance. The Trustee has never withdrawn funds from the General Reserve Fund to meet regularly scheduled debt service payments on Bonds outstanding under the Senior Indenture nor has the General Reserve Fund been used to restore any shortfalls in any Debt Service Reserve Fund for any Bonds. See also "ADDITIONAL INDEBTEDNESS OF THE COMMISSION - Subordinate Indenture Bonds" herein.

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

General Reserve Fund Balances
as of May 31‡

2018	2017	2016	2015	2014
$345,414,879	$376,426,649	$336,521,619	$235,603,195	$200,745,775

Additional Bonds Test

The Commission is permitted to issue Additional Bonds and other Indebtedness under the terms of the Senior Indenture, having a lien on the Trust Estate, in the form of Short-Term Indebtedness, Long-Term Indebtedness, Subordinated Indebtedness and Approved Swap Agreements, provided that there is no default, that certain resolutions, opinions, supplemental indentures, certifications and moneys and securities, if necessary, are delivered to the Trustee and that the following conditions are met:

(a) with respect to Short-Term Indebtedness, (1) immediately after the incurrence of such Short-Term Indebtedness, the outstanding principal amount of all Short-Term Indebtedness issued pursuant to the Senior Indenture may not exceed 30% of the Revenues for the most recent Fiscal Year for which audited financial statements are available; and (2) for a period of not fewer than seven consecutive days within each Fiscal Year, commencing with the Fiscal Year following the issuance of such Short-Term Indebtedness, the aggregate principal amount of all outstanding

‡ Balances in the General Reserve Fund can vary substantially, both month to month and year to year, due not only to variations in revenues, but also to the timing of expenditures, particularly capital expenditures, the Commission's equity contribution towards its Act 44 payment and the Commission's deposit to the Pennsylvania Turnpike Commission Retiree Medical Trust. (See APPENDIX A – "THE PENNSYLVANIA TURNPIKE COMMISSION – CERTAIN OTHER INFORMATION –Other Post-Employment Benefit Liabilities."). Further, based on actual expenditures through Fiscal Year 2018, the Commission has utilized $270 million in General Reserve Fund balances to augment its Act 44 payments, to make contributions to the Retiree Medical Trust of $104.4 million in excess of its annual required contribution and $100 million to redeem a portion of its Floating Rate Notes at maturity on December 1, 2017. The Commission expects its contribution to the Retiree Medical Trust to be lower in future fiscal years. The Commission intends to continue to utilize $50 million annually in General Reserve Fund balances to support its Act 44 payment, consistent with assumptions made in its Amended Act 44 Financial Plan.

Short-Term Indebtedness is reduced to less than 5% of the Revenues for the immediately preceding Fiscal Year for which audited financial statements are available. Short-Term Indebtedness issued pursuant to the Senior Indenture will be on a parity with other Additional Bonds;

(b) with respect to Long-Term Indebtedness, prior to or contemporaneously with the incurrence thereof (1) a certificate of a Commission Official certifying that the Historical Pro Forma Debt Service Coverage Ratio for the most recent Fiscal Year preceding the delivery of such certificate for which audited financial statements are available was not less than 1.75; or (2) a report of a Consultant to the effect that (i) the Net Revenues of the Commission during the preceding Fiscal Year were at least 130% of the Maximum Annual Debt Service on all Applicable Long-Term Indebtedness then Outstanding and on any Applicable Long-Term Indebtedness proposed to be issued (which report may assume any revisions of the Tolls which have been approved by the Commission after the beginning of such Fiscal Year were in effect for the entire Fiscal Year) and (ii) the Projected Debt Service Coverage Ratio is not less than 1.30; or (3) if the Long-Term Indebtedness is being incurred solely for the purpose of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Indebtedness, a certificate of a Commission Official certifying the Maximum Annual Debt Service on all Applicable Long-Term Indebtedness prior to the issuance of the proposed Long-Term Indebtedness is greater than the Maximum Annual Debt Service on all Applicable Long-Term Indebtedness after the issuance of such proposed Long-Term Indebtedness;

(c) with respect to Subordinated Indebtedness, there is no limit, provided that the Subordinate Indebtedness is subordinate and junior in all respect to payment of all Bonds and other Parity Obligations incurred under the Senior Indenture so that the same is payable as to principal and interest once all other payments have been made under the Senior Indenture from amounts on deposit to the credit of the General Reserve Fund as long as prior to or contemporaneously with the incurrence there is delivered to the Trustee, a certificate of a Commission Official certifying that the Rate Covenant would have been met during the preceding Fiscal Year taking into account the Maximum Annual Debt Service on such Subordinated Indebtedness. Such Subordinated Indebtedness and the payment thereof may be secured by a lien and pledge (a) subordinate to that of the Bonds on the Revenues or (b) prior to, on a parity with or subordinate to, that of the Bonds on Other Revenues, in which event the Commission and the Trustee may establish such other accounts under the Senior Indenture as they deem necessary or appropriate; and

(d) with respect to Approved Swap Agreements, no Approved Swap Agreement will be entered into unless prior to or contemporaneously with the incurrence thereof, a certificate of a Commission Official as described in (b)(1) above, or a report of a Consultant as described in (b)(2) above, which takes into account the expected payments by and to the Commission pursuant to such Approved Swap Agreement in calculating Annual Debt Service is delivered.

ADDITIONAL INDEBTEDNESS OF THE COMMISSION

Bonds and Other Parity Obligations

The Commission has previously issued Bonds and Notes under the terms of the Senior Indenture that have an equal claim to the Trust Estate with the 2019 Bonds. As of the date of this Official Statement, there are $5,546,620,000 aggregate principal amount of such Bonds Outstanding. See APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE." The foregoing amount includes certain notes evidencing and securing $250,000,000 in EB-5 Loans. See APPENDIX A - "THE

TURNPIKE COMMISSION—CERTAIN FINANCIAL INFORMATION" for additional information on the EB-5 Loans. Also included in the principal amount outstanding under the Senior Indenture is $886,925,000 aggregate principal amount of FRNs, which includes a direct purchase obligation in the principal amount of $243,650,000.

In addition to the Outstanding Bonds, the Commission has entered into various interest rate swap agreements with a total current notional amount of $978,836,000 that constitute Parity Swap Agreements under the Senior Indenture. Under the terms of the Senior Indenture, regularly scheduled amounts payable under Parity Swap Agreements, and in certain cases termination payments, are secured on a parity with the Bonds by the Trust Estate. See APPENDIX A – "THE PENNSYLVANIA TURNPIKE COMMISSION—CERTAIN FINANCIAL INFORMATION - Financial Policies and Guidelines" and APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE."

Subordinate Indenture Bonds

Act 44 authorizes the Commission to issue bonds for the purpose of paying costs of PennDOT and bond-related expenses. Proceeds of such bonds may be applied toward the satisfaction of the Commission's annual payment obligations to PennDOT under the Amended Funding Agreement (as defined in APPENDIX A hereto). As of the date of this Official Statement, the Commission has $5,108,784,139.95 aggregate principal amount outstanding (including compounded amounts as of June 1, 2018 for the Commission's outstanding capital appreciation bonds) of Subordinate Revenue Bonds (the ***"Subordinate Revenue Bonds")*** under the Subordinate Indenture under the authorization of Act 44 to be paid solely from moneys released from the General Reserve Fund (such bonds are therefore subordinate to Bonds and other Parity Obligations under the Senior Indenture). Other obligations issued and outstanding under the Subordinate Indenture include the Commission's obligations under one or more interest rate swap agreements having a total current notional amount of $291,850,000. See "CERTAIN RISK FACTORS – The FCA Announcement, changes to LIBOR determination methods or other reforms to LIBOR could increase debt service and other payment obligations under the Commission's FRNs and Swaps" herein and APPENDIX A - "THE PENNSYLVANIA TURNPIKE COMMISSION—CERTAIN FINANCIAL INFORMATION - Financial Policies and Guidelines" for additional information relating to swaps.

Upon fulfillment of conditions set forth in the Subordinate Indenture, the Commission may issue additional Subordinate Revenue Bonds under the terms of the Subordinate Indenture. In addition to any Subordinate Revenue Bonds, the Commission is authorized under the terms of the Subordinate Indenture to enter into various interest rate exchange agreements that will constitute parity swap agreements under the Subordinate Indenture. Under the terms of the Subordinate Indenture, amounts payable under parity swap agreements, including termination payments, may be secured on a parity with the Subordinate Revenue Bonds. The Commission has not entered into any parity swap agreements under the Subordinate Indenture.

There is no statutory limit on the amount of Subordinate Revenue Bonds that may be issued by the Commission. To date, the Commission has issued Subordinate Revenue Bonds under the Subordinate Indenture, but has not issued any Subordinated Indebtedness under the Senior Indenture. The Commission has no plans to issue any Subordinated Indebtedness under the Senior Indenture.

Previously, under Act 44, the Commission was able to issue up to $5 billion of Special Revenue Bonds guaranteed by the Motor License Fund under Act 44 (the ***"Special Revenue Bonds"*** and, together with the Subordinate Revenue Bonds, the ***"Subordinate Indenture Bonds"***) which are subordinate to Parity Obligations issued under the Senior Indenture and to the Subordinate Revenue Bonds issued under the Subordinate Indenture. However, other than bonds issued to refund outstanding Special Revenue

Bonds, pursuant to Act 89, effective July 1, 2014, Special Revenue Bonds may no longer be issued by the Commission to fund any portion of its payment obligation under the Amended Funding Agreement. The Commission has issued Special Revenue Bonds currently outstanding in the aggregate principal amount of $980,241,247.05 (inclusive of compounded amounts as of June 1, 2018 for capital appreciation bonds). Debt service on the Special Revenue Bonds shall be payable from any available funds of the Commission, but are additionally secured by amounts payable from the Motor License Fund created under Act 44 required to pay any debt service shortfall; all such debt service payments are subordinate obligations of the Commission payable solely from certain money in, or periodically released from, the General Reserve Fund after meeting all other Commission requirements pursuant to any financial documents, financial covenants, insurance policies, liquidity policies or agreements in effect at the Commission; and the proceeds from the issuance of the Special Revenue Bonds may only be used for roads and bridges. The Amended Funding Agreement provides that the Commission is obligated to pay all debt service due with respect to the Special Revenue Bonds. See APPENDIX A - "THE PENNSYLVANIA TURNPIKE COMMISSION—THE COMMISSION - Enabling Acts," for a description of the Subordinate Revenue Bonds and Special Revenue Bonds which the Commission is authorized to issue under the Enabling Acts.

Other Bonds Issued by Commission - No Claim on Trust Estate

The Commission has also issued Oil Franchise Tax Revenue Bonds that are currently outstanding in the aggregate principal amount of $1,072,919,026.10 (inclusive of compounded amounts as of June 1, 2018 for capital appreciation bonds) and Registration Fee Revenue Bonds that are currently outstanding in the aggregate principal amount of $377,895,000.00. The Commission has entered into various interest rate exchange agreements (swaps) with respect to certain of the Oil Franchise Tax Revenue Bonds and Registration Fee Revenue Bonds. Neither the Oil Franchise Tax Revenue Bonds nor the Registration Fee Revenue Bonds or any of the various swaps with respect to the Oil Franchise Tax Revenue Bonds and Registration Fee Revenue Bonds are secured by or have any interest in the Trust Estate. Furthermore, neither the Oil Franchise Tax Revenues nor the Registration Fee Revenues are pledged to secure the 2019 Bonds.

Future Commission Financings

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

CERTAIN RISK FACTORS

There are various factors which could adversely affect the sufficiency of the Trust Estate and which, if present, may result in an inability to meet the debt service requirements on the 2019 Bonds. The following is intended only as a summary of certain risk factors attendant to an investment in the 2019 Bonds and is not intended to be exhaustive. In order to identify risk factors and make informed investment decisions, potential investors should be thoroughly familiar with the entire Official Statement (including each Appendix hereto), and the Bond Documents in order to make a judgment as to whether the 2019 Bonds are an appropriate investment. The following risk factors are among those which should be considered by a potential investor:

Commission Revenues may decline

The actual amount of future toll revenues collected by the Commission depends upon a number of factors, including rates established by the Commission and the level and composition of traffic on the System. Many of these factors are beyond the control of the Commission. The Commission is obligated under the terms of the Amended Funding Agreement, Act 44 and Act 89, the Senior Indenture and the Subordinate Indenture to fix and revise tolls at levels that will generate revenues (together with other available moneys) sufficient to pay all of its obligations under the Amended Funding Agreement, to construct and maintain the System and to pay debt service obligations and other amounts payable to PennDOT or the Commonwealth. However, the amount of traffic on the System cannot be predicted with certainty and may decline due to general economic conditions, diversion of some traffic to alternative non-toll routes to avoid toll rate increases or because of increased fuel costs, increased mileage standards or other factors. There is insufficient data to assess these risk factors fully. However, based on historical variations in such factors and the recent toll increases, the Commission reasonably expects to have sufficient revenues to meet its payment obligations, including payment obligations with respect to the 2019 Bonds. But see Appendix A – "THE PENNSYLVANIA TURNPIKE COMMISSION – CERTAIN FINANCIAL INFORMATION – Performance Audit by the Auditor General."

In addition**,** as set forth in the 2018 Traffic Study, there is considerable uncertainty inherent in future traffic and revenue forecasts for any toll facility, and differences between forecasted and actual results (which may be material) may occur due to events and circumstances beyond the control of the forecasters, including without limitation, economic conditions and other factors. See APPENDIX F - "TRAFFIC AND REVENUE STUDY." While future traffic volume and revenues cannot be predicted with certainty, the Commission reasonably expects that it will have sufficient revenue to meet the then existing debt and operational obligations of the Commission. But see APPENDIX A – "THE PENNSYLVANIA TURNPIKE COMMISSION – CERTAIN FINANCIAL INFORMATION – Performance Audit by the Auditor General."

If Commission experiences financial problems, delays in payment or losses on the 2019 Bonds may result

Adverse changes in the financial condition of the Commission could result in a failure to make its payments, or a delay in payments, to the Trustee with respect to the 2019 Bonds. In addition to a potential decline in revenues, the Commission's financial condition could be adversely affected by a number of factors including, but not limited to:

- Increased and/or unanticipated costs of operation and maintenance of the System;
- Decreased toll revenues due to declines in usage or otherwise;
- Increased use of mass transit systems;
- Work stoppage, slowdown or action by unionized employees;

- Complete or partial destruction or temporary closure of the System due to events beyond the control of the Commission;
- Increased unfunded pension benefits;
- Increased unfunded healthcare and other non-pension post-employment benefits;
- Failure to pay the purchase price on outstanding floating rate notes or other variable rate obligations issued by the Commission subject to maturity or mandatory tender;
- Increased fuel costs; and
- Claims or adverse litigation judgments for monetary damages not covered by insurance.

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

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

- Risk to the Commission's investment portfolio due to defaults or changes in market valuation of the debt securities of such institutions; and
- Counterparty risk related to swaps used by the Commission to hedge its cost of funds.

Litigation and Other Actions Against the Commission

The Commission is subject to litigation from time to time and may be subject to litigation and other actions in the future which could adversely affect the financial position of the Commission. The Commission cannot predict when or if any action will be brought against the Commission in the future, and, if brought, whether any action would be successful or result in monetary damages or other relief being imposed upon the Commission.

A class action lawsuit has been brought by several individuals, entities and associations involved in or related to the commercial trucking industry, See "LITIGATION – Certain Litigation" and APPENDIX A — "THE PENNSYLVANIA TURNPIKE COMMISSION — THE COMMISSION – Recent Developments and Pending Legislation – *Commission Litigation*" for a description of such litigation and the Commission's assessment of any potential impact on the Trust Estate or other obligations of the Commission. In the event of a judgment for monetary damages for refund of past tolls against the Commission in federal court in such lawsuit, various monies or other sources of security of the Commission, including, but not limited to, the monies or sources of security for the payment of the 2019 Bonds under the Trust Estate, potentially could be subject to execution of a judgment in favor of the plaintiffs. However, the possibility that payments of money damages from the Trust Estate would be required and would prevent the

Commission from paying debt service on the 2019 Bonds and other secured obligations outstanding under the Senior Indenture is believed by the Commission to be remote.

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

From time to time, legislation is introduced in the Pennsylvania General Assembly which may affect the Commission and therefore may affect certain of the assumptions made in this Official Statement. The Commission cannot predict if any of such bills or other legislation will be enacted into law, or how any such legislation may affect the Commission's ability to make timely payments on the 2019 Bonds. See APPENDIX A - "THE PENNSYLVANIA TURNPIKE COMMISSION—THE COMMISSION - Recent Developments and Pending Legislation."

Bankruptcy risk; Lien position

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

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

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

A series of automatic federal deficit reduction spending cuts known as "sequestration" became effective on March 1, 2013 as a result of the failure by Congress to adopt alternative deficit reduction legislation; recent legislation has extended sequestration through the 2024 federal fiscal year. Sequestration will affect the federal subsidy payable to the Commission with respect to its outstanding Build America Bonds. The Commission currently has $1,104,675,000 in principal amount of Build America Bonds outstanding, and is entitled to receive approximately $22,387,000 in federal subsidy annually with respect to such Build America Bonds. Based on guidance issued by the Internal Revenue Service (the ***"IRS"***) in March 2013, the amount of such federal subsidy payable to the Commission was reduced by 8.7% or approximately $1,947,699 for payments through September 30, 2013. Pursuant to the Bipartisan Budget Act of 2013 (Public Law 113-67), such federal subsidy was reduced by 7.2% or approximately $1,611,864 for payments through September 30, 2014. Based on guidance issued by the IRS in each of the years 2014 through 2017, such federal subsidy was reduced by 7.3% or $1,634,251 for payments from October 1, 2014 through September 30, 2015, by 6.8% or $1,522,307 for payments from October 1, 2015 through September 30, 2016, by 6.9% or $1,544,694 for payments from October 1, 2016 through September 30, 2017; was reduced by 6.6% or $1,477,533 for payments from October 1, 2017 through September 30, 2018 and will be reduced by 6.2% or $1,387,986 for payments from October 1, 2018 through September 30, 2019. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change. Reductions in future federal fiscal years are currently unknown. Adverse changes in the amount of the federal subsidy the Commission receives on its Build America Bonds will require the Commission to use other funds to offset the loss of this subsidy.

Possible changes in federal tax laws could affect the excludability or deductibility of interest on tax-exempt bonds such as the 2019 Bonds

Current and future legislative proposals, if enacted into law, could cause interest on the 2019 Bonds to be subject, directly or indirectly, to federal income taxation, or to be subject to or not be exempted from state income taxation, or otherwise prevent the owners of the 2019 Bonds from realizing the full current benefit of the tax status of such interest. The introduction and/or enactment of any such legislative proposals may also affect the market price for, or marketability of, the 2019 Bonds. Prospective purchasers of the 2019 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel will express no opinion. See "TAX MATTERS."

Uncertainty as to available remedies

The remedies available to owners of the 2019 Bonds upon an Event of Default under the Senior Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions which often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Senior Indenture and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the 2019 Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

The FCA Announcement, changes to LIBOR determination methods or other reforms to LIBOR could increase debt service and other payment obligations under the

On July 27, 2017, the Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR rates after 2021 (the "***FCA Announcement***"). Many of the Commission's Swaps and FRNs use a LIBOR based rate as a reference rate for determining the

Commission's FRNs and Swaps	interest rate and/or other payment obligations thereunder. It is not possible to predict the effect of the FCA Announcement, any changes in the methods pursuant to which LIBOR rates are determined, or any other reforms to LIBOR that may be enacted, any of which may adversely affect the determination of LIBOR rates or result in the phasing out of LIBOR as a reference rate. Any such effects could result in a sudden or prolonged increase or decrease in reported LIBOR rates, or result in the replacement of LIBOR with other reference rates, and could significantly increase debt service payable on the Commission's FRNs and/or have a negative impact on the market value of the Commission's Swaps and payment obligations thereunder.
Covenants and restrictions in other agreements vary from provisions of the Senior Indenture	The Commission has entered into agreements with certain financial institutions relating to certain indebtedness, including Parity Obligations under the Senior Indenture, some of which contain additional covenants and restrictions for the benefit of such financial institutions, including provisions that a ratings downgrade triggers an increase in the interest rate on certain obligations. See the Commission's Bank Loan Disclosures available at https://emma.msrb.org/IssuerHomePage/Issuer?id=4F1C2125DAC85ABFE053151ED20AC6F6&type=M[§] and APPENDIX A – "THE PENNSYLVANIA TURNPIKE COMMISSION—– CERTAIN FINANCIAL INFORMATION – Financial Policies and Guidelines".

CERTAIN FORWARD DELIVERY CONSIDERATIONS

General

The Commission and the Representative will enter into the Forward Delivery Purchase Agreement for the 2019 Bonds. Subject to the terms of the Forward Delivery Purchase Agreement, the Commission will deliver the 2019 Bonds on September 24, 2019, or on such later date as is mutually agreed upon by the Commission and the Underwriters (the ***"Closing Date"***).

The following is a description of certain provisions of the Forward Delivery Purchase Agreement. The following description is not to be considered a full statement of the terms of the Forward Delivery Purchase Agreement and accordingly is qualified by reference to it and is subject to the full text of it.

BY AGREEING TO PURCHASE A 2019 BOND, A PURCHASER ACKNOWLEDGES AND AGREES THAT THE 2019 BONDS ARE BEING SOLD ON A "FORWARD" BASIS, AND THAT THE PURCHASER IS OBLIGATED TO ACCEPT DELIVERY OF AND PAY FOR THE 2019 BONDS ON THE CLOSING DATE SUBJECT TO THE ABILITY OF THE UNDERWRITERS TO TERMINATE ITS OBLIGATION TO PURCHASE THE 2019 BONDS UNDER CERTAIN CIRCUMSTANCES AS PROVIDED IN THE FORWARD DELIVERY PURCHASE AGREEMENT. THE UNDERWRITERS CAN WAIVE SUCH ABILITY TO TERMINATE ITS OBLIGATION TO PURCHASE THE 2019 BONDS IN ITS SOLE DISCRETION.

[§] The information contained on such website link is not incorporated by reference in this Official Statement.

Forward Delivery Purchase Agreement; Signing and Preliminary Closing

Under the Forward Delivery Purchase Agreement, the Underwriters have agreed to purchase the 2019 Bonds on the Closing Date. A closing (the ***"Preliminary Closing"***) will be held with respect to the 2019 Bonds on or about October 4, 2018 (the ***"Preliminary Closing Date"***). At that time, the obligations of the Commission to issue, the conditions to issuance under the Senior Indenture and the Underwriters to pay for the 2019 Bonds are expected to be met, subject to certain conditions required to be met and the confirmation of certain facts and delivery of certain documents, certificates and opinions, including the opinion of Bond Counsel to be issued substantially in the form set forth in APPENDIX D to this Official Statement (the "***Closing Conditions***"), which are to be delivered on the Closing Date. **There will be no delivery of the 2019 Bonds or any payment therefor on the Preliminary Closing Date**. **The 2019 Bonds will only be issued on the Closing Date if the conditions to be satisfied in the Forward Delivery Purchase Agreement are met.**

Closing Date and Closing

On the Closing Date, the Commission will, subject to the terms and conditions of the Forward Delivery Purchase Agreement, deliver the 2019 Bonds to DTC on behalf of the Underwriters and deliver or cause to be delivered to the Underwriters the other documents, opinions, certificates and instruments required by the Forward Delivery Purchase Agreement to be delivered on such date, as more fully discussed below. Subject to the terms and conditions of the Forward Delivery Purchase Agreement, the Underwriters will be obligated to accept such delivery and pay the purchase price of the 2019 Bonds.

Conditions to Closing

General. The Commission is required by the Forward Delivery Purchase Agreement, as a condition to the Closing, to provide the Underwriters an update to this Official Statement (the ***"Updated Official Statement"***) no more than 25 days and no less than 10 days prior to the Closing Date. The Commission's obligation to issue and deliver to the Underwriters and the Underwriters' obligation to accept delivery of and pay the purchase price of the 2019 Bonds on the Closing Date are subject to certain conditions precedent, as set forth in the Forward Delivery Purchase Agreement; these conditions include, among other conditions detailed in the Forward Delivery Purchase Agreement, the following:

(a) the approving opinion of Bond Counsel, dated the Closing Date, in substantially the form included in this Official Statement as APPENDIX D;

(b) a supplemental opinion of Bond Counsel, opinion of Chief Counsel to the Commission and the opinion of Underwriters' Counsel; and

(c) such additional legal opinions, certificates, documents and instruments as the Underwriters may reasonably request.

Termination. The Underwriters have the right under the Forward Delivery Purchase Agreement, before the Preliminary Closing or if the Preliminary Closing was completed, before the time of Closing, to cancel their obligation to purchase the 2019 Bonds, if between the date of the Forward Delivery Purchase Agreement and the Closing Date, certain conditions prevent the Forward Delivery Purchase Agreement from being satisfied, including, among others:

(a) legislation shall have been enacted or introduced by the Congress of the United States or the legislature of the Commonwealth or shall have been reported out of committee of either body or be pending in committee of either body, or a decision shall have been rendered by a court of the

United States or the Commonwealth or the Tax Court of the United States, or a ruling, resolution, regulation, or temporary regulation, release, or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or state authority, with respect to federal or Commonwealth taxation upon interest received on obligations of the general character of the 2019 Bonds that, in the Representative's reasonable judgment, materially adversely affects the market for the 2019 Bonds, or the market price generally of obligations of the general character of the 2019 Bonds, or the ability of the Underwriters to enforce contracts for the sale of the 2019 Bonds; or

(b) there shall exist any event or circumstance that in the Representative's reasonable judgment either makes untrue or incorrect in any material respect any statement or information in the Official Statement or the Updated Official Statement (other than any statement provided by the Underwriters) or is not reflected in the Official Statement or the Updated Official Statement, but should be reflected therein in order to make any statement of material fact therein not misleading in any material respect, and in either such event, the Commission refuses to permit the Official Statement or the Updated Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement or Updated Official Statement, as so supplemented, in the Representative's reasonable judgment, materially adversely affect the market prices or marketability of the 2019 Bonds or the ability of the Underwriters to enforce contracts for the sale of the 2019 Bonds; or

(c) there shall have occurred (1) an outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or a war; or (2) the occurrence of any other material national or international calamity or crisis or any material adverse change in the financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (1) or (2), in the reasonable judgment of the Representative, makes it impracticable or inadvisable to proceed with the offering or the delivery of the 2019 Bonds on the terms and in the manner contemplated in the Preliminary Official Statement, the Official Statement or the Updated Official Statement; or

(d) there shall be in force a general suspension of trading on the New York Stock Exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction that, in the Representative's reasonable judgment, makes it impracticable for the Underwriters to market the 2019 Bonds or enforce contracts for the sale of the 2019 Bonds; or

(e) a general banking moratorium shall have been declared by federal or state authorities having jurisdiction and be in force that, in the Representative's reasonable judgment, makes it impracticable for the Underwriters to market the 2019 Bonds or enforce contracts for the sale of the 2019 Bonds; or

(f) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the 2019 Bonds or any comparable securities of the Commission, or any obligations of the general character of the 2019 Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect (the "***Securities Act***") or the Senior Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended and as then in effect (the "***Trust Indenture Act***"), or otherwise, or would be in violation of any provision of the federal securities laws; or

(g) there shall have been any material adverse change in the financial affairs of the Commission that in the Representative's reasonable judgment has materially adversely affected the market for the 2019 Bonds and the ability of the Underwriters to enforce contracts for the sale of the 2019 Bonds; or

(h) there shall be established any new restriction on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by underwriters established by the New York Stock Exchange, the SEC, any other federal or Commonwealth agency or the Congress of the United States, or by Executive Order; or

(i) a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the 2019 Bonds, including all the underlying obligations as contemplated hereby and described in the Official Statement, or any document relating to the issuance, offering or sale of the 2019 Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act and the Trust Indenture Act; or

(j) there shall have occurred, after the signing hereof, either a financial crisis or a default with respect to the debt obligations of the Commission or proceedings under the bankruptcy laws of the United States or of the Commonwealth shall have been instituted by the Commission, in either case the effect of which, in the reasonable judgment of the Representative, is such as to materially and adversely affect the market price or the marketability of the 2019 Bonds or the ability of the Underwriters to enforce contracts of the sale of the 2019 Bonds; or

(k) there is a withdrawal or downgrade of any rating on the 2019 Bonds below investment grade by at least one rating agency rating the 2019 Bonds which withdrawal or downgrade exists on the Closing Date; or

(l) a material disruption in commercial banking or securities settlement, payment or clearance services shall have occurred.

Issuance of Legal Opinions. It is a condition to the issuance of the 2019 Bonds on the Closing Date that Bond Counsel deliver its approving opinion in substantially the form attached hereto as APPENDIX D. The delivery of such opinion by Bond Counsel on the Closing Date is subject to a Change in Law not having occurred. As defined in the Forward Delivery Purchase Agreement, a "Change in Law" shall mean any of the following, which occur at any time after the Preliminary Closing Date and on or prior to the Closing Date: (i) any change of or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations, or other pronouncements or interpretations by federal or state agencies or self-regulatory bodies, (ii) any legislation enacted by the Congress of the United States (whether or not such enacted legislation has a proposed effective date which is on or before the Closing Date), (iii) any law, rule, or regulation proposed or enacted by any governmental body, department, agency or self-regulatory body (whether or not such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Closing Date) or (iv) any judgment, ruling, or order issued by any court or administrative body, which in any such case (as provided in (i) - (iv) above), would, (A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters' purchase of the 2019 Bonds as provided in this Bond Purchase Agreement; (B) make illegal, retroactively, or otherwise, the issuance, sale, or delivery by the Issuer of the 2019 Bonds; (C) make illegal the Senior Indenture; (D) impact, directly or indirectly, the lien of the Senior Indenture (E) eliminate the exclusion from gross income of interest on the 2019 Bonds or obligations of a character similar to the 2019 Bonds;

or (F) require the 2019 Bonds to be registered under the 1933 Act or under the 1934 Act, or require the Senior Indenture to be qualified under the 1939 Act and as to the foregoing, in the sole and reasonable judgment of Bond Counsel cause Bond Counsel not to issue its opinion as to the tax exempt status of the 2019 Bonds for federal income tax purposes. On the Preliminary Closing Date, Bond Counsel has advised the Commission and the Underwriters in writing that assuming that no Change in Law has occurred, it expects to be able to issue on the Closing Date an opinion substantially in the form attached hereto as APPENDIX D. Issuance of the 2019 Bonds on the Closing Date is further conditioned on the receipt of a supplemental opinion of Bond Counsel, opinion of Chief Counsel to the Commission, and an opinion Underwriters' Counsel as to certain additional legal matters.

OTHER THAN AS SET FORTH ABOVE, NONE OF THE UNDERWRITERS (NOR, IN TURN, PURCHASERS OF THE 2019 BONDS FROM THE UNDERWRITERS) MAY REFUSE TO PURCHASE THE 2019 BONDS BY REASON OF GENERAL MARKET OR CREDIT CHANGES INCLUDING, BUT NOT LIMITED TO, CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE COMMISSION PRIOR TO THE CLOSING DATE.

Each Underwriter reserves the right to obligate its initial purchasers agreeing to purchase the 2019 Bonds to execute a Forward Delivery Agreement (the "Forward Delivery Letter") in substantially the form set forth in APPENDIX G hereto. The Forward Delivery Letter provides, among other things, that the purchaser will remain obligated to purchase the 2019 Bonds, even if the purchaser decides to sell the purchased bonds following the execution of the Forward Delivery Letter. ***The Commission will not be a party to any Forward Delivery Letter, and the Commission is not in any way responsible for the performance thereof or for any representations or warranties contained therein.*** The rights and obligations under the Forward Delivery Purchase Agreement are not conditioned or dependent upon the performance of any Forward Delivery Letter.

Additional Risks Related to the Delayed Delivery Period

During the period between the date of the Forward Delivery Purchase Agreement and the Closing Date (the ***"Delayed Delivery Period"***), certain information contained in this Official Statement could change in material respects. The Commission has agreed to provide the Underwriters an Updated Official Statement no more than 25 days and no less than 10 days before the Closing Date. Purchasers of the 2019 Bonds will be subject to the risk of material changes in the information provided in the Updated Official Statement from that provided in this Official Statement and other risks, some of which are described below, and none of which will constitute grounds for purchasers to refuse to accept delivery of and pay for the 2019 Bonds unless the Underwriters determine that such material changes give rise to its right to termination under the Forward Delivery Purchase Agreement, as described above under "Conditions to Closing -- *Termination*" or there is a failure by the Commission to meet the conditions to the Underwriters' obligation to purchase the 2019 Bonds.

Ratings Risk. Pursuant to the Forward Delivery Purchase Agreement, the 2019 Bonds are required to be rated "A1" (stable outlook), "A+" (stable outlook) and "AA-" (stable outlook) by Moody's, Fitch and Kroll (as such terms are defined herein) as of the Preliminary Closing Date. See "RATINGS" herein. Under the Forward Delivery Purchase Agreement, even if there are changes in the ratings assigned to the 2019 Bonds between the Preliminary Closing Date and the Closing Date, the Underwriters will be obligated to purchase the 2019 Bonds so long as the 2019 Bonds are not rated on the Closing Date below investment grade by at least one rating agency rating the 2019 Bonds as of the Closing Date and the other conditions to the obligations of the Underwriters to purchase the 2019 Bonds have been met or waived by the Representative. No assurances can be given that the ratings assigned to the 2019 Bonds on the Closing Date will not be lower than the ratings assigned to the 2019 Bonds on the Preliminary Closing Date.

Secondary Market Risk. While the Underwriters may make a secondary market in the 2019 Bonds during the Delayed Delivery Period, no assurances can be given that the Underwriters will be successful in establishing such a secondary market or, if one is established, that it will be maintained or that the 2019 Bonds can be sold for any particular price. Prospective purchasers of the 2019 Bonds should assume that the 2019 Bonds will be illiquid throughout the Delayed Delivery Period.

Market Value Risk. The market value of the 2019 Bonds as of the Closing Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the 2019 Bonds, interest rates, the financial condition and operations of the Commission and federal, state and local income tax and other laws. The market value of the 2019 Bonds as of the Closing Date could therefore be higher or lower than the purchase price to be paid by the initial purchasers of the 2019 Bonds and that difference could be substantial. The Underwriters will, nevertheless, be obligated to take delivery of and pay the purchase price of the 2019 Bonds if the conditions described above or set forth in the Forward Delivery Purchase Agreement are satisfied. Neither the Commission nor any Underwriter makes any representation as to the expected market price of the 2019 Bonds as of the Closing Date. Further, no assurance can be given that the introduction or enactment of any future legislation or judicial action will not affect the market price for the 2019 Bonds as of the Closing Date or thereafter or not have a materially adverse impact on any secondary market for the 2019 Bonds.

Tax Law Risk. The Forward Delivery Purchase Agreement obligates the Commission to deliver and the Underwriters to purchase the 2019 Bonds if the Commission receives the opinion of Bond Counsel substantially in the form set forth in APPENDIX D. Legislation could be introduced in the United States Congress that, if adopted, would reform the system of federal taxation generally or the tax consequences of ownership and/or transfer of obligations of the nature of the 2019 Bonds. That legislation could either (a) eliminate the exclusion from gross income for federal income tax purposes of interest payable on bonds such as the 2019 Bonds, or (b) diminish the value of such exclusion. If legislation is enacted which eliminates the exclusion for federal income tax purposes of interest payable on bonds such as the 2019 Bonds, it is expected that Bond Counsel will not deliver its approving opinion in the form attached hereto as APPENDIX D and, therefore, that the 2019 Bonds will not be issued and delivered to the Underwriters and will not be available for delivery to the purchasers. If the enactment of legislation only diminishes the value, as opposed to eliminating the exclusion from gross income for federal income tax purposes and Bond Counsel delivers its approving opinion in the form attached hereto as APPENDIX D without any material change, the Underwriters would not have the right to terminate their obligations under the Forward Delivery Purchase Agreement, and in such event, the purchasers would be required to accept delivery of the 2019 Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood that legislation affecting the treatment of interest on the 2019 Bonds may be enacted and the consequences of such enactment for the purchasers. See “TAX MATTERS” and “CHANGES IN FEDERAL TAX LAW” herein.

AUDITED FINANCIAL STATEMENTS

The financial statements of the Commission for the years ended May 31, 2018 and May 31, 2017 are set forth in APPENDIX B - “AUDITED 2018 AND 2017 FINANCIAL STATEMENTS” audited by Mitchell Titus, LLP in its capacity as the Commission’s Independent Auditor. Mitchell Titus, LLP has not been engaged to perform and has not performed, since the date of its auditors’ report, any procedures on the financial statements addressed in that report. Additionally, Mitchell Titus, LLP has not performed any procedures related to this Official Statement or other debt-related offering documents.

CONTINUING DISCLOSURE

The Commission will enter into a Continuing Disclosure Agreement for the benefit of the Registered Owners from time to time of the 2019 Bonds (the ***"Disclosure Agreement"***) pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the ***"SEC"***) under the Securities Act of 1934, as amended (the ***"Rule"***).

Pursuant to the Disclosure Agreement, the Commission will provide or cause to be provided to the Municipal Securities Rulemaking Board (the ***"MSRB"***), which is currently the sole nationally recognized municipal securities information repository ***("Repository"***) under the Rule, via electronic transmissions pursuant to the MSRB's Electronic Municipal Market Access System (***"EMMA"***), accessible at http://emma.msrb.org, the following information and notices:

(a) Within one hundred eighty (180) days of the end of each fiscal year of the Commission commencing with the fiscal year ending May 31, 2020, annual financial information (collectively, the ***"Annual Financial Information"***), consisting of: (i) financial and operating data of the type set forth in this Official Statement in Tables I, II and III contained in APPENDIX A - "THE PENNSYLVANIA TURNPIKE COMMISSION—CERTAIN FINANCIAL INFORMATION"; (ii) the Commission's audited financial statements for such fiscal year; and (iii) a summary of any material legislative or regulatory developments affecting Act 44 and/or Act 89, since the Commission's most recent annual financial information filing. In the event that the Commission's audited financial statements are not available within one hundred eighty (180) days of the close of the applicable fiscal year, the Annual Financial Information will contain unaudited financial statements and the audited financial statements will be provided for filing when available.

(b) Notice of the occurrence of any of the following events with respect to the 2019 Bonds, within ten (10) business days after the occurrence of such event: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2019 Bonds or other material events affecting the tax status of the 2019 Bonds; (vii) modifications to rights of holders of the 2019 Bonds, if material; (viii) optional or unscheduled 2019 Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the 2019 Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar proceedings or events of the Commission[***]; (xiii) consummation of a merger, consolidation or acquisition involving the Commission or the sale of all or substantially all of the assets of the Commission, other than in the ordinary course of business, the entry of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; (xiv) appointment of a successor or additional trustee

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[*] This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

or the change of name of a trustee, if material; (xv) incurrence of a financial obligation of the Commission, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Commission, any of which affects holders of the 2019 Bonds, if material; and (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Commission, any of which reflect financial difficulties.

The foregoing sixteen (16) events are quoted from the Rule. The SEC requires the listing of the events listed in clauses (i) through (xvi) above, although some of such events may not be applicable to the 2019 Bonds. For example, the events listed in clauses (iv) and (v) are not applicable to the 2019 Bonds because there is no credit or liquidity enhancement providing for the payment of the 2019 Bonds.

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 the Rule at the time of original issuance of the 2019 Bonds, taking into account any amendments or interpretations of the Rule; and (iii) the amendment or waiver does not materially impair the interests of the Registered Owners of the 2019 Bonds. Evidence of compliance with the foregoing conditions shall be satisfied by delivery to the Commission of an opinion of counsel having recognized skill and experience in the issuance of municipal securities and federal securities law to the effect that the amendment or waiver satisfies the conditions set forth in the preceding sentence. Notice of any amendment or waiver shall be filed by the Commission with the MSRB via EMMA and shall be sent to the Registered Owners of the 2019 Bonds.

The Disclosure Agreement will recite that it is entered into for the benefit of the Registered Owners from time to time of the 2019 Bonds. For the purposes of the Disclosure Agreement, for so long as the 2019 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 2019 Bonds. Holders of book-entity 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 2019 Bonds or the Senior Indenture, and the sole remedy to enforce the provisions of the Disclosure Agreement shall be the right of any Registered Owner, by mandamus, suit, action or proceeding at law or in equity, to compel the Commission to perform the provisions and covenants contained in the Disclosure Agreement.

The Disclosure Agreement will terminate (1) upon payment or provision for payment in full of the 2019 Bonds, (2) upon repeal or rescission of Section (b)(5) of the Rule, or (3) upon a final determination that Section (b)(5) of the Rule is invalid or unenforceable. A copy of the Disclosure Agreement is on file at the principal office of the Commission.

Approximately 60 separate continuing disclosure undertakings were in effect during the five year period preceding the date of this Official Statement relating to over 100 series and subseries of bonds issued by the Commission. In connection with approximately five of those undertakings (which cover approximately eighteen series and subseries of bonds), the Commission failed to provide (on or before the required deadlines) certain annual disclosure concerning either Act 3 Registration Fee Revenue or Oil Franchise Tax Revenue collected by the Commonwealth for fiscal years ending 2013-2014, as applicable.

Each of the foregoing described disclosures was subsequently filed through EMMA on or about September 30, 2015. Notice of the failure to timely provide such disclosures was filed with the MSRB (via EMMA) on July 22, 2016. None of the foregoing described instances of late filings should be construed as an acknowledgement by the Commission that any such instance was material.

Except as may be otherwise described herein, during the five (5) year period preceding the date of this Official Statement, the Commission has complied in all material respects with all of its continuing disclosure undertakings entered into pursuant to the Rule in connection with its other series of bonds.

RELATIONSHIPS OF CERTAIN PARTIES

PFM Financial Advisors LLC, Financial Advisor to the Commission and its affiliate PFM Asset Management, LLC are engaged to provide other services to the Commission.

UNDERWRITING

The Representative has entered into the Forward Delivery Purchase Agreement with the Commission pursuant to which the Underwriters agree, subject to certain customary conditions precedent to closing, to purchase the 2019 Bonds from the Commission at a purchase price equal to $192,228,792.07 (representing the par amount of the 2019 Bonds, plus an original issue premium of $13,021,334.50, less an underwriters' discount of $607,542.43). Pursuant to the Forward Delivery Purchase Agreement, the Underwriters will be obligated to purchase all of the 2019 Bonds if any of such 2019 Bonds are purchased.

The Forward Delivery Purchase Agreement provides that the obligation of the Underwriters to purchase the 2019 Bonds is subject to certain additional terms and conditions set forth in the Forward Delivery Purchase Agreement, including, among other things, that: (i) there has been no material adverse change in the condition, operations and financials of the Commission from that set forth herein; (ii) no event has occurred which impairs or threatens to impair the status of the interest on the 2019 Bonds as exempt from federal income taxation; and (3) proceedings relating to the 2019 Bonds are not pending or threatened by the Securities and Exchange Commission. See "CERTAIN FORWARD DELIVERY CONSIDERATIONS – Conditions to Settlement" herein.

The 2019 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing such 2019 Bonds into investment trusts) at prices lower than such public offering prices (and such public offering prices may be changed, from time to time, by the Underwriters) only after a public offering of the 2019 Bonds at the initial offering price. The Commission has agreed to be liable to the Underwriters to the extent of all losses, claims, damages and liabilities arising out of incorrect statements or information contained in this Official Statement or material omissions therein, except for information furnished by the Underwriters, and with respect to certain other matters. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 2019 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Commission, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Commission.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

RATINGS

Moody's Investors Service, Inc. (***"Moody's"***), Fitch Ratings (***"Fitch"***), and Kroll Bond Rating Agency (***"Kroll"***) have assigned their municipal bond ratings of "A1" (stable outlook), "A+" (stable outlook), and "AA-" (stable outlook), respectively, to the 2019 Bonds.

S&P Global Ratings provides long term underlying ratings on certain of the Commission's senior-lien turnpike revenue bonds and subordinate revenue bonds outstanding. The ratings are "A+" and "A", respectively. It should be noted, however, that the Commission has not requested S&P ratings on the 2019 Bonds which constitute this offering.

An explanation of the significance of each of such ratings and any outlook may be obtained from the rating agency furnishing the same at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Fitch Ratings, 33 Whitehall Street New York, New York 10004 and Kroll Bond Rating Agency, 845 Third Avenue, New York, New York 10022. Certain materials and information not included in this Official Statement may have been furnished to such rating agencies. A rating is not a recommendation to buy, sell or hold securities. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies, or either 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 2019 Bonds.

Except as provided in the Disclosure Agreement, neither the Underwriters nor the Commission have undertaken any responsibility to bring to the attention of the holders of the 2019 Bonds any proposed or actual change in or withdrawal of any rating and neither the Underwriters nor the Commission have undertaken any responsibility to oppose any proposed change or withdrawal. See "CONTINUING DISCLOSURE" above.

LITIGATION

General

Except as described below, there is no controversy or litigation of any nature now pending or, to the Commission's knowledge, threatened restraining or enjoining the issuance, sale, execution or delivery of the 2019 Bonds, or in any way contesting or affecting the validity of the 2019 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 2019 Bonds, the existence or powers of the Commission or the construction of the Commission's Capital Improvement Program.

The Commission is covered by Act No. 152, approved September 28, 1978, which provides for a limited waiver of sovereign immunity by the Commonwealth. Damages for most losses are limited to $250,000 for each plaintiff or $1,000,000 in the aggregate. Note, however, it is unlikely these protections afforded to the Commission will apply in the Lawsuit (as defined below) to prevent or limit the availability of remedies for the Trucking Plaintiffs (as defined herein).

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

Certain Litigation

On March 15, 2018, several individuals, entities and associations involved in or related to the commercial trucking industry (the "***Trucking Plaintiffs***") filed a class action lawsuit against the Commission, several individuals in their individual capacity and in their official capacity related to the Commission, an individual in her individual capacity and in her official capacity as Chair of the Commission and as Secretary of Transportation, and Governor Wolf, in both his individual and official capacity. The litigation is captioned *Owner Operator Independent Drivers Association, Inc. et al. v. Pennsylvania Turnpike Commission et al.*, No. 1:18-cv-00608-SHR (United States District Court for the Middle District of Pennsylvania) (the ***"Lawsuit"***). The Trucking Plaintiffs allege that Act 44 of 2007, as amended by Act 89 of 2013 (hereinafter, ***"Act 44/89"***), violates the Commerce Clause and the right to travel under the U.S. Constitution, either facially or as applied.

The Lawsuit does not challenge the validity of the 2019 Bonds or the Senior Indenture, or directly challenge the imposition or use of toll revenues to pay debt service on obligations outstanding under the Senior Indenture. See, however, "CERTAIN RISK FACTORS – Litigation and Other Actions Against the Commission" herein. Essentially, the Trucking Plaintiffs allege that the Commission improperly imposes Turnpike tolls beyond that which is necessary for the operation and maintenance of the System and that the Commission expends toll revenues for purposes other than the operation and maintenance of the System. The Lawsuit seeks, among other things, the following injunctive remedies: (1) a permanent injunction enjoining the Commission from issuing any further bonds or incurring any additional debt for the purpose of making Act 44/89 payments; and (2) a permanent injunction prohibiting the Commission from using toll revenues to make payments on outstanding bonds issued to meet Act 44/89 obligations. Moreover, the Lawsuit seeks certain monetary damages including a refund of a portion of certain tolls allegedly imposed upon the Trucking Plaintiffs' use of the System in excess of what was reasonably necessary to pay for the cost of operating and maintaining the System, together with any legally applicable interest and other compensation. See APPENDIX A – "THE PENNSYLVANIA TURNPIKE COMMISSION – THE COMMISSION – Recent Developments and Pending Litigation – *Commission Litigation*" for a description of the issuance of Commission senior revenue bonds and subordinate revenue bonds for the purposes described therein. In the event of a judgment for monetary damages for refund of past tolls against the Commission in federal court in the Lawsuit, various monies or other sources of security of the Commission, including, but not limited to, the monies or sources of security for the payment of the 2019 Bonds under the Trust Estate, potentially could be subject to execution of a judgment in favor of the Trucking Plaintiffs. However, the possibility that payments of money damages from the Trust Estate would be required and would prevent the Commission from paying debt service on the 2019 Bonds and other secured obligations outstanding under the Senior Indenture is believed by the Commission to be remote.

The Commission along with all of the Commonwealth defendants are vigorously defending Act 44/89 and the propriety of the Commission's imposition and use of Turnpike toll revenues in court. All defendants have filed motions to dismiss the complaint. In addition, the Commission has filed an alternative motion for summary judgment. The Commission's motions assert that Act 44/89, the amount of the Tolls and the use of the Toll revenues violate neither the Commerce Clause nor the Constitutional right to travel. The Commission also asserts that the uses of toll revenues fall within Congressional authorization. No assurance can be given as to the timing of any decision of the court or the effect of such decision on the Commission.

The Commission may be subject to additional litigation or other actions from time to time in the future which cannot be predicted at this time. See "CERTAIN RISK FACTORS – Litigation and Other Actions Against the Commission" herein.

LEGAL MATTERS

Certain legal matters with respect to the 2019 Bonds will be passed upon by Saul Ewing Arnstein & Lehr LLP Philadelphia, Pennsylvania, Bond Counsel. A copy of the proposed form of opinion of Bond Counsel which will be delivered on the date of issuance and delivery of the 2019 Bonds is set forth in APPENDIX D - "FORM OF OPINION OF BOND COUNSEL." Certain other legal matters will be passed upon for the Underwriters by their Counsel, Eckert Seamans Cherin & Mellott, LLC, Philadelphia, Pennsylvania, and for the Commission by its Chief Counsel, Doreen A. McCall, Esquire, and McNees Wallace & Nurick LLC, Lancaster, Pennsylvania, Disclosure Counsel to the Commission.

The various legal opinions to be delivered concurrently with the delivery of the 2019 Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. In addition, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISORS

The Commission has retained PFM Financial Advisors LLC, Philadelphia, Pennsylvania, and G-Entry Principle, P.C. as Co-Financial Advisors with respect to the authorization and issuance of the 2019 Bonds. The Co-Financial Advisors are not obligated to undertake or assume responsibility for, nor have they undertaken or assumed responsibility for, an independent verification of the accuracy, completeness or fairness of the information contained in this Official Statement. Each Co-Financial Advisor is a registered independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

TRUSTEE

The Commission has appointed U.S. Bank National Association, Philadelphia, Pennsylvania, as the Trustee and Authenticating Agent under the Senior Indenture. The obligations and duties of the Trustee are as described in the Senior Indenture. The Trustee has not evaluated the risks, benefits or propriety of any investment in the 2019 Bonds, and makes no representation, and has reached no conclusions, regarding the validity of the 2019 Bonds, the security therefor, the adequacy of the provisions for payment thereof or the tax status of the interest on the 2019 Bonds. The Trustee has relied upon the opinion of Bond Counsel for the validity and tax status of the interest on the 2019 Bonds as well as other matters set out in such opinion. Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Commission of any of the 2019 Bonds authenticated or delivered pursuant to the Senior Indenture or for the use or application of the proceeds of such 2019 Bonds by the Commission.

Under the terms of the Senior 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 Senior Indenture, the Trustee is not required to take notice, and is not deemed to have notice, of any default under the Senior Indenture (except for defaults in payment of debt service by the Commission), unless the Trustee has been specifically notified in writing of such default by the owners of at least 25% in aggregate principal amount of the Outstanding Bonds. In the absence of any such notice, the Trustee may conclusively assume no Event of Default exists. 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 Senior Indenture for a complete statement of the Trustee's rights, duties, obligations and immunities.

TAX MATTERS

2019 Bonds--Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2019 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2019 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Commission subsequent to the issuance and delivery of the 2019 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Commission has made covenants to comply with such requirements.

Assuming that no Change In Law has occurred, Bond Counsel, on the Closing Date, will deliver its opinion on the Closing Date that interest on the 2019 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel assumes that the Commission complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2019 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2019 Bonds to be so includable in gross income retroactive to the date of issuance of the 2019 Bonds. The Commission has covenanted to comply with all such requirements. Interest on the 2019 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum tax.

Assuming no Change in Law has occurred on the Closing Date, Bond Counsel will deliver its opinion that under the laws of the Commonwealth of Pennsylvania as enacted and construed on the Closing Date, the 2019 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2019 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the 2019 Bonds are subject to state and local taxation within the Commonwealth. Specifically, the 2019 Bonds are exempt from personal property taxes in Pennsylvania and interest on the 2019 Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Prospective purchasers of the 2019 Bonds should be aware that ownership of the 2019 Bonds may result in collateral tax consequences to certain taxpayers, including but not limited to, foreign corporations, certain S corporations, financial institutions, recipients of social security and railroad retirement benefits, and property or casualty insurance companies. Bond counsel expresses no opinion regarding any other federal tax consequences relating to the 2018 Bonds or the receipt of interest thereon. **Prospective purchasers of the 2019 Bonds should consult their own tax advisors as to the impact of these other tax consequences**.

CHANGES IN FEDERAL TAX LAW

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the treatment of interest on the 2019 Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2019 Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or otherwise. It cannot be predicted whether or in what form any such proposals may be enacted or whether if enacted such proposals would apply to bonds issued prior to enactment. In addition, regulatory or other actions are from time to time announced or proposed which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the 2019 Bonds. It cannot be predicted whether any such regulatory or other actions will be implemented or whether the 2019 Bonds would be impacted thereby.

Purchasers of the 2019 Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulations or other potential changes in law. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities on the Closing Date of the 2019 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulations or other potential changes in law.

Prospective purchasers of the 2019 Bonds should be aware that the ownership of tax-exempt obligations, such as the 2019 Bonds, may result in collateral federal income tax consequences. Such prospective purchasers should consult their own tax advisors as to the consequences of investing in the 2019 Bonds.

See "CERTAIN FORWARD DELIVERY CONSIDERATIONS – Additional Risks Related to the Delayed Delivery Period – Tax Law Risk" herein for a description of certain considerations relating to the changes in tax law that may occur during the Delayed Delivery Period.

MISCELLANEOUS

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

The references herein to the Enabling Acts, the 2019 Bonds, the Senior Indenture, Supplemental Indenture No. 47, the Subordinate Indenture, and the Disclosure Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and, accordingly, are qualified by reference and are subject to the full texts thereof.

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Neither this Official Statement nor any other disclosure in connection with the 2019 Bonds is to be construed as a contract with the holders of the 2019 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/ Nikolaus Grieshaber
Nikolaus Grieshaber
Chief Financial Officer

APPENDIX A

THE PENNSYLVANIA TURNPIKE COMMISSION

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APPENDIX A[1,2]

THE PENNSYLVANIA TURNPIKE COMMISSION

THE COMMISSION

General

The Commission is an instrumentality of the Commonwealth existing pursuant to an Act of the General Assembly of Pennsylvania approved on July 18, 2007, P. L. 169, No. 44 ("***Act 44***") and various Acts of the General Assembly approved on several dates, including the Act of May 21, 1937, P.L. 774, Act 211; the Act of May 24, 1945, P.L. 972; the Act of February 26, 1947, P.L. 17; the Act of May 23, 1951, P. L. 335; the Act of August 14, 1951, P.L. 1232; the Act of September 30, 1985, P.L. 240, No. 61 ("***Act 61***") to the extent not repealed by Act 44; the Act of August 5, 1991, P.L. 238, No. 26 ("***Act 26***") and the Act of November 25, 2013, P.L. 974, No. 89 ("***Act 89***") (collectively, the "***Enabling Acts***").

Pursuant to the Enabling Acts, the Commission has the power to construct, operate and maintain the Pennsylvania Turnpike System (as further described herein, the "***System***" or the "***Turnpike System***"). The Commission's composition, powers, duties, functions, duration and all other attributes are derived from the Enabling Acts. The Enabling Acts may be modified, suspended, extended or terminated at any time by further legislation.

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

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

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

[2] Included in this Appendix A are links to certain additional materials. Unless otherwise noted herein, this Appendix A includes by reference the information contained in the linked materials, but only as such information appears on the linked websites as of the date of this Official Statement. The inclusion of these links is not intended to be a republication herein of any information contained on such websites.

Leslie S. Richards, Chair was nominated by Governor Tom Wolf as Acting Secretary of Transportation of the Commonwealth of Pennsylvania in January 2015 and was confirmed as Secretary of Transportation by the Senate on May 11, 2015. She is the first female chair of the Commission. As the first woman and planner to serve as Secretary of the Pennsylvania Department of Transportation, Secretary Richards oversees one of the largest transportation agencies in the U.S., with an annual budget of more than $10 billion and 11,500 employees.

Secretary Richards has started a number of new initiatives including the Transportation Investment Plan, a metric driven strategic investment approach for the 12 Year Capital Program; a $2.1 billion maintenance and system preservation initiative, termed PennDOT Road MaP; and PennDOT Connects, a transformative approach that focuses on improved collaboration among local stakeholders for the planning and delivery of capital and maintenance projects.

Secretary Richards has been recognized for her leadership in the industry and her commitment to public service. Secretary Richards was appointed the first female chair of the Public Private Partnership (P3) Board. She received two Gold Stevie Awards (Female Innovator of the Year and Female Executive of the Year). Other honors include the WTS International Woman of the Year Award for 2018, as well as the Conference of Minority Transportation Officials' (COMTO) 2018 Celebrating Women Who Move the Nation award, the Philadelphia Business Journal 2017 Women of Distinction award, City and State PA's 2018 Above and Beyond Distinguished Service award, and the March of Dimes of Southeastern Pennsylvania Service to Humanity award.

Secretary Richards takes time to speak about the importance of women occupying roles in public service and transportation. In 2017, Secretary Richards and First Lady Frances Wolf launched the Moving Women Forward tour, a series of town hall style events held at institutions of higher learning across Pennsylvania. These gatherings encourage more young women and minorities to pursue careers and leadership positions in these fields.

In addition, she led the development of a program that trains PennDOT employees to recognize the signs of human trafficking. PennDOT is one of the first state transportation agencies in the nation to implement this type of training to recognize and report potential trafficking situations.

Her career includes work in both the private and public sectors, including as a local government official. She served as the vice chair of the Montgomery County Board of Commissioners, where she led the transportation and planning initiatives for the third-largest county in the Commonwealth. Prior to becoming Secretary she worked as a senior project manager for environmental and civil engineering firms. In addition, Secretary Richards served as the chair of the Delaware Valley Regional Planning Commission, as well as on the boards of the Southeastern Pennsylvania Transportation Authority (SEPTA) and the Greater Valley Forge Transportation Management Association (GVFTMA). Before being elected commissioner, she served as the chair and vice chair of the Whitemarsh Township Board of Supervisors.

Secretary Richards is a graduate of Brown University, where she concentrated in economics and urban studies. She received a master's of regional planning from the University of Pennsylvania.

William K. Lieberman is the current Vice Chair of the Commission, and he was appointed to serve as a Commissioner in July 2010. Mr. Lieberman previously served as Chair of the Commission from January 2011 until January 2015. Mr. Lieberman has been President of The Lieberman Companies, an insurance and pension provider, since 2003. He serves on the board of AMPCO Pittsburgh. A graduate of The Pennsylvania State University, he is a University of Pittsburgh Trustee and former Chair of the Manchester-Bidwell Corp., Pittsburgh, Pennsylvania. He was reappointed to serve as a Commissioner in January 2015. Mr. Lieberman received a unanimous recommendation for confirmation by the Senate Transportation Committee in April 2015 and was confirmed in May 2015 by the Senate. His term expires in May 2019.

Barry Drew, Secretary/Treasurer, was nominated in September 2015 by Governor Tom Wolf and confirmed by the State Senate in December 2015 to serve as a Commissioner. Mr. Drew previously served as the Deputy Secretary of Administration at the Pennsylvania Department of Revenue from 1995 until 2011. Prior to that, he was Solicitor for the City of Erie, Pennsylvania, then Director of Administration for the County of Erie. Mr. Drew is a Vietnam War veteran who served as a Sergeant in the United States Air Force. He holds a Bachelor of Science in Accounting from Gannon University and a Juris Doctor from the Western New England College School of Law. His term expires in December 2019.

Pasquale T. Deon, Sr., an established businessman has served as a member of the Commission since 2002. Mr. Deon is Chair of the Board of Directors of the Southeastern Pennsylvania Transportation Authority (SEPTA). He is also a service-industry entrepreneur involved in real-estate development, beverage distribution and construction services. He is the owner of WBCB-1490AM Radio, Levittown, Pennsylvania. Commissioner Deon was re-nominated to serve as a Commissioner by Governor Wolf and his re-nomination to serve another four-year term as a Commissioner was unanimously confirmed by the Senate in May 2018. His term expires in May 2022.

John N. Wozniak was nominated by Governor Tom Wolf on March 30, 2017 and confirmed by the State Senate on July 8, 2017 to serve as a Commissioner. Mr. Wozniak served as a Pennsylvania State Senator from the 35th District from 1997 to 2016. Prior to that, he served as a member of the Pennsylvania House of Representatives from the 71st District from 1981 to 1996. Mr. Wozniak graduated from the University of Pittsburgh at Johnstown in 1978 with a B.A. in Economics. His term expires in July 2021.

Executive Personnel

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

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

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

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

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

Ray A. Morrow was named the Chief Compliance Officer in July 2014. Prior to being named the Chief Compliance Officer, Mr. Morrow served the Commission as its Acting Chief Compliance Officer and Inspector General. Mr. Morrow joined the Commission in January 2014. Prior to joining the Commission, Mr. Morrow had an extensive career with the Federal Bureau of Investigation (FBI) first from 1977 to 1978. From 1978 to 1980, Mr. Morrow served with the U.S. Secret Service Uniformed Division assigned to the White House and the Presidential Protective Detail. From 1980 to 1987, Mr. Morrow served as an Executive Protection Specialist for Allegheny International ("AI"), a Fortune 500 company, assigned to protect the President of AI. Then, from 1987 to 2007, Mr. Morrow once again joined the FBI as a Special Agent culminating his career as the Special Agent in Charge of the FBI's Pittsburgh Field Office. Mr. Morrow served as a Senior Compliance Investigator for the Siemens Corporation from 2010-2013.

Enabling Acts

Act 44 and the Act 44 Funding Agreement

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

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

Pursuant to Act 44 and the Act 44 Funding Agreement, because the Conversion did not occur, the Commission was obligated to make scheduled annual payments of $450 million to PennDOT through 2057, payable in equal quarterly installments, with $200 million of the scheduled annual payment supporting road and bridge projects and $250 million supporting transit projects throughout the Commonwealth. But see "*Act 89 and Act 89 Amendment*" below as to subsequent changes to such annual payments.

Act 89 and the Act 89 Amendment

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

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

In accordance with Act 89 and the Original Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT for Fiscal Year 2013-2014 through Fiscal Year 2021-2022 is $450 million and, in accordance with Act 89, the Commission must pay at least $30 million of such annual amount from current revenues with the remainder expected to be funded by bonds issued under the Subordinate Revenue Indenture (hereinafter defined). Since 2017 and continuing through 2022, by policy the Commission has been providing and anticipates it will continue to provide $50 million from current revenues to fund a portion of its annual payment to PennDOT.

On July 31, 2018, the Commission and PennDOT executed Amendment Number Two to Lease and Funding Agreement (the "***Amendment,***" and together with the Original Amended Funding Agreement, the "***Amended Funding Agreement***"). Pursuant to the terms of the Amendment, the Commission and PennDOT agreed to extend the due date for the Commission's July 31, 2018 Annual Base Payment of $50,000,000 and Annual Additional Payment of $62,500,000 to October 31, 2018 or such later date in fiscal year ending June 30, 2019 as may be agreed to by the Commission and PennDOT. Further, the Commission and PennDOT agreed that the due date for any subsequent Annual Base Payment and Annual Additional Payment in the fiscal year ending June 30, 2019 may also be extended to any later date, not later than June 30, 2019, as may be agreed to by the Commission and PennDOT.

Commencing in Fiscal Year 2022-2023 through the term of the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT is $50 million, which amount shall be paid from then current revenues of the Commission. Act 89 relieves the Commission from over $15 billion in future transfers to PennDOT during Fiscal Years 2023 through 2057. Further, Act 89 revises the use of the Commission's scheduled annual payments. Effective on July 1, 2014, none of the Commission's scheduled annual payments may be used to support Commonwealth road and bridge projects. Instead, $420 million of the scheduled annual payment may be used to support mass transit capital and operating needs and other transportation programs of statewide significance, and $30 million shall be used to support multi-modal projects, which may include: aviation projects; rail freight projects; port projects; bicycle projects and pedestrian projects. The Commission's $50 million scheduled annual payment, which commences in Fiscal Year 2022-2023, will support mass transit capital and operating needs. The table under "*Act 44 Payments to PennDOT for Roads, Bridges and Transit*" below indicates the amounts that have been paid to date by the Commission. The Commission's obligation to pay the annual debt service on any Special Revenue Bonds (hereinafter defined) on a timely basis continues to be part of its payment obligation under the Amended Funding Agreement.

The Amended Funding Agreement terminates on October 14, 2057.

The Enabling Acts provide that if the Secretary of the Budget notifies the Commission of a failure to make a payment to PennDOT under the Amended Funding Agreement, all actions of the Commission taken by a vote of the Commissioners thereafter must be approved by a unanimous vote of all Commissioners until such time as the payment is made. However, a unanimous vote is not required if it would prevent the Commission from complying with covenants with "current bondholders, debt holders or creditors." These voting procedures have never been used as the Commission has not missed any payments under the Amended Funding Agreement.

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

The Commission believes that System revenues should enable it to satisfy its payment obligations as set forth in the Amended Funding Agreement; however, as a result of the Lawsuit, no assurance can be given. See "THE COMMISSION - Recent Developments and Pending Legislation – *Commission Litigation*" herein.

Act 44 Payments to PennDOT for Roads, Bridges and Transit

The Enabling Acts provide that all required payments under the Amended Funding Agreement or as required by the Enabling Acts shall be subordinate obligations of the Commission payable solely from the General Reserve Fund after meeting all other Commission requirements pursuant to any financial documents, financial covenants, liquidity policies or agreements in effect at the Commission. Pursuant to Act 44 and the Act 44 Funding Agreement, the Commission's payments to PennDOT over the seven Fiscal Years ended May 31, 2014 were allocated between deposits to the Commonwealth Motor License Fund (the "***Motor License Fund***") for road and bridge work and deposits into the Public Transportation Trust Fund for distribution to Pennsylvania's local and regional public transportation agencies for operating and capital purposes.

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

As of the date of this Official Statement, the Commission has paid a total amount of $6,100,000,000 under the Amended Funding Agreement, as set forth in the following table (dollar amounts in millions).

Fiscal Year Ended May 31	Payments to Motor License Fund	Payments to Public Transportation Trust Fund	Total
2008	$450.0	$300.0	$750.0
2009	500.0	350.0	850.0
2010	500.0	400.0	900.0
2011	200.0	250.0	450.0
2012	200.0	250.0	450.0
2013	200.0	250.0	450.0
2014	200.0	250.0	450.0
2015	0.0	450.0	450.0
2016	0.0	450.0	450.0
2017	0.0	450.0	450.0
2018	0.0	450.0	450.0

Issuance of Bonds; Commission Payments

Under the Enabling Acts, the Commission is authorized and empowered, among other things, to issue turnpike revenue bonds, notes or other obligations (either senior on a parity basis or subordinate) to pay (i) pursuant to the Amended Funding Agreement, if applicable, the costs of construction, reconstructing, widening, expanding or extending I-80 or any other costs of I-80 and the System, (ii) certain amounts to PennDOT pursuant to the Amended Funding Agreement for purposes of funding PennDOT highway, road and bridge construction and maintenance programs in the Commonwealth (provided that, commencing in Fiscal Year 2014-2015, all payments to PennDOT under the Amended Funding Agreement will be deposited into the Public Transportation Trust Fund), (iii) costs of improvements to the System, and (iv) certain amounts into a Public Transportation Trust Fund pursuant to the Amended Funding Agreement, to be used for mass transit programs, multi-modal transportation programs and, other transportation programs of statewide significance, alternative energy transportation programs (provided that, pursuant to the terms of the Amended Funding Agreement, the proceeds of any Special Revenue Bonds may not be applied for payments to mass transit programs, multi-modal transportation programs or alternative energy transportation programs).

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

Bonds to fund its obligations under the Amended Funding Agreement. See "*Statutory Limitations on the Incurrence of Special Revenue Bonds*" below. The Amended Funding Agreement provides that the Commission is obligated to pay all debt service due with respect to the Special Revenue Bonds.

Pursuant to the terms of that certain Subordinate Trust Indenture dated as of April 1, 2008 between the Commission and Wells Fargo Bank, N.A. (the "***Subordinate Revenue Indenture Trustee***"), as amended and supplemented (the "***Subordinate Revenue Indenture***"), the Commission has covenanted to pay to the Subordinate Revenue Indenture Trustee, and it has instructed U.S. Bank National Association, as trustee (the "***Senior Revenue Indenture Trustee***") under that certain Amended and Restated Trust Indenture originally dated as of July 1, 1986 and Amended and Restated as of March 1, 2001, between the Commission and the Senior Revenue Indenture Trustee, as supplemented and amended (the "***Senior Revenue Indenture***") to pay to the Subordinate Revenue Indenture Trustee, after payment of all required debt service on all Senior Revenue Indenture Obligations (defined below) and subject to the provisions of the Senior Revenue Indenture, out of the General Reserve Fund established under the Senior Revenue Indenture, such amounts as are required by the Subordinate Revenue Indenture, by a supplemental indenture to the Subordinate Revenue Indenture or by a parity swap agreement to pay, at the times specified, all amounts due in respect of the Subordinate Revenue Indenture Obligations (defined below) outstanding under the Subordinate Revenue Indenture or under a parity swap agreement.

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

Under the Subordinate Revenue Indenture, the Commission may, from time to time, issue additional bonds to satisfy its payment obligations under the Enabling Acts, including (a) bonds issued for the purpose of making payments to PennDOT to finance transit programs and other purposes pursuant to Act 44, as amended by Act 89, and which are not secured by payments from the Motor License Fund, but have a senior claim on Commission Payments (the "***Subordinate Revenue Bonds***") and (b) Special Revenue Bonds (hereinafter defined). The Commission intends that any long-term indebtedness to be issued under the Subordinate Revenue Indenture is to be paid solely from Commission Payments. Such obligations, if issued, are subordinate to the Turnpike Revenue Bonds (the "***Turnpike Revenue Bonds***") issued under the Senior Revenue Indenture. Such Subordinate Revenue Bonds will be parity obligations with the outstanding Subordinate Revenue Bonds already issued under the Subordinate Revenue Indenture. As of the date of this Official Statement, there is $5,108,784,139.95 aggregate principal amount of Subordinate Revenue Bonds outstanding under the Subordinate Revenue Indenture (including compounded amounts as of June 1, 2018 for outstanding capital appreciation bonds). The foregoing amount includes $341,850,000 aggregate principal amount of floating rate notes (FRNs) which includes a direct purchase obligation in the principal amount of $291,850,000. See

"CERTAIN FINANCIAL INFORMATION – Direct Purchase Obligations" for a summary of direct purchase obligations of the Commission. Other obligations incurred and outstanding under the Subordinate Revenue Indenture include the Commission's obligations under various interest rate swap agreements having a total current notional amount of $291,850,000. Special Revenue Bonds have a right to payment from Commission Payments that is subordinate to the rights of payment of the holders of Subordinate Revenue Bonds issued under the Subordinate Revenue Indenture. APPENDIX F sets forth the existing debt service schedule for the Turnpike Revenue Bonds issued under the Senior Revenue Indenture and for the Subordinate Revenue Bonds issued under the Subordinate Revenue Indenture.

Statutory Limitations on the Incurrence of Special Revenue Bonds

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

Special Revenue Bonds have been issued under the Subordinate Revenue Indenture. As of the date of this Official Statement, there is $980,241,247.05 aggregate principal amount of Special Revenue Bonds outstanding under the Subordinate Revenue Indenture (including compounded amounts as of June 1, 2018 for capital appreciation bonds).

Should the Commission fail to timely make required debt service deposits for Special Revenue Bonds, the Subordinate Revenue Indenture Trustee shall proceed under the terms of Act 44 and a Memorandum of Agreement between PennDOT, the Office of the Budget of the Commonwealth and the Pennsylvania State Treasurer, dated July 16, 2010 (the "***MOA***"), to notify PennDOT of such default, and thereafter, PennDOT shall give notice to the Office of the Budget of the Commonwealth of such deficiency, the Office of the Budget of the Commonwealth shall request that the Treasurer of the Commonwealth transfer funds to the Subordinate Revenue Indenture Trustee in an amount necessary to cure such deficiency, and the Treasurer of the Commonwealth shall transfer such funds to the Subordinate Revenue Indenture Trustee but only from amounts available for such purpose in the Motor License Fund. The appropriation of money in the Commonwealth's Motor License Fund in respect of Special Revenue Bonds issued by the Commission under Act 44 is continuing and non-lapsing. The Commonwealth has no obligation to appropriate any funds, other than available funds on deposit in the Motor License Fund, for the payment of any such Special Revenue Bonds. Pursuant to the MOA, certain funds equal to the maximum annual debt service on outstanding Special Revenue Bonds are to be set aside (but not pledged) in the Motor License Fund for this purpose upon the issuance of Special Revenue Bonds. Funds in such amounts were set aside in the Motor License Fund in connection with the issuance of the Commission's Motor License Fund-Enhanced Turnpike Subordinate Special Revenue Bonds, Series A of 2010, Series B of 2010, Series A of 2011, Series B of 2011, Series A of 2012, Series B of 2012, Series A of 2013, Series B of 2013, Series A of 2014, First Series of 2016, First Series of 2017, Second Series of 2017 and Third Series of 2017. The Commission is obligated pursuant to the Amended Funding Agreement to reimburse the Treasurer of the Commonwealth for any amounts withdrawn from the Motor License Fund in order to cure a default in the payment by the Commission with respect to the annual debt service on any such Special Revenue Bonds. This reimbursement obligation is subject to and junior to the payment obligations of the Commission under the Special Revenue Bonds.

Rules Relating to Governance and Accountability Under the Enabling Acts

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

On June 1, 2018, the Commission submitted its financial plan for Fiscal Year 2019 (the "***Financial Plan***"). The Financial Plan incorporates the Commission's adopted Ten-Year Capital Plan (the "***Capital Plan***"). The Financial Plan indicates that in Fiscal Year 2018 the Commission was able to meet all of its financial covenants and obligations under the Enabling Acts and was able to progress with its Capital Plan. Given the ongoing and moderate recovery of both the national and state economies, the Commission plans to continue the cost containment and efficiency measures it implemented within the past few years. These measures, together with future toll increases, are expected to allow the Commission to meet its financial covenants, obligations under the Enabling Acts, and capital needs during Fiscal Year 2019; however, as a result of the Lawsuit, no assurance can be given. See "THE COMMISSION – Recent Developments and Pending Legislation – *Commission Litigation*" herein.

The Financial Plan for Fiscal Year 2019 includes modestly lower estimated toll revenue and traffic, based on CDM Smith's 2018 Traffic and Revenue Forecast, than what was included in the prior year's Financial Plan. Fiscal Year 2019 operating expenses are projected to increase by 4.0% ($16.0 million) to $415.6 million. The Financial Plan assumes the Commission will continue to achieve the PTC's financial planning goal of 4% annual growth in operating expenses. Where possible, the Commission is actively managing its operations to limit the rate of growth in those operating costs directly under its control. However, significant portions of the Commission's operating budget are beyond its ability to control. These external cost drivers include the Commission's pension expense related to the State Employees Retirement System ("SERS") and the Commission's projected expense for the Pennsylvania State Police. With respect to specific operating expenses that are under the control of the Commission, such costs are projected to increase 1.9% ($5.7 million) in Fiscal Year 2019 while the Commission's pension expense related to SERS is estimated to increase 14.4% ($6.9 million) and the Commission's projected expense for the Pennsylvania State Police is estimated to increase 6.9% ($3.4 million). The Financial Plan also continues to include more conservative debt structuring assumptions, first included in the Fiscal Year 2017 Financial Plan, to reduce the Commission's interest costs. These include assuming 30-year terms versus 40-year terms to amortize principal more quickly, eliminating the planned use of capital appreciation bonds and other deferred interest products in the future, and assuming a portion of future debt issuances are based on level debt service assumptions rather than on escalating debt service. Finally, the Financial Plan maintains debt service coverage ratios for all toll revenue supported debt above policy level constraints.

The Financial Plan concludes that the Commission will continue to meet all of its indenture covenants and all of its other obligations through the Fiscal Year 2057. However, as a forward-looking report, the Financial Plan makes certain assumptions, including future toll increases, to reach its conclusion that the financial covenants, obligations under the Enabling Acts, and capital needs will be met beyond Fiscal Year 2018. Key among these assumptions is the Commission's ability to raise all tolls throughout the System. The Financial Plan reflects the full year effects of the January 2018 toll increase and the partial year impacts of the January 2019 toll increase. The Financial Plan assumes the $450 million reduced level of funding obligations required by the Enabling Acts through Fiscal Year 2022 and the $50 million funding level from Fiscal 2023 through Fiscal Year 2057. No assurances can be made by the Commission with respect to the assumptions made or conclusions reached in the Financial Plan. A complete copy of the Financial Plan is available on the Commission's website at https://www.paturnpike.com/pdfs/business/finance/PTC_Fiscal_2019_Act_44_Financial_Plan_FINAL.pdf.[3] See "THE COMMISSION – Enabling Acts" above.

See "CAPITAL IMPROVEMENTS – Ten-Year Capital Plan" for additional information on the Capital Plan.

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

Recent Developments and Pending Legislation

Act 88 of 2012 (formerly House Bill 3 and Senate Bill 344) ("***Act 88***") was signed into law on July 5, 2012. Act 88 authorizes "public-private" transportation partnership arrangements in the Commonwealth. The law allows the Commission, among other public entities, to enter into public-private partnerships for the construction of transportation infrastructure and facilities and for the lease of such facilities through long-term agreements. Act 88 prohibits a lease of the Turnpike Mainline without the further express approval of the General Assembly. However, the law does

3 The information contained on such website link is not incorporated by reference in this Appendix A.

not restrict the Commission from entering into public-private partnership agreements which do not involve granting substantial oversight and control over the Turnpike Mainline to another entity, nor does it limit or preempt in any way the Commission's ability to enter into certain types of public-private partnership agreements currently allowed under its Enabling Acts. The Public Private Transportation Partnership Board, established pursuant to Act 88, has issued an Implementation Manual & Guidelines for Public-Private Transportation Partnerships.

Act 165 of 2016 (formerly House Bill 2025) ("***Act 165***") was signed into law on November 4, 2016. Act 165, among other things, allows for the suspension of vehicle registration for unpaid tolls. Specifically, the vehicle suspension process is triggered by the failure to pay six (6) or more violations or incurring unpaid tolls or administrative fees of $500. Additionally, Act 165 assists the Commission with the collection of unpaid out-of-state tolls by authorizing PennDOT to enter into a reciprocity agreement for purposes of toll collection and enforcement penalties with another state or tolling entity. PennDot and the State of Delaware Department of Transportation, Division of Motor Vehicles ("***DelDOT***") entered into the first reciprocity agreement under Act 165. The Intergovernmental Cooperation Agreement for Enforcement of Tolls, effective September 11, 2018, provides that, *inter alia*, PennDOT and DelDOT will suspend or hold the registration of vehicles upon unpaid tolls, consistent with the laws and regulations of the other state, upon the request of such state.

Pennsylvania Legislative Proposals

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

The Pennsylvania House of Representatives and the Pennsylvania Senate convene for a two-year session on the first Tuesday after New Year's in odd numbered years and adjourn (Sine Die) on November 30 of the next even numbered year. The current 2017-18 legislative session began on January 3, 2017.

Legislation either in discussion or introduced in the General Assembly during the 2017-18 legislative session, that if enacted would materially affect the Commission, includes the following:

- Similar to legislation that was introduced but not enacted during the last legislative session, Senate Bill 171 which would require a majority vote of the Pennsylvania Senate to confirm the Chief Executive Officer of the Commission passed the Senate and was referred to the House Transportation committee.

- Similar to legislation that was introduced but not enacted during several prior legislative sessions, Senate Bill 39, which would abolish the Commission and shift all of the Commission's operations, maintenance, construction and reconstruction powers and duties to PennDOT and shift the issuance and payment of bonds to the State

Treasurer's office, was introduced and referred to the Senate Transportation Committee.

- Senate Bill 249, which if enacted would waive tolls for emergency vehicles when either directly responding to an emergency situation or participating in the escort of a fallen firefighter, ambulance service or rescue squad member, law enforcement office or armed service member killed in the line of duty, was introduced and referred to the Senate Transportation committee on January 27, 2017.

- Similar to legislation that was introduced but not enacted during several prior legislative sessions, House Bill 1948 has been introduced which would reduce the Commission's Act 44 obligations commencing immediately, and gradually step down such obligations until completely eliminated after 2022. House Bill 1948 has been referred to the House Transportation committee on November 29, 2017.

- Senate Bill 966, which if enacted would grant disabled veterans a 50% discount in toll rates for use of the Pennsylvania Turnpike, was introduced and referred to the Senate Transportation committee on December 1, 2017.

- A Resolution has been introduced in the Pennsylvania Senate that if approved by the Senate, would direct the Joint State Government Commission to conduct an analysis of a potential consolidation of interstate operations at PennDOT and the Commission. The Joint State Government Commission is the primary non-partisan research organization that serves the Pennsylvania General Assembly. The Resolution was approved by the Senate Transportation Committee on October 25, 2017 and approved by the full Senate on January 24, 2018.

The Commission cannot predict what other legislation may be considered by the General Assembly during the 2017-2018 or future legislative sessions or if any other proposals or initiatives may lead to the adoption of legislation that may affect the Commission and/or its operations.

Commission Litigation

On March 15, 2018, several individuals, entities and associations involved in or related to the commercial trucking industry (the "Trucking Plaintiffs") filed a class action lawsuit against the Commission, several individuals in their individual capacity and in their official capacity related to the Commission, an individual in her individual capacity and in her official capacity as Chair of the Commission and as Secretary of Transportation, and Governor Wolf, in both his individual and official capacity. The litigation is captioned Owner Operator Independent Drivers Association, Inc. et al. v. Pennsylvania Turnpike Commission et al., No. 1:18-cv-00608-SHR (United States District Court for the Middle District of Pennsylvania) (the "***Lawsuit***"). The Trucking Plaintiffs allege that Act 44, as amended by Act 89 (hereinafter, "Act 44/89"), violates the Commerce Clause and the right to travel under the U.S. Constitution, either facially or as applied, because the Commission improperly imposes Turnpike tolls beyond that which is necessary for the operation and maintenance of the System and that the Commission expends toll revenues for purposes other than the operation and maintenance of the System.

The Lawsuit seeks, among other things, the following injunctive remedies: (1) a permanent injunction enjoining the Commission from issuing any further bonds or incurring any additional debt for the purpose of making Act 44/89 payments; and (2) a permanent injunction prohibiting the Commission from using toll revenues to make payments on outstanding bonds issued to meet Act 44/89 obligations. Moreover, the Lawsuit seeks certain monetary damages including a refund of a portion of certain tolls allegedly imposed upon the Trucking Plaintiffs' use of the System in excess of what was reasonably necessary to pay for the cost of operating and maintaining the System, together with any legally applicable interest and other compensation.

The Commission along with all of the Commonwealth parties are vigorously defending Act 44/89 and the propriety of the Commission's imposition and use of Turnpike toll revenues in court. All defendants have filed motions to dismiss the complaint. In addition, the Commission has filed an alternative motion for summary judgment. The Commission's motions assert that Act 44/89, the amount of the Tolls and the use of the Toll revenues violate neither the Commerce Clause nor the Constitutional right to travel. The Commission also asserts that the uses of toll revenues fall within Congressional authorization. No assurance can be given as to the timing of any decision of the court or the effect of such decision on the Commission.

See "LITIGATION – Certain Litigation" in the forepart of this Official Statement.

Status of Delaware River Bridge

On January 20, 2017, the Delaware River Bridge was closed following the discovery of a fracture in a steel truss. Phase l of the work to stabilize the bridge was completed on January 23, 2017 while structural engineers engaged in a more comprehensive assessment and structural analysis to determine a permanent repair strategy. After the completion of certain repairs and extensive examination and testing of the bridge over several weeks by the Commission, the New Jersey Turnpike Authority (the "***Authority***") and the Federal Highway Administration and their respective experts and consultants, the bridge was fully reopened to traffic on March 9, 2017. Although further minor repairs will be performed on the bridge in the coming months, it is anticipated that the bridge will remain open while such future repairs are being made.

The bridge is jointly owned and maintained by the Commission and the Authority and all costs of operation, maintenance and repair of the bridge are shared equally by the Commission and the Authority. The Commission estimates that its 50% share of the costs of the repair, examination and testing of the bridge will be approximately $7,500,000, which will be paid by the Commission from bond proceeds as part of its Capital Plan. The Commission's Traffic and Revenue consultant has projected that the closure of the bridge resulted in the Commission incurring a loss of toll revenue on the Turnpike during the period between January 20, 2017 and March 9, 2017 of approximately $12,100,000 (1.8 million transactions).

In connection with the foregoing, the Commission has concluded with its insurer that the costs associated with the bridge repairs along with lost revenues relating to the bridge closure, will be covered under its All Risk insurance policy (subject to applicable deductibles). The insurer accepted the Commission's claim on February 7, 2018. The Commission maintains a $200 million (per occurrence) All Risk insurance policy including loss of business income coverage as further described under "CERTAIN OTHER INFORMATION - Insurance" below.

Additional Matters

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

THE TURNPIKE SYSTEM

General

The present Turnpike System is composed of:

- the 359-mile Turnpike Mainline traversing the southern portion of Pennsylvania from east to west;
- the 110-mile north/south section identified as the Northeast Extension;
- the approximately 16-mile north/south connection, known as the Beaver Valley Expressway, which intersects the Turnpike Mainline in the southwestern portion of the Commonwealth;
- the approximately 13-mile Amos K. Hutchinson Bypass which adjoins the Turnpike Mainline near the New Stanton Interchange;
- the completed portion of the Mon/Fayette Expressway project totaling approximately 48 miles; and
- a 6-mile section of the Southern Beltway project from PA 60 to US 22.

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

The Turnpike Mainline connects with the Ohio Turnpike at its western terminus and with the New Jersey Turnpike at its eastern terminus. The Turnpike Mainline commences on the eastern boundary of Pennsylvania at the Delaware River Bridge which connects the System to the New Jersey Turnpike. The Turnpike Mainline traverses the state in a westerly direction generally paralleling the southern border of the state immediately north of Philadelphia and south of

Harrisburg to the vicinity of Somerset. West of Somerset, the highway follows a northwesterly direction to the northeast of Pittsburgh and to the Ohio state line, south of Youngstown, Ohio.

The System was constructed prior to the development of the National Interstate Highway System and no Federal Highway Trust Fund monies have been utilized in the construction of the Turnpike Mainline, Northeast Extension, Beaver Valley Expressway or Amos K. Hutchinson Bypass section of the Turnpike System. However, portions of the System have been designated as Interstate Routes. The Turnpike Mainline has been designated as Interstate Route 276 between the area where Interstate Route 95 crosses the System and the Valley Forge Interchange. The portion of the Turnpike Mainline west of the Valley Forge Interchange to the western terminus at the Ohio state line has been designated as Interstate Route 76. In addition, the Turnpike Mainline between the New Stanton and Breezewood Interchanges has been designated as Interstate Route 70. The Northeast Extension has been designated as Interstate Route 476. Portions of the Beaver Valley Expressway are designated as Interstate Route 376.

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

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

Interchanges and Service Plazas

The System has a total of 68 toll interchanges which connect it with major arteries and population centers along its 552-mile traffic corridor. Thirty-two of the interchanges are located on the Turnpike Mainline, including Turnpike Mainline barriers at the New Jersey and Ohio state lines, and 11 interchanges are situated on the Northeast Extension. The additional 25 interchanges are located on the Beaver Valley Expressway, Amos K. Hutchinson Bypass, and completed segments of the Mon/Fayette Expressway and Southern Beltway. In addition, the System also has four E-ZPass Only interchanges as discussed below under "E-ZPass Only".

There are 17 service plazas along the System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. The Commission has entered into long term service plaza redevelopment agreements with HMSHost Restaurants, LLC and Sunoco, Inc.[4] to design, reconstruct, finance, operate and maintain all of the service plazas. The Commission has no responsibility for maintaining the service plazas under the agreements. Since the Commission entered into the agreements in 2005, all 17 rebuilt service plazas have opened. Cumulatively, HMSHost Restaurants, LLC and Sunoco, Inc. have invested approximately $190 million in service

4 Pursuant to an Assignment and Assumption of Real Property Lease Agreement executed on January 23, 2018, Sunoco Retail LLC, as successor in interest to Sunoco, Inc. (R&M) ("Sunoco"), assigned its interest in the lease agreement by and between the Commission and Sunoco, as amended and supplemented, to 7-Eleven, Inc.

renovation projects, at no cost to the Commission. The Commission recorded income of approximately $3.9 million and $4.1 million under the service plaza agreements in Fiscal Years 2017-2018 and 2016-2017, respectively, which is based on volume rental payments plus a percentage of revenue generated.

Additional Services

In addition to 773 field personnel in 22 facilities available to keep the roadway open and safe in the event of unfavorable road conditions, the Commission has a 24/7 Traffic Operations Center which monitors conditions on the System and provides emergency dispatch.

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

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

In December 2011, the Pennsylvania Department of Environmental Protection announced a $1 million grant award to help develop electric vehicle infrastructure on the System. The grant recipient, Car Charging Group Inc. (CCGI) was to install charging stations at 15 of the System's mainline service plazas (the Project). The Commission committed additional funding of up to $500,000 to upgrade the electrical systems at the plazas to accommodate the charging stations. The first three phases of the work have been completed. Electric vehicle charging stations are currently installed and operational at the following service plazas: New Stanton, Oakmont, King of Prussia, Bowmansville and Peter J. Camiel. CCGI is unable to complete the Project. As a result, on April 19, 2017, DEP terminated the grant and revoked further funding under the grant. The Commission is in the process of attracting other vendors to complete the project, at which time the Commission will terminate its agreement with CCGI.

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

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

In October 2016, the Commission authorized the award of contracts to legal firms and financial consultants to assist in exploring a broadband network public-private partnership (P3) project, including the designing, building, financing, operating and maintenance of a fiber network for Commission data communications and the marketing and leasing of excess network capacity to private users along the System. The new system would replace an existing digital microwave network. To date, the Commission has shortlisted potential P3 teams and a final Request For

Proposal is expected to be issued in the Fall of 2018 with an award and financial closure of the transaction anticipated in early 2019.

E-ZPass Lanes

The Commission has installed E-ZPass, a form of electronic toll collection, throughout the System. Not only has E-ZPass enhanced safety and convenience for users of the System, but the technology has improved traffic flow and reduced congestion at the System's busiest interchanges, especially in southeastern Pennsylvania. The use of electronic tolling has enhanced the overall efficiency of the Commission's toll collections operations and has resulted in a reduction in the number of required full-time and part-time toll collectors. Express E-ZPass lanes have been constructed at seven interchanges and permit E-ZPass customers to travel through the toll plaza at highway speeds. In addition, and as of September 1, 2018, E-ZPass customers traveling in 17 other states that have implemented E-ZPass technology are able to use E-ZPass in those states. Currently, E-ZPass is available on the entire System, including the western extensions. The Commission has not experienced any material problems in connection with the installation or operation of the E-ZPass system.

To help ensure, protect and preserve the collection of toll revenue due to the Commission, a violation enforcement system ("***VES***") has been installed at all interchanges where E-ZPass has been installed to identify violators (customers who travel through E-ZPass lanes and do not have E-ZPass) and motorists with problem tags that are unreadable. VES enables the Commission to collect appropriate tolls and other additional fees relating to violations. Legislation passed in 2000 included enforcement provisions for E-ZPass, including, among other things, certain evidentiary presumptions with respect to whether the registered vehicle owner was the operator of the vehicle, procedures for notifying the vehicle owner of the violation charged and the imposition upon the vehicle owner of civil penalties for violations. Act 89 included enhanced fare evasion measures and criminal penalties pertaining to E-ZPass violators. Under Act 89, motorists who commit or attempt to commit fare evasion on the System shall have committed a summary offense and upon conviction, shall be fined a sum between $100 and $1,000 in addition to civil penalties that are already in place. Further, motorists who take affirmative action to evade a System fare shall, upon conviction, have committed a misdemeanor of the third degree which will be punishable by fines ranging from $3,000 to $6,500 (depending on the number of offenses) and imprisonment of not more than six months for a second offense. Revenue generated from the additional fare evasion fines imposed by Act 89 is to be deposited in the Commonwealth's Motor License Fund rather than with the Commission; however, restitution for the full fare is due to the Commission. See "CERTAIN FINANCIAL INFORMATION - Performance Audit by the Auditor General" below for Auditor General findings with respect to enforcement powers of Commission. Subsequent to the Auditor General's Performance Audit, Act 165 was signed into law which, among other things, allows for the suspension of vehicle registration for unpaid tolls. In January 2018, the Commission began sending notices of possible vehicle registration suspensions under authority from Act 165 and in February 2018, PennDOT began suspending certain vehicle registrations. More recently, in April 2018 the Commission began filing criminal charges against some of the largest toll violators for theft of services. Such criminal charges are being brought in cooperation with local prosecutors and have resulted in various plea and settlement arrangements. See "THE COMMISSION - Recent Developments and Pending Legislation" above for additional information on Act 165.

The Commission's annual revenues from Electronic Toll Collection (ETC – which includes revenues from E-ZPass, VES and Toll by Plate) have increased to $958.6 million during the Fiscal Year ended May 31, 2018 from $860.1 million for the Fiscal Year ended May 31, 2017. The Commission's annual revenues from ticketed drivers (i.e., those not using ETC) decreased to $244.6 million during the Fiscal Year ended May 31, 2018 from $254.9 million for the Fiscal Year ended May 31, 2017. The Commission expects that E-ZPass usage will continue to increase. The following table summarizes the Commission's ETC penetration rates among passenger, commercial and total users for Fiscal Years 2014-2018.

ETC Penetration Rates

Fiscal Year	Passenger	Commercial	Total
2014	70%	85%	72%
2015	73%	87%	75%
2016	75%	89%	77%
2017	78%	90%	79%
2018	81%	92%	83%

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

New highway construction projects, such as the Mon/Fayette Expressway and Southern Beltway, are being designed and built to be compatible with the E-ZPass system. The installation of the E-ZPass system has required the incorporation of innovative technologies into a single toll system that uses hardware and software adaptable to future technologies. The Commission has a contract, extending through 2024, with TransCore Company for the design, installation and maintenance of the E-ZPass system software and hardware and the operation of the E-ZPass Customer Service and Violations Processing Centers. The E-ZPass system implementation is a major component of the Commission's Capital Plan. For a more complete description of the Commission's Capital Plan, see "CAPITAL IMPROVEMENTS – Ten-Year Capital Plan" herein.

Plans call for enhancements to E-ZPass lane signage and the design of additional Express E-ZPass lanes.

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

E-ZPass Plus

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

E-ZPass Only

The Commission has constructed four E-ZPass Only interchanges which are designed for the exclusive use of E-ZPass customers: Virginia Drive (located east of the Fort Washington interchange); Street Road (located west of the Bensalem interchange); Route 29 (located west of the Valley Forge Interchange) and at Route 903 in Carbon County. E-ZPass Only entrance and exit ramps (not a full interchange) have also been constructed at Lansdale (original toll booth/E-ZPass interchange remains open to all traffic). In addition, cashless tolling locations have been constructed and are operational at the following locations: 1) Delaware River Bridge (westbound) which is part of the I-95 Connector in Bucks County; 2) Beaver Valley Expressway; 3) Keyser Avenue/Clark Summit; and, 4) Findlay Connector. These cashless tolling locations are "pilot projects" converting segments of the System to cashless technology. These E-ZPass Only interchanges, cashless tolling and other similarly planned interchanges are expected to reduce congestion at the System's busier interchanges and provide convenient access to industrial parks and job centers.

Cashless Tolling

Early in 2011, the Commission initiated a feasibility study to examine the benefits and potential issues associated with converting the toll road to a cashless system. The team of McCormick Taylor/CDM Smith (formerly Wilbur Smith Associates) was selected to conduct the study which included an overview of the existing toll collection system and an analysis of cashless systems throughout the United States, comparing the costs and benefits of various electronic tolling options. The feasibility report (the "***Feasibility Report***") was completed in March 2012, and at that time the Commission determined, based on the assumptions in the Feasibility Report, that conversion to a cashless system was technically feasible from both a financial and physical perspective. In July 2012, the Commission selected HNTB Corporation to act as its Program Manager to lead and direct the multi-disciplinary efforts required to manage and coordinate the design and implementation of a cashless system. The Conceptual Implementation Plan report, including a schedule for conversion, was issued in October 2014.

Following the enactment of Act 89, the Commission re-evaluated the schedule, which had contemplated full conversion to a cashless, non-stop system by 2018, and determined that a modified schedule for implementation would be necessary. Further consideration resulted in an approach whereby the existing toll lanes would be equipped with the necessary technology to allow for cashless tolling to occur at the existing plaza locations. At present, the Commission has only authorized the deployment of a "pilot project" involving four segments of the cashless system consisting of the Delaware River Bridge, which went into operation in January 2016; the Beaver Valley Expressway, which went into operation in April 2017; Keyser Avenue/Clarks Summit, which went into operation in April 2018; and the Findley Connector, which went into operation in June 2018. Cashless tolling is being implemented, in part, by a new "TOLL BY PLATE" system. Non-E-ZPass customers are invoiced for assessed tolls. Cameras on overhead gantries capture a vehicle's license plate at highway speed, and a toll invoice is mailed to the vehicle's registered owner. Although existing toll booths would be removed from service at locations where TOLL BY PLATE is implemented, E-ZPass customers will still use transponders to pay tolls at such locations as overhead gantries are equipped to read E-ZPass transponders. Additional information regarding a cashless tolling system is available on the Commission's website at http://www.paturnpike.com/cashlesstolling/cashlesstolling.asp.[5]

CAPITAL IMPROVEMENTS

Act 61 Projects

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

System Maintenance and Inspection

The Commission's engineering and maintenance staff performs maintenance on, and repairs to, the System. In addition, the Commission also uses staff and consultants to perform periodic inspections of the System. Pursuant to the terms of the Senior Revenue Indenture, the Commission must arrange for the System to be inspected at least once every three years by engaging one or more consultants to conduct inspections and prepare a report. The report must state (a) whether the System has been maintained in good repair, working order and condition since the last inspection report and (b) any recommendations which such consultants may have as to revisions or additions to the Commission's annual capital budget. The most recent inspection report, the Pennsylvania Turnpike Condition Assessment Report 2017 (submitted to the Commission in February 2018), was prepared by Michael Baker International (the "***Condition Assessment Report***"). The next Turnpike Condition Assessment Report is scheduled for completion during 2020 and the Commission anticipates receiving the report in either late 2020 or early 2021.

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

5 The information contained on such website link is not incorporated by reference in this Appendix A.

The following summarizes certain information found in the Condition Assessment Report, including certain of the "specific areas" referred to in the preceding paragraph, and in inspection data gathered in 2017. Three of the four asset groups, including Roadway, Structures and Facilities are rated "Good" overall. The asset group Technology is rated "Fair" to "Good." Each of the asset groups is in working order based on the condition ratings of the individual assets within the asset group. The individual asset condition rating was developed through an extensive evaluation of available performance data that was both qualitative and quantitative. There were several different evaluation measures used across the array of Commission assets. The derivation of the individual asset rating is detailed in each section of the Condition Assessment Report. The following is an overall summary for each of the four asset groups.

Roadway

The recent roadway pavement inspection data indicate that the overall condition of the Commission pavement meets or exceeds established criteria with the area noted for skid resistance as the only exception. The supporting roadway features guiderail, attenuators, and median barrier are generally in Fair to Good condition. These assets require regular inspection and prompt repair when damaged for the safety of the Commission customers. Stormwater/Best Management Practices facilities are in Good condition and are being inspected in accordance with permitting requirements; however, a continued focus on regular maintenance or repair of these facilities is needed to keep them functioning as intended. The roadway drainage system seems to be in Fair condition based on qualitative approach used to evaluate this asset. More detailed inspections would be needed to verify the condition of drainage facilities and to establish necessary maintenance activities beyond the routine annual maintenance that the Commission currently performs. Based on a recent visual inspection and a comparative analysis from the 2015 Rock Cut Evaluation, the rock cuts appear to be in Good condition. The overall condition of signs is Good and is being maintained adequately. Recent field evaluations of the Commission's highly reflective pavement markings and waterborne pavement markings at selected locations indicate that the Commission's pavement markings are in Good condition.

Structures

The Turnpike's bridges and culverts are in Good condition with about 4.2 percent noted as structurally deficient and 58 percent exceeding 50 years in age. Sign structures are in Good condition. Retaining walls/noise barriers are in Good condition overall, with only minor areas of concern and no loss of structural integrity. High mast light poles appear to be in Fair condition. High mast light poles are being removed with construction projects that impact them, and will ultimately be phased out. Turnpike tunnels are generally in Fair condition with special attention to be given to structural elements (i.e., ceiling slabs, hanger rods) for corrective action, if needed.

Facilities

Facility condition reports are shared with HMS/Host and Sunoco, who are contractually obligated to operate and maintain the service plazas, to assist with their maintenance responsibilities and capital plans reflecting maintenance needs. Annual facility condition assessments are completed by the Commission and shared with HMS/Host. HMS/Host takes corrective actions on deficiencies and informs the Commission when corrected. The Commission does monthly inspections to ensure deficiencies have been corrected. Issues raised regarding the service plaza conditions have been resolved by HMS/Host and there are no current issues regarding the conditions of the service plazas. The service plazas are rated as Good. Maintenance buildings are in Fair condition with a number of these buildings requiring rehabilitation. Projects are developed based on Condition Assessment reports with funds being allocated to the Capital Plan to support these projects. The overall condition is Good for the following facilities types: Interchange buildings, Administration buildings, District Fare Collection buildings, and Stockpiles. The State Police Station facilities are rated Good. The two warehouse and training facilities that were assessed in conjunction with the Eastern Training Facility are rated in Fair to Good condition. Overall, the Communication Towers are rated as Fair. Since taking responsibility for inspection and maintenance of the communication towers in 2013, Facilities and Energy Management Operations has advanced a tower climbing and structural analysis review program to assess the condition of Communications Towers. Climbing inspections have been completed on 93% of the towers. Currently, eleven communication towers leased have been determined structurally overstressed and will exceed their design capacity if PTC modifications are made as part of a System-wide communications update initiative without structural reinforcement or other remedial actions. The Commission is currently working on reinforcement or tower replacement projects to support this initiative.

Technology

Technology is comprised of Intelligent Transportation System ("***ITS***") devices, Access Gates and Cashless Tolling equipment. The overall condition is Fair to Good for the ITS devices that were evaluated. The Commission's Information Technology Department continually monitors the virtual network and provides support in troubleshooting issues as needed. The Commission's ITS contractor maintains the ITS equipment through preventative and response maintenance plans. Access Gates are rated in Fair condition and are in the process of being upgraded to improve access capabilities. Cashless Tolling assets were recently deployed and are in Good condition.

Ten-Year Capital Plan

The Commission prepares the Capital Plan for its facilities and equipment (exclusive of the Mon/Fayette and Southern Beltway projects), consisting of the Highway Program, the Technology Program, Fleet Equipment, and Facilities and Energy Management Operations, which it updates each year. All capital projects are reviewed and prioritized and the most critical and important projects necessary to maintain the System in a state of good repair are pursued. The Commission undertook a five-year program of enhanced capital spending, initiated in 2012, to address critical needs of the System such as structurally deficient bridges and total reconstruction projects on the Turnpike Mainline. As a result of the five years of enhanced capital spending, the Commission's percentage of structurally deficient bridges (by count) decreased from 8.1% to 3.8% and the Commission's International Roughness Index improved from 84 to 73 (lower is preferable). Also, the enhanced capital spending enabled the construction of the I-95 toll modifications and primary connections (north/east and west/south, also known as Sections D10 and D20) between I-95 and the Turnpike Mainline, which is scheduled to open in September 2018.

The Capital Plan for Fiscal Year 2019 was adopted by the Commission on June 5, 2018. The adopted Capital Plan calls for investment of approximately $5.74 billion, net of federal reimbursements, over the coming decade and is estimated to support approximately 32,000 jobs from Fiscal Year 2016 to Fiscal Year 2020. The Capital Plan enables the Commission to undertake a number of capital improvements and to pursue new initiatives to maintain and improve the System ensuring that it remains in a state of good repair. The Capital Plan provides continued investment into the System, with an emphasis on the total reconstruction of the Turnpike Mainline and Northeast Extension, addressing structurally deficient bridges and the protection of the infrastructure assets of the Commission. The Capital Plan for Fiscal Year 2019, at approximately $5.74 billion, represents a relatively constant level of anticipated spending from the capital plan last adopted in June 2017 which totaled $5.62 billion. The Capital Plan for Fiscal Year 2019 represents continued investment in critical capital projects and therefore aids in the protection of Commission assets. The Capital Plan represents a continuation by the Commission to its historic levels of capital investment and the Capital Plan will require the issuance of additional debt throughout the ten-year period. The Commission believes that the capital spending and additional debt issuance, along with the continuing burden of Act 44 obligations to PennDOT, will require the imposition of annual toll increases throughout the ten-year period and beyond. The Traffic Study prepared by CDM Smith (formerly Wilbur Smith Associates) contemplates toll increases of 3.0% to 6.0% in each year.

Exhibit I attached to this Appendix A indicates budget allocations by program for the Capital Plan.

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

The highest priority highway project for the Commission is the ongoing full depth roadway total reconstruction of the east/west Turnpike Mainline and Northeast Extension. This work includes the reconstruction and widening of the roadway, the widening of the median, and the replacement of both Mainline and overhead bridges. To date, approximately 132 miles of total reconstruction have been completed and approximately 19 miles are currently in construction. Total reconstruction projects from Milepost 40 to 44, Milepost 202 to 206, Milepost 242 to 245, and Milepost A-31 to A-38 are in construction. Currently, approximately 82 miles are in design.

Based on the Capital Plan, the Commission plans to spend approximately $2.09 billion on total reconstruction projects and approximately $0.6 billion on various bridge and tunnel projects over the next ten years. In total, the Highway Program includes funding of approximately $4.472 billion, net of federal reimbursements, over the next ten years.

The Technology Program includes funding of approximately $189 million over the next ten years to address the Commission's technology needs including toll collection projects, communication, application development and technical operational needs. The Commission has implemented SAP ERP to provide a set of integrated business processes supported by multi-module application software with a centralized data repository.

The Fleet Program includes funding of approximately $191 million to purchase rolling stock to insure adequate maintenance of the roadway system.

The Facilities and Energy Management Program includes funding of approximately $390 million to repair and replace the aging facilities of the Commission. This commitment will ensure that major equipment and facilities are in good repair to support ongoing Turnpike System operations.

The implementation of and the potential conversion to a cashless tolling system is estimated to require approximately $471 million in capital funding over the next ten years. At present, as described above, the Commission has approved a pilot-program for cashless tolling implementation limited to four locations. See "THE TURNPIKE SYSTEM – Cashless Tolling" herein for additional information. Finally, the Commission will be undertaking an innovative public-private partnership to construct a broadband fiber network across the entire System. The capital costs associated with the fiber project are included in the Capital Plan with an estimate of $139 million.

Mon/Fayette Expressway and Southern Beltway

Four projects constructed as part of the Mon/Fayette Expressway are now in operation. One is an approximately six-mile toll road between Interstate Route 70 and U.S. Route 40 in Washington County. This project was built by PennDOT and turned over to the Commission upon its opening in 1990. The second is an approximately twelve-mile section of toll road from I-68 near Morgantown, West Virginia, to Fairchance, Pennsylvania, which is located just south of Uniontown. The third project is an approximately sixteen-mile section of the Mon/Fayette Expressway from Interstate Route 70 in Washington County to Pennsylvania Route 51 in Allegheny County, which opened in April 2002. The fourth is an approximately fifteen-mile section from Uniontown to Brownsville, including a 3,022-foot bridge over the Monongahela River, which opened to traffic in July 2012. These four contiguous projects, which total 48 miles from Morgantown, West Virginia to PA Route 51 south of Pittsburgh, are now part of the System. On March 21, 2017, the Commission announced that it would stop engineering-design activities on the final 14-mile section of the Mon/Fayette Expressway, extending from PA Route 51 to Interstate Route 376 near Monroeville east of Pittsburgh, in light of the Southwestern Pennsylvania Commission's recent decision to table the project. On June 26, 2017, the Southwestern Planning Commission voted to add the final 14-mile segment of the Mon/Fayette Expressway to its long-range plan. This action will allow the Federal Highway Administration to approve changes to the environmental impact statement, a requirement for construction to commence. The current estimates to complete the final 14 miles of the Mon/Fayette Expressway to Interstate Route 376 are in excess of $2 billion.

When eventually completed, the Mon/Fayette Expressway would extend from Interstate 68 in West Virginia to Interstate Route 376 in Monroeville, which is east of Pittsburgh.

The proposed Southern Beltway is to be constructed from the Mon/Fayette Expressway, near Finleyville, extending as part of a beltway south of Pittsburgh to Interstate 376 at the Pittsburgh International Airport. It is comprised of three distinct projects. The six-mile project from I-376 to U.S. 22 (also known as the Findlay Connector) opened to traffic in October 2006.

The project from U.S. 22 to I-79, received environmental clearance for its 13 miles in September, 2008 and is under construction with an estimated total project budget of $1.013 billion. Two of the seven roadway sections were bid in 2016, two were bid in 2017 and the remaining three sections have been or will be bid in 2018. Section 55A1, Section 55B, Section 55C1-1, Section 55C1-2 and 55C2-2 are currently in construction. The remaining two sections will be bid in 2018. When completed in late 2020 or early 2021, the U.S. 22 to I-79 portion of the Southern Beltway will be a cashless tolling facility. The remaining Southern Beltway project, from I-79 to the Mon/Fayette Expressway, received environmental clearance in May 2009. The final portion of the Southern Beltway is currently estimated to cost approximately $788 million. An EIS re-evaluation has been completed for the Mon/Fayette Expressway and submitted to PennDOT and FHWA. Final design is proceeding on the southern sections of the Mon/Fayette Expressway. Public plans displays for these southern sections were held the first week of April 2018. The proceeds of the Commission's Oil Franchise Tax Revenue Bonds, Series A and B of 1998, Oil Franchise Tax Revenue Bonds, Series A, B and C of 2003, and Oil Franchise Tax Revenue Bonds, Series A-1, B, C, D-2 and E of 2009, and Registration Fee Revenue Bonds, Series of 2001, along with then currently available revenues, were applied to fund the construction of the Mon/Fayette and Southern Beltway projects that have been completed to date. It is anticipated that the remaining costs to complete the Mon/Fayette Expressway and the Southern Beltway will be financed with Oil Franchise Tax Revenues (as defined herein), proceeds of the Oil Franchise Tax Senior Revenue Bonds, Series A of 2018 and the Oil Franchise Tax Subordinate Revenue Bonds, Series B of 2018, along with other funding sources. Although the open sections of the Mon/Fayette Expressway and the Southern Beltway are toll roads, the Tolls (as defined herein) pledged for the repayment of Turnpike Revenue Bonds will not be applied to the financing of their construction, which will be funded by Oil Franchise Tax Revenues.

The Commission has no legal obligation to complete the unfinished portions of the Mon/Fayette Expressway and Southern Beltway projects at this time. However, Act 89 has generated $142.8 million in annual Oil Franchise Tax Revenues for the Commission as of Fiscal Year 2017-2018.

I-95 Interchange

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

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

The first phase of the Interchange Project includes preparatory work and construction of a portion of the interchange between I-95 and the Turnpike Mainline, including northbound I-95 to the eastbound Turnpike Mainline and westbound Turnpike Mainline to southbound I-95 and is currently under construction. This phase included construction of a new mainline toll plaza and a cashless tolling plaza westbound, which opened in January 2016. The next construction contract, covering Turnpike Mainline Section D10, was bid on June 5, 2014 and construction was substantially completed in December 2017. The final contract in the first phase, covering Turnpike Mainline Section D20, was bid in the Summer 2015 and construction will continue through September 2018. The first phase of the Interchange Project is expected to be completed and open to traffic in September 2018. The portion of the Turnpike Mainline from the Interchange Project eastward to the Delaware River Bridge in Bucks County will be redesignated as Interstate 95. The second phase of the Interchange Project will include the completion of the reconstruction and widening of the remaining interchange connectors. The third phase will be the construction of a new wider bridge over the Delaware River, replacing the existing bridge. Funding for construction of the first phase is included in the Capital Plan. Funding for the second and third phases is not included in the Capital Plan.

CERTAIN FINANCIAL INFORMATION

Revenue Sources of the Commission

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

Toll Revenues

The largest part of the Commission's revenues is derived from the collection of all rates, rents, fees, charges, fines and other income derived by the Commission from the vehicular usage of the System and all rights to receive the same (the "***Tolls***"). The Tolls are presently pledged to secure the Commission's Turnpike Revenue Bonds (which includes the 2019 Bonds), other Senior Indenture Parity Obligations, as well as any subordinated indebtedness that may be issued under the Senior Revenue Indenture (collectively, the "***Senior Indenture Obligations***"). As of the date of the Official Statement, the Commission has $5,456,620,000 aggregate principal amount of Turnpike Revenue Bonds outstanding under the Senior Revenue Indenture.

The foregoing amount includes certain notes evidencing and securing $250,000,000 in loans through the Immigrant Investor Program (known as the EB-5 visa program) administered by the U.S. Citizenship and Immigration Services, the proceeds of which are being used to fund a portion of the I-95 Interchange Project and projects identified in the Commission's 2017-26 Ten-Year Capital Plan (the "EB-5 Loans"). The EB-5 Loans have been issued in five tranches (3 tranches on March 18, 2016, a fourth tranche on May 11, 2016 and the most recent tranche on February 21, 2018), each having a five-year term. At the end of each five-year term, the Commission will evaluate market conditions to determine whether to refinance the loans into either long term, privately placed or publicly offered Turnpike Revenue Bonds, based on numerous factors including the lowest available interest rates. See https://emma.msrb.org/ES1058248-

ES826410-ES1227554.pdf[6], https://emma.msrb.org/ES1058220-ES826391-ES1227532.pdf[7] and https://emma.msrb.org/ER1284410.pdf[8] for additional information on the EB-5 Loans.

Also included in the principal amount outstanding under the Senior Revenue Indenture is $886,925,000 aggregate principal amount of floating rate notes (FRNs) which includes a direct purchase obligation in the principal amount of $243,650,000.[9] See "CERTAIN FINANCIAL INFORMATION – Direct Purchase Obligations" for a summary of direct purchase obligations of the Commission. Other obligations incurred and outstanding under the Senior Revenue Indenture include the Commission's obligations under various interest rate swap agreements having a total current notional amount of $978,836,000. The Tolls are not pledged to secure the Oil Franchise Tax Revenue Bonds (as defined below), the Registration Fee Revenue Bonds (as defined below) or the bonds and other obligations issued (or otherwise secured) under the Subordinate Revenue Indenture (the "***Subordinate Indenture Obligations***"). All Subordinate Indenture Obligations are subordinated to the payment of the Senior Indenture Obligations issued under the Senior Revenue Indenture. See "THE COMMISSION – Enabling Acts - *Issuance of Bonds; Commission Payments*" herein.

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

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

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6 The information contained on such website link is not incorporated by reference in this Appendix A.

7 The information contained on such website link is not incorporated by reference in this Appendix A.

8 The information contained on such website link is not incorporated by reference in this Appendix A.

9 For more information on the Variable Rate Turnpike Revenue Bonds, Series B-1 and B-2 of 2017, see https://emma.msrb.org/EP1026404-EP795251-EP1196777.pdf. The information contained on such website link is not incorporated by reference in this Appendix A.

Oil Franchise Tax Revenues

The Commission's second principal stream of revenues consists of that portion of the Commonwealth's oil company franchise tax revenues (the "***Oil Franchise Tax Revenues***") allocated by statute to the Commission and pledged to the holders of bonds (also referred to herein as the "***Oil Franchise Tax Revenue Bonds***") as part of the Trust Estate securing those bonds. As of the date of the Official Statement, the Commission has $1,072,919,026.10 aggregate principal amount of Oil Franchise Tax Revenue Bonds outstanding under the Indenture (including compounded amounts as of June 1, 2018). The Oil Franchise Tax Revenue Bonds are secured solely by the Trust Estate securing those bonds which includes, among other things, such Commission Allocations. **The Oil Franchise Tax Revenues are not pledged to secure any Senior Revenue Indenture Obligations, any Subordinate Revenue Indenture Obligations or any Registration Fee Revenue Bonds.** Note, however, that funds in the Oil Franchise Tax General Fund may be used by the Commission for any purposes as authorized by the Enabling Acts.

Registration Fee Revenues

The Commission's third principal stream of revenues consists of that portion of the Commonwealth's vehicle registration fee revenues (the "***Registration Fee Revenues***") allocated by statute to the Commission or the holders of any of the Commission's Registration Fee Revenue Bonds (the "***Registration Fee Revenue Bonds***"), of which $377,895,000 aggregate principal amount is outstanding as of the date of this Official Statement, which includes a direct purchase obligation in the aggregate principal amount of $231,425,000. See "CERTAIN FINANCIAL INFORMATION – Direct Purchase Obligations" herein for a summary of direct purchase obligations of the Commission. The Registration Fee Revenue Bonds, the proceeds of which were spent on portions of the Mon/Fayette Expressway and the Southern Beltway, are secured by Registration Fee Revenues. Registration Fee Revenue Bonds are to be paid solely from the Registration Fee Revenues. **The Registration Fee Revenues are not pledged to secure any Senior Revenue Indenture Obligations, Subordinate Revenue Indenture Obligations or the Oil Franchise Tax Revenue Bonds.**

Direct Purchase Obligations

Below is a summary of direct purchase obligations of the Commission outstanding as of the date of this Official Statement. These transactions may include terms and provisions, including but not limited to covenants and events of default, that are different from those contained in the Senior Revenue Indenture, Subordinate Revenue Indenture, and/or the Registration Fee Indenture. Copies of certain agreements relating to these transactions have been filed on, and may be viewed on, the Municipal Securities Rulemaking Board - Electronic Municipal Market Access (EMMA) website as referenced below.

EB-5 Loans (Senior)

A $200,000,000 draw-down loan authorized under the Immigrant Investor Program (known as the EB-5 visa program) administered by the U.S. Citizenship and Immigration Services is a parity obligation with Turnpike Revenue Bonds and other parity obligations issued under the Senior Revenue Indenture. The entire $200,000,000 has been drawn.

An up to $800,000,000 draw-down loan is authorized through the EB-5 visa program. $50,000,000 has been drawn to date, leaving $750,000,000 currently not drawn. Such loans are and, when advanced, will be parity obligations with Turnpike Revenue Bonds and other parity obligations issued under the Senior Revenue Indenture.

Additional information regarding the forgoing loans can be found at:

https://emma.msrb.org/ES1058248-ES826410-ES1227554.pdf[10]
https://emma.msrb.org/ES1058220-ES826391-ES1227532.pdf[11]
https://emma.msrb.org/ES1058229-ES826390-ES1227529.pdf[12]
https://emma.msrb.org/ ER1284410.pdf[13]

See also “CERTAIN FINANCIAL INFORMATION – Revenue Sources of the Commission – Toll Revenues” and “CERTAIN FINANCIAL INFORMATION – Revenue Sources of the Commission – Future Financing Considerations” herein.

2017B Turnpike Revenue Bonds (Senior)

Variable Rate Turnpike Revenue Bonds, Series B-1 and B-2 of 2017 (the “2017B Turnpike Revenue Bonds”), of which $140,320,000 aggregate principal amount is outstanding as of the date of this Official Statement, were issued under the Senior Revenue Indenture and are parity obligations with Senior Revenue Bonds and other parity obligations issued under the Senior Revenue Indenture. Additional information regarding the 2017B Turnpike Revenue Bonds can be found at: https://emma.msrb.org/EP1026404-EP795251-EP1196777.pdf.[14]

2017C Turnpike Revenue Bonds (Senior)

Fixed Rate Turnpike Revenue Bonds, Series C of 2017 (the “2017C Turnpike Revenue Bonds”), of which $103,330,000 aggregate principal amount is outstanding as of the date of this Official Statement, were issued under the Senior Revenue Indenture and are parity obligations with Senior Revenue Bonds and other parity obligations issued under the Senior Revenue Indenture. Additional information regarding the 2017B Turnpike Revenue Bonds can be found at: https://emma.msrb.org/ER1116424-ER873302-ER1273998.pdf.[15]

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10 The information contained on such website link is not incorporated by reference in this Appendix A.

11 The information contained on such website link is not incorporated by reference in this Appendix A.

12 The information contained on such website link is not incorporated by reference in this Appendix A.

13 The information contained on such website link is not incorporated by reference in this Appendix A.

14 The information contained on such website link is not incorporated by reference in this Appendix A.

15 The information contained on such website link is not incorporated by reference in this Appendix A.

First Series of 2017 Bonds (Subordinate)

Turnpike Subordinate Revenue Refunding Bonds, First Series of 2017 (the "First Series of 2017 Bonds"), of which $291,850,000 aggregate principal amount is outstanding as of the date of this Official Statement, were issued under the Subordinate Revenue Indenture and are parity obligations with certain Subordinate Revenue Bonds and other parity obligations issued under the Subordinate Revenue Indenture. Additional information regarding the First Series of 2017 Bonds can be found at: https://emma.msrb.org/ES1055711-ER826006-ES1225682.pdf.[16]

2005 Registration Fee Bonds (Registration Fee)

Registration Fee Revenue Bonds, Series B, C, and D of 2005 (the "2005 Registration Fee Bonds"), outstanding in the aggregate principal amount of $231,425,000 as of the date of this Official Statement, were converted to a direct purchase transaction in October 2015. The 2005 Registration Fee Bonds were issued under a separate Indenture, as subsequently amended and supplemented, securing Registration Fee Revenue Bonds and are parity obligations with Registration Fee Revenue Bonds and any other parity obligations issued under such Indenture. In July 2018, necessary amendments were made to the bond documents to allow for the modification of the interest rate. Additional information regarding the 2005 Registration Fee Bonds can be found at: https://emma.msrb.org/EP1026791-EP795538-EP1197062.pdf[17] and at https://emma.msrb.org/ES1188445-ES928832-ES1329795.pdf[18].

Toll Schedule and Rates

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

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

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16 The information contained on such website link is not incorporated by reference in this Appendix A.

17 The information contained on such website link is not incorporated by reference in this Appendix A.

18 The information contained on such website link is not incorporated by reference in this Appendix A.

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

- On July 22, 2008, the Commission approved a toll increase in the amount of 25% (except for the Southern Beltway and the Mon/Fayette Expressway) which became effective on January 4, 2009, with the expectation that it would implement annual increases thereafter.

- On August 18, 2009, the Commission approved a toll increase in the amount of 3% (except for the Southern Beltway) which became effective on January 3, 2010.

- On July 13, 2010, the Commission adopted several revenue enhancement measures that took effect on January 2, 2011. For E-ZPass users, tolls increased by 3%. For cash customers, tolls increased by 10% (rounded to the nearest $0.05). (Tolls on the Southern Beltway were not increased.) Annual fees for use of E-ZPass transponders increased from $3 per transponder to $6 per transponder. Finally, the commercial discount program, which provided for tiered discounts of 10%, 15% and 20% off published toll rates depending on total monthly fares, was adjusted to provide tiered discounts of 5%, 10% and 15%. These revenue enhancements were used to provide funds for payments under the Amended Funding Agreement and other Act 44 purposes, including funding of the Commission's capital expenditure program and normal operating expenditures.

- On July 19, 2011, the Commission approved a toll increase (except on the Southern Beltway) which took effect on January 2, 2012. E-ZPass users did not see a toll increase, and cash customers saw an increase of 10%. In addition, commercial discounts were reduced. The 15% volume discount was eliminated and the remaining discounts were set at a 5% discount for $5,000-$10,000 in monthly tolls and a 10% discount for more than $10,000 in monthly tolls. In addition, the Commission also approved approximate overall toll rate increases that among E-ZPass users and cash customers would average 3% annually for each of the 2013 and 2014 calendar years.

- At meetings on July 18, 2012 and September 4, 2012, the Commission approved toll increases which became effective on January 6, 2013. Tolls for cash customers generally increased by 10%, except for the Southern Beltway, and tolls for E-ZPass users increased by 2%. On the Southern Beltway, cash tolls for all classes (which had never increased since its opening in 2006) increased by 50%, and E-ZPass rates increased by 25%. Annual fees for non-commercial use of E-ZPass transponders decreased from $6 per transponder to $3 per transponder due to lower cost from the supplier. Finally, the commercial discount program was further adjusted. The 10% discount was eliminated and the minimum toll amount for discount eligibility increased from $5,000 to $10,000. The revised discount program provided for a 5% discount on total monthly fares of $10,000 or more.

- At its meeting on July 16, 2013, the Commission clarified its previously approved toll increase which was to occur in January 2014. The Commission approved a differential to the toll increases which became effective on January 5, 2014. Tolls (except on the Southern Beltway) increased by 12% for cash customers and by 2% for E-ZPass users. The toll increase differential kept the overall toll revenue increase to approximately 3%, in keeping with previous approvals of the Commission. Additionally, the remaining commercial discount program (5% volume discount on total monthly fares of $10,000 or more) was approved for elimination, effective January 5, 2014.

- At its meeting on September 20, 2013, the Commission partially reinstated the commercial discount to provide a three percent (3%) discount to Turnpike System commercial E-ZPass account holders that expend $20,000 or more in tolls per month on the Turnpike System.

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

- On July 7, 2015, the Commission approved a toll increase in the amount of 6% for both cash and E-ZPass users effective January 3, 2016.

- On July 19, 2016, the Commission approved a toll increase in the amount of 6% for both cash and E-ZPass users effective January 2017.

- On July 18, 2017, the Commission approved a toll increase in the amount of 6% for both cash and E-ZPass users effective January 2018 and apply to all portions of the Turnpike System, except as follows: (i) no toll increase for Delaware River Bridge E-ZPass and Toll-By-Plate customers, (ii) Clarks Summit & Keyser Avenue toll rates will increase in April 2018 with the conversion of these locations to Cashless Tolling, and (iii) Findlay Connector toll rates will increase in April 2018 or at the time of conversion to Cashless Tolling if different than April 2018, and will be as follows: (x) E-ZPass - $1.00 and (y) Toll-By-Plate - $1.50.

- On July 3, 2018, the Commission approved a toll increase in the amount of 6% for both cash and E-ZPass users which will be effective January 2019.

- The full System toll schedules for the Turnpike Mainline and various extensions can be viewed at https://www.paturnpike.com/toll/tollmilage.aspx.[19]

[19] The information contained on such website link is not incorporated by reference in this Appendix

Subject to the detailed description above, here is a chart summarizing the fundamental rate increases since 2008:

Toll Increase History Since 2008		
Effective	Percent Increase	
Date	Cash	EZPass
1/4/2009	25%	25%
1/3/2010	3%	3%
1/2/2011	10%	3%
1/2/2012	10%	0%
1/6/2013	10%	2%
1/5/2014	12%	2%
1/5/2015	5%	5%
1/3/2016	6%	6%
1/8/2017	6%	6%
1/2/2018	6%	6%
1/2/2019	6%	6%

Traffic and revenue data for Fiscal Year ended May 31, 2018 indicates a 7.7% increase in net fare revenue, with a 0.4% increase in traffic volume, as compared to data for Fiscal Year ended May 31, 2017.

The following Table I illustrates the tolls and per mile rates applicable to each vehicle class for a trip on the Turnpike Mainline from Interchange 1 through Interchange 353 following the toll increase effective January 7, 2018:

TABLE I
Current Tolls and Per Mile Rates for Mainline
Roadway East - West Complete Trip
Neshaminy Falls[1] - Warrendale (Ticket System)

Vehicle Toll Class	Gross Vehicle Weight (Thousand Pound)	Toll Rate Cash Effective 1/2018	Per Mile Cash Rate	Toll Rate EZ-Pass Effective 1/2018	Per Mile EZ-Pass Rate
1	1-7	47.55	0.147	34.07	0.105
2	7-15	69.85	0.216	50.03	0.155
3	15-19	84.35	0.261	60.38	0.187
4	19-30	101.15	0.313	72.47	0.224
5	30-45	141.85	0.439	101.80	0.315
6	45-62	177.90	0.551	127.69	0.395
7	62-80	254.70	0.789	182.89	0.566
8	80-100	333.85	1.034	239.84	0.743
9	Over 100	1836.40	5.685	1319.950	4.087

[1] Effective January 3, 2016 the eastern-most terminus of the ticket system was moved about six miles to the west from the former Delaware River Bridge toll plaza to the new Neshaminy Falls toll plaza. As a result of this change, Table I may differ from prior versions issued by the Commission.

Notes:
The above rates represent an "East West" trip for the ticket toll system between the Neshaminy Falls (#353) interchange and Warrendale (#30). The 30-mile Gateway to Warrendale roadway between Warrendale and the Ohio Turnpike has a barrier toll at the Gateway Mainline interchange (#2). For purposes of the Senior Indenture, the Mainline is the entire length of the roadway between Ohio and the Delaware River Bridge. The toll on the Gateway connector is payable only when traveling eastbound and is standard for all vehicles of a class, regardless of distance traveled. ***The cash rate as of January 7, 2018 is $7.45 for the first two axles, $14.65 for three axles, $21.90 for four axles, $29.00 for five axles and $36.20 for six axles.***

Beginning January 3, 2016 the Commission has implemented a new "cashless tolling" system from the Delaware River Bridge to the new Neshaminy Falls toll plaza. The toll on the Delaware River Bridge to Neshaminy Falls portion is a one-way toll westbound only, and is collected by a new "toll-by-plate" system or by E-ZPass. ***The toll-by-plate rate as of January 7, 2018 is $6.75 for the first two axles, $13.50 for three axles, $20.25 for four axles, $27.00 for five axles and $33.75 for six axles. The E-ZPass rate is $5.00 for the first two axles, $10.00 for three axles, $15.00 for four axles, $20.00 for five axles, and $25.00 for six axles.*** Permits are required for all over-dimensional loads.

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

Five-Year Financial History

The following Table II summarizes certain operating and revenue information with respect to the System for the Fiscal Years from 2014 to 2018 and the three-month period ended August 31, in Fiscal Years 2018 and 2019. The following Table III summarizes certain financial information with respect to the System for the Fiscal Years from 2014 to 2018. This information is derived from the Commission's regularly prepared books and records. The financial information presented in Table III is a combination of cash basis financial statements with certain accruals included. **Such information is not presented in accordance with generally accepted accounting principles and has not been audited.**

Tables II and III should be read in conjunction with the financial statements prepared in accordance with generally accepted accounting principles and related notes included in "APPENDIX B – AUDITED 2018 AND 2017 FINANCIAL STATEMENTS" of this Official Statement (the "***Financial Statements***").

The Commission currently makes certain operating and financial information, including its audited annual financial statements and information corresponding to the information set forth below in Tables II and III, available through the Municipal Securities Rulemaking Board - Electronic Municipal Market Access (http://www.emma.msrb.org)[20] pursuant to its undertakings in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. Information to be provided pursuant to the Commission's undertaking in connection with the bonds offered pursuant to this Official Statement is described in the forepart of this Official Statement under the caption "CONTINUING DISCLOSURE."

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

	Fiscal Year Ended May 31					Three-Months Ended August 31, **	
	2014	**2015**	**2016**	**2017**	**2018**	**FY 2018**	**FY 2019**
Number of Vehicle Transactions:*							
Passenger	163,788	166,192	171,566	172,617	172,502	48,915	49,617
Commercial	24,891	26,144	27,319	27,686	28,652	8,052	8,418
Total	188,679	192,336	198,885	200,303	201,154	56,967	58,035
Fare Revenue:							
Passenger	$497,671	$533,054	$588,295	$638,787	$678,720	$192,210	205,508
Commercial	368,395	401,198	443,325	476,189	524,438	132,800	151,295
Total	$866,066	$934,252	$1,031,620	$1,114,976	$1,203,158	$325,010	$356,803
Discount	-4,220	-2,106	-1,504	-3,915	-6,552	-1,443	-2,296
Net Fare Revenues	$861,846	$932,146	$1,030,116	$1,111,061	$1,196,606	$323,567	$354,507

* number of vehicles is unaudited.
** FY 2019 unaudited.

Effective for the Fiscal Year-period ending August 31, 2018, the Commission is reporting traffic volume for both revenue and non-revenue transactions. Prior to this Fiscal Year period, the Commission only reported traffic volume classified as revenue transactions in its systems. As a result, this Table restates previously reported traffic volumes to reflect this change in reporting methodology. For purposes hereof, a revenue transaction is one that produces toll revenues and a non-revenue transaction may result in toll revenue.

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20 The information contained on such website link is not incorporated by reference in this Appendix A.

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

	Fiscal Year Ended May 31,					Three months ended August 31 *	
	2014	**2015**	**2016**	**2017**	**2018**	FY 2018	FY 2019
Revenues							
Net Fare Revenues	$861,846	$932,146	$1,030,115	$1,111,061	$1,196,606	$323,567	$354,507
Concession Revenues	3,554	3,722	3,932	4,100	3,911	1,255	1,249
Senior Interest Income	11,482	9,459	9,511	11,664	13,808	3,591	3,593
Subordinate Interest Income	3,237	3,384	3,975	4,314	4,948	1,183	1,311
MLF Enhanced Interest Income	198	165	190	248	530	60	115
Miscellaneous	15,355	13,867	18,644	19,235	757	4,261	1,506
Total Revenues	$895,672	$962,743	$1,066,367	1,150,622	1,220,560	$333,917	$362,281
Operating Expenditures (2)							
General & Administrative	$39,983	$39,541	$40,725	$47,861	$42,548	$11,853	$10,039
Traffic Engineering and Operations	3,966	3,986	4,654	3,813	3,244	799	835
Service Centers	22,448	24,128	28,304	32,304	35,556	9,647	10,027
Employee Benefits	83,810	98,475	107,646	113,986	98,515	26,271	26,815
Toll Collection	59,139	60,429	59,387	60,112	59,669	14,511	13,945
Normal Maintenance	74,789	73,792	64,545	66,191	73,429	13,518	13,565
Facilities and Energy Mgmt. Operations	9,850	10,957	10,886	11,266	12,080	3,102	2,592
Turnpike Patrol	39,818	41,234	46,161	47,223	48,807	11,437	11,374
Total Operating Expenditures	$333,803	$352,542	$362,308	$382,756	$373,848	$91,138	$89,192
Revenues less Operating Expenditures	$561,869	$610,201	$704,059	$767,866	$846,712	$242,779	$273,089
Senior Annual Debt Service Requirement	$158,995	$170,155	$215,019	$237,010	$379,042		
Coverage Ratio (3)	3.51	3.57	3.26	3.22	2.22 ◊		
Annual Subordinate Debt Service Requirement	$196,475	$205,627	$222,064	$233,804	$256,818		
Coverage Ratio (4)	1.58	1.62	1.61	1.63	1.33 ◊		
Annual MLF Enhanced Debt Service Requirement	$29,632	$36,027	$36,525	$43,348	$37,938		
Coverage Ratio (5)	1.46	1.48	1.49	1.49	1.26 ◊		

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

(2) Certain expenditure amounts for fiscal years 2014 and 2015 have been reclassified between General & Administrative and Toll Collection. The Commission had a recent reorganization that combined the Fare Collection and ETC departments and created a "Toll Collection" functional area. The reclassifications were necessary so prior year numbers were presented in a manner that is consistent with the modified reporting beginning in FY 2016.

(3) Calculated using Senior Interest Income
(4) Calculated using Senior and Subordinate Interest Income
(5) Calculated using Senior, Subordinate and MLFE Interest Income

◊ FY 2018 debt service coverage ratios reflect the voluntary retirement at maturity of $100 million of Senior floating rate notes that were originally expected to be refunded. Had the PTC chosen to refund the $100 million in notes FY 2018 Senior, Subordinate and MLF Enhanced debt service coverage ratios would have been 3.04, 1.58 and 1.48 respectively.

* FY 2019 unaudited

Budget Process

The Commission's Finance and Administration Department develops preliminary budget information for all Commission departments. This information is provided to each of the respective departments for their review and to enable them to make any proposed revisions for their budget requests. The information is then returned to the Finance and Administration Department and a Commission wide preliminary budget is prepared. This budget is reviewed by senior management and, in cooperation with the respective departments, revisions are made when necessary to conform to the annual financial plan. The final recommended budget is then presented to the Board of Commissioners for formal approval.

In addition, Act 44 requires the Commission to prepare and submit an annual financial plan to the Secretary of the Budget of the Commonwealth no later than June 1 of each year for the ensuing Fiscal Year, describing its proposed operating and capital expenditures, borrowings, liquidity and other financial management covenants and policies, estimated toll rates and all other revenues and expenses. The purpose of the annual financial plan is to demonstrate that the Commission's operation in accordance with such plan can be reasonably anticipated to generate unencumbered funds sufficient to make all payments due to PennDOT under Act 44, Act 89 and the Amended Funding Agreement in the upcoming year after all other Commission obligations and interest thereon, sinking fund requirements of the Commission, and other requirements in any trust indenture, notes or resolutions have been met. Any deviations and the causes therefor in prior year plans must be explained. The Commission delivered to the Secretary of the Budget its Act 44 Financial Plan on June 1, 2018. See "THE COMMISSION – Enabling Acts – *Rules Relating to Governance and Accountability Under the Enabling Acts*" above.

Performance Audit by the Auditor General

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

122") also requires the Auditor General to conduct a financial audit and a compliance audit of the Commission every four years.

On September 2, 2016, Auditor General Eugene A. DePasquale issued a final report presenting the results of his quadrennial audit of the Commission under Act 44 and Act 122. The financial portion of the audit covered the period from June 1, 2010 to May 31, 2015, and the performance portion of the audit covered the period from June 1, 2014 to July 11, 2016. The Auditor General's office did not conduct its own financial audit but reviewed audits and supporting documentation of the independent firm that audits the Commission's financial statements annually, including working papers for the five Fiscal Years ended May 31, 2011 through May 31, 2015.

The audit report includes new findings with respect to the following areas:

- Commission's ability to raise toll revenue to cover Act 44/89 payments to PennDOT and expenditures for capital projects is potentially unsustainable;
- rapid increases in toll violations with little enforcement power may lead to additional financial problems for the Commission; and
- compliance with Commission policies and procedures in connection with services and supplies contracts; compliance with Commonwealth's Procurement Code in connection with construction contracts.

The audit report also includes recommendations relating to prior audit findings with respect to the following areas:

- non-revenue use of the Turnpike System by Commission employees;
- non-revenue use of the Turnpike System by nearly 5,000 consultants, contractors, and other state government officials;
- continued or expanded monitoring, review and inspection of the Turnpike System's tunnels; and
- reimbursement of the travel and other expenses of Commissioners.

On August 18, 2016, in response to the release by the Auditor General of a draft report, the Commission's Chief Executive Officer responded by letter to the Auditor General, addressing the proposed recommendations of the Department of Auditor General. The full text of the Department of Auditor General's final report and the Commission's response may be found on the Commission's website at:

https://www.paturnpike.com/pdfs/business/finance/AuditorGeneralsPerformance AuditSept2016.pdf.[21]

On December 21, 2017, Auditor General Eugene A. DePasquale informed the Commission that the Department of the Auditor General (the "Department") will conduct a financial and

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21 The information contained on such website link is not incorporated by reference in this Appendix A.

performance audit of the Commission in accordance with Act 44 and Act 89. The financial portion of the audit will cover the period of June 1, 2015 through May 31, 2017 while the performance audit will cover the period of June 1, 2015 through the end of the Department's audit procedures. The Department has indicated that its preliminary audit objectives will include, but not be limited to a review and evaluation of the process of selecting and awarding construction contracts as well as to determine if the Commission's revenue collections are meeting projected toll revenue expectations in order to meet its payment obligations and planned capital improvement projects. To date, the Department has not issued its financial and performance audit.

Financial Policies and Guidelines

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

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

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

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

The Debt Management Policy establishes parameters and provides guidance governing the issuance and management of Commission debt. It addresses such issues as usage of unhedged variable rate debt, rate covenants and limitations on additional bonds and disclosure. Notwithstanding the rate covenants in the Senior Revenue Indenture and the Commission's Debt Management Policy, it is the internal policy of the Commission's management to maintain 2.00 debt service coverage on the Turnpike Revenue Bonds, 1.30 debt service coverage on the

Subordinate Revenue Bonds and 1.20 debt service coverage on the Special Revenue Bonds. For a discussion of the rate covenant under the Senior Revenue Indenture, see "SECURITY FOR THE 2018A BONDS – Rate Covenant" in the forepart of this Official Statement. The Commission's Debt Management Policy is available on the Commission's website at https://www.paturnpike.com/pdfs/business/Debt%20Management%20Policy%20Letter.pdf.[22]

Currently, approximately 89% of the Commission's outstanding debt is fixed rate, seven percent is synthetic fixed and four percent is unhedged variable rate.

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

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

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

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

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

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22 The information contained on such website link is not incorporated by reference in this Appendix A.

Prohibited Agreements. The Commission will not use Swaps that:

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

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

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

The Commission has interest rate exchange agreements with respect to its Turnpike Revenue Bonds, Series 2009A, 2010B, 2013B, 2014B, 2017B and 2018A. In addition, the Commission has interest rate exchange agreements with respect to its Subordinate Revenue Bonds Series 2017R-1, Registration Fee Revenue Bonds, Series 2005, and Oil Franchise Tax Revenue Bonds, Series 2009B and 2016A. The aggregate market value of the swaps to the counterparties thereto from the Commission was calculated as of August 1, 2018, as follows:

Interest Rate Exchange Agreements
As of August 1, 2018

Lien	Current Notional	Mark to Market Valuation
Senior Bonds	$978,836,000	($107,019,517)
Subordinate Bonds	291,850,000	7,455,860
Motor Vehicle Registration	231,425,000	(59,422,294)
Oil Franchise Tax	400,000,000	(3,117,995)

See Note 4, Note 7 and Note 9 to the Financial Statements for additional information relating to the foregoing. The Commission does not have any interest rate exchange agreements associated with its Special Revenue Bonds.

There are a number of risks associated with Swaps that could affect the value of the Swaps, the ability of the Commission to accomplish its objectives in entering into the Swaps and the ability of the Commission to meet its obligations under the Swaps. These risks include, among others, the following: counterparty risk – the failure of the counterparty to make required payments; credit risk – the occurrence of an event modifying the credit rating of the Commission or its counterparty; termination risk – the need to terminate the transaction in a market that dictates a termination payment by the Commission; tax risk – the risk created by potential tax events that could affect Swap payments; and basis risk – the mismatch between actual variable rate debt service and variable rate indices used to determine Swap payments.

In addition, on July 27, 2017, the Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR rates after 2021 (the "**FCA Announcement**"). Many of the Commission's Swaps use a LIBOR based rate as a reference rate for determining payments to be received or payments to be made thereunder. It is not possible to predict the effect of the FCA Announcement, any changes in the methods pursuant to which LIBOR rates are determined, or any other reforms to LIBOR that may be enacted, any of which may adversely affect the determination of LIBOR rates or result in the phasing out of LIBOR as a reference rate. Any such effects could result in a sudden or prolonged increase or decrease in reported LIBOR rates, or result in the replacement of LIBOR with other reference rates, and could have a negative impact on the market value of the Commission's swaps and the payment obligations of the Commission thereunder.

The Commission actively monitors the degree of risk and exposure associated with the Swaps to which it is a party but can offer no assurances that compliance with its Swap Policy will prevent the Commission from suffering adverse financial consequences as a result of these transactions.

The Commission has adopted additional financial policies related to post issuance compliance procedures and continuing disclosure.

The Tax-Exempt Debt, Build America Bonds and Other Tax-Advantaged Debt Post-Issuance Compliance Policies and Procedures (the "***Post Issuance Compliance Policy***") became effective on December 21, 2011 and implemented various policies and procedures to ensure that the Commission complies with all applicable federal tax rules related to its tax-exempt debt, Build America Bonds and other tax-advantaged debt issuances. Among other items, the policy requires compliance with all applicable federal tax documentation and filing requirements, yield restriction limitations, arbitrage rebate requirements, use of proceeds and financed projects limitations and recordkeeping requirements.

The Continuing Disclosure Policy was adopted by the Commission on February 2, 2016 and applies to all publicly offered Commission municipal securities that are subject to federal securities laws and/or continuing disclosure agreements. The policy requires the Commission to comply with all applicable securities laws, satisfy in a timely manner all contractual obligations undertaken pursuant to continuing disclosure agreements or otherwise, and to adhere to best practices for disclosure. The policy also requires the development, establishment and implementation of written procedures necessary to implement the Continuing Disclosure Policy, identifies key Commission participants responsible for disclosure, defines the role of Commission

Disclosure Counsel and addresses training and document retention related to disclosure obligations.

Copies of the Commission's Investment Policy, Liquidity Standard Policy, Debt Management Policy, Swap Policy, Post Issuance Compliance Policy and Continuing Disclosure Policy can be found on the Commission's website at: https://www.paturnpike.com/pdfs/about/Policy_Letters.pdf.[23]

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

Future Financing Considerations

The Commission may issue additional bonds under the Senior Revenue Indenture (in addition to the 2019 Bonds) and the Subordinate Revenue Indenture. In addition, the Commission may, from time to time, issue other notes and bonds payable from such sources as may be available so long as the Tolls, the Oil Franchise Tax Revenues securing the Oil Franchise Tax Revenue Bonds or the Registration Fee Revenues securing the Registration Fee Revenue Bonds are not pledged to such other notes and bonds or, if pledged, are pledged on a subordinate basis. The Commission anticipates that it will borrow substantial additional funds for the purpose of funding capital expenditures for the System pursuant to the Capital Plan. Borrowings for the Capital Plan are expected to be undertaken principally under the Senior Revenue Indenture. In addition, pursuant to Act 89, the Commission anticipates that it will borrow substantial additional funds for purposes of funding payments under Act 44, Act 89 and the Amended Funding Agreement through Fiscal Year 2021-2022. Such borrowings are expected to be undertaken principally under the Subordinate Revenue Indenture. In addition, the Commission may from time to time increase toll rates to meet the debt, capital and operational obligations of the Commission. The most recent toll increase that has gone into effect was on January 7, 2018. See "CERTAIN FINANCIAL INFORMATION – Toll Schedule and Rates" above for further information.

The Commission's Act 44 Financial Plan anticipates multiple funding sources will be utilized to support the estimated $5.74 billion in net costs associated with the Capital Plan. These funding sources will include the use of current revenues (pay-as-you-go), proceeds of Turnpike Revenue Bonds and proceeds of loans issued through the Immigrant Investor Program (known as the EB-5 visa program) administered by the U.S. Citizenship and Immigration Services. A portion of the proceeds of the 2018A-2 Bonds will fund certain costs of capital projects included in the Commission's current Capital Plan. Additionally, the Commission previously entered into a loan agreement dated August 4, 2016, (see http://emma.msrb.org/ES821235-ES644377-ES1039543.pdf [24] for a copy of such agreement) pursuant to which the Commission expects to borrow up to $800 million (in up to sixteen tranches during the years 2017 through 2024) through the Immigrant Investor Program, the proceeds of which would be used to fund costs of capital projects included in the Commission's Capital Plan. Any such debt issued under the Immigrant Investor Program (and the subsequent refinancing thereof) is accounted for in the Commission's current Act 44 Financial Plan and would be issued under the Senior Revenue

23 The information contained on such website link is not incorporated by reference in this Appendix A.

24 The information contained on such website link is not incorporated by reference in this Appendix A.

Indenture on parity with the Turnpike Revenue Bonds. In February 2018, the Commission drew down the first tranche of $800 million in EB-5 loans for $50 million. See "CERTAIN FINANCIAL INFORMATION - Direct Purchase Obligations – *EB-5 Loans (Senior)"* above for further information.

The Commission expects to issue additional bonds under the Subordinate Revenue Indenture, during Fiscal Year 2019, to finance all or a portion of its quarterly payments to PennDOT pursuant to the Amended Funding Agreement under the Enabling Acts. (See "THE COMMISSION—Enabling Acts – *Issuance of Bonds; Commission Payments*" above.) In addition, the Commission regularly evaluates market conditions with respect to the possible refunding of its outstanding Turnpike Revenue Bonds, Subordinate Revenue Bonds, Special Revenue Bonds, Oil Franchise Tax Revenue Bonds and Registration Fee Revenue Bonds.

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

CERTAIN OTHER INFORMATION

Insurance

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

For capital projects, the Commission maintains Builders' Risk insurance that covers buildings and structures, including temporary structures, while being constructed, erected or fabricated on Commission property. This insurance provides coverage against risk of physical damage and/or loss (subject to policy exclusions) to all buildings and structures during construction. Upon completion, a project is then covered under an All Risk insurance policy that has a $200 million per occurrence policy limit. See "THE COMMISSION- Recent Developments and Pending Legislation--*Status of Delaware River Bridge*" herein.

Deductibles range in amount depending on the line of coverage and the nature of the claim. For bridges, tunnels, overpasses, underpasses and viaducts, the deductible is $5 million. For buildings (including contents), toll plazas and equipment, warehouses and similar facilities, the deductible is $1 million. The Commission's All Risk Insurance policy also includes loss of income coverage subject to a seven-day waiting period.

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

Personnel and Labor Relations

As of August 1, 2018, the Commission employed 1,963 persons, consisting of 486 management employees, 1,391 full-time union members, and 86 temporary union employees. Sixty-nine and nine-tenths percent (69.9%) of all employees are engaged in maintenance operations and fare collection. There are 773 field personnel in the 22 facilities. The the Commission currently employs 587, or 23.02%, fewer employees than it did during the peak employment year in 2002.

The civil service requirements applicable to the state government do not apply to employees of the Commission.

The Commission is a party to three collective bargaining agreements and one memorandum of understanding with Teamsters' Local Unions covering central office, field, professional and first level supervisory personnel. The three collective bargaining agreements became effective on October 1, 2007 and expired on September 30, 2011. An agreement was reached with one bargaining unit, which was effective as of November 19, 2013 and extends until September 30, 2017. Agreements were reached with the other two bargaining units, which were ratified on January 27, 2016. Those agreements expire on September 30, 2019. The memorandum of understanding, which became effective on October 1, 2007, has no termination date. Since union representation began, the Commission has experienced one work stoppage which occurred on November 24, 2004 and lasted for seven days.

Retirement Plan

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

Substantially all employees of the Commission are covered by SERS. The costs of the defined benefit plan are paid by the Commission quarterly based upon a stipulated contribution rate. Participating agency contributions, including those for the Commission, are mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide SERS with assets sufficient to meet the benefits to be paid to SERS members.

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

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

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

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

Covered Class A, Class AA, Class A-3 and A-4 employees are required by statute to contribute to SERS at a rate of 5.00%, 6.25%, 6.25% and 9.30% respectively, of their gross pay. Employees' contributions are recorded in individually identified accounts, which are also credited with interest, calculated quarterly to yield 4.00% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Participating agency contributions, including those for the Commission, are also mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide SERS with assets sufficient to meet the benefits to be paid to SERS members. The Commission's required retirement contribution, as a percentage of covered payroll, by class for Fiscal Years 2014-2018 of the Commonwealth, is as follows:

Year Ended June 30 (Commonwealth's Fiscal Year)	Class A	Class AA	Class A-3	Class A-4
2018	27.55%	34.44%	23.80%	23.80%
2017	23.96	29.95	20.70	20.70
2016	19.89	24.86	17.18	17.18
2015	15.94	19.92	13.77	13.77
2014	12.10	15.12	10.46	10.46

The Commission's required contributions and percentage contributed for Fiscal Years 2014-2018 of the Commission are as follows:

Year Ended May 31	Commission Required Contribution (in millions)	Percent Contributed
2018	$38.1	100%
2017	33.3	100
2016	27.9	100
2015	22.6	100
2014	17.4	100

The Commission has budgeted $55 million for pension expense for Fiscal Year 2018-2019. The SERS required contributions are expected to be approximately $40 million.

A copy of SERS's annual financial statements may be obtained by writing to: State Employees' Retirement System, 30 North Third Street, P.O. Box 1147, Harrisburg, Pennsylvania, 17108-1147. Additional information about SERS, including its Comprehensive Annual Financial Reports and actuarial valuation reports, are available at http://www.sers.state.pa.us.[25]

Act 120 also imposes limits referred to as "collars" on annual increases to employer contribution rates (i.e., the employer contribution rate for a particular year may not exceed the sum which results from adding the collar applicable for such year to the prior year's contribution rate). The collar for Commonwealth Fiscal Year 2015-2016 was 4.5% and will no longer apply effective July 1, 2017.

At Fiscal Year ended May 31, 2018, the Commission reported a liability of $329.1 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. See Note 8 to the Commission's Financial Statements for additional information on how such pension liability was calculated.

On June 12, 2017 Governor Wolf signed Act 5 of 2017 ("***Act 5***") into law that will fundamentally change retirement options for most new Commission employees beginning January

25 The information contained on such website link is not incorporated by reference in this Appendix A.

1, 2019. The legislation allows current Commission employees/SERS members to opt-in to one of the three new options between January 1, 2019 and March 31, 2019.

Among other changes, Act 5 creates three new classes of service which include: two new hybrid defined benefit/defined contribution tiers ("***A-5***" and "***A-6***"); and a straight defined contribution plan ("***DC***") for SERS. The new classes of service will apply to all Commission employees who first become SERS members on or after January 1, 2019. Benefit reductions and increased retirement ages are mandated for future SERS members. Beginning January 1, 2019, new A-5 employees will annually accrue benefits at a rate of 1.25% and A-6 employees will annually accrue benefits at a rate of 1.0%. A-5, A-6 and DC employees will be subject to different employee contribution rates for the defined benefit and defined contribution plans and the vesting period for the defined benefit portion will be ten years while the defined contribution portion vests after three years. Additionally, Act 5 increases the normal retirement age to obtain full, unreduced defined benefit pension benefits for new A-5 and A-6 employees to age 67 and it requires 35 years of service and utilizes the "Rule of 97" (i.e., years of service plus age equal or exceed 97) The final average salary used to calculate defined benefits will be the employee's five highest salary years. Employer contribution rates for A-5, A-6 and DC employees will be 2.25%, 2.0% and 3.5% respectively.

Act 5 does not affect current Commission retiree's pension benefits nor does it reduce benefits for current Commission employees. Act 5 also provides special benefit enhancements for current A-3 and A-4 Commission employees who will be allowed to take certain lump sum withdrawals upon retirement. Additionally, A-3 and A-4 employee pension contribution rates will go down when SERS investment returns exceed return targets ("***Shared-Gain***"). This provision balances the current downside risk-sharing required of A-3 and A-4 members as required by Act 120.

For more information on SERS, including Act 120 and Act 5, see the SERS website at http://sers.pa.gov/newsroom_facts.aspx[26], http://sers.pa.gov/about_legislation.aspx[27], and the disclosure beginning on page 45 of the Official Statement for the Commonwealth's General Obligation Bonds, First Series of 2018 dated May 16, 2018, which may be found at the EMMA website at https://emma.msrb.org/ES1158733-ES906130-ES1307380.pdf.[28] **See also Note 8 to the Commission's Financial Statements and related Required Supplementary Information for more information on the Commission's pension liabilities.**

Other Post-Employment Benefit Liabilities

The Commission maintains a welfare plan program (the "***Plan***"), one purpose of which is to provide benefits to eligible retirees and their dependents. The Plan is a single employer, defined benefit plan. The Commission established the Pennsylvania Turnpike Commission Retiree Medical Trust (the "***Trust***") on May 30, 2008 as an irrevocable trust, tax-exempt under the Internal

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26 The information contained on such website link is not incorporated by reference in this Appendix A.

27 The information contained on such website link is not incorporated by reference in this Appendix A.

28 The information contained on such website link is not incorporated by reference in this Appendix A.

Revenue Code, to provide funding of the Plan's other post-employment benefits ("***OPEB***" or the "***Benefits")***.

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

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

Management and Supervisory Union Employees/Retirees. The Benefits funded by the Trust include certain post-employment medical, prescription drug, dental and vision benefits to management and supervisory union employees based upon their date of hire and years of service. Eligibility categories generally include:

- Employees hired before March 1, 2016, who have reached 20 years of service and are under age 60; benefit eligibility changes from 20 to 10 years for retirees 60 years of age or older. The last five years of service must be with the Commission.

- Employees hired on or after March 1, 2016, who have reached 30 years of service and are under age 60; benefit eligibility changes from 30 to 25 years for retirees 60 years of age or older. The last ten years of service must be with the Commission. (Some current and previous Commonwealth employees hired on or after this date would be grandfathered under the first eligibility category.)

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

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

- For Local 30 Professionals who were hired prior to January 1, 2011 and Local 250 and 77 employees who were hired prior to January 27, 2016, the earlier of completion of 20 years of credited service or the later of attainment of age 60 and completion of 10 years of credited service. The last 5 years of credited service must be with the Commission.

- For Local 30 Professionals who were hired on or after January 1, 2011 and Local 250 and 77 employees who were hired on or after January 27, 2016, the earlier of completion of 30 years of credited service or the later of attainment of age 60 and completion of 25 years of credited service. The last 10 years of credited service must be with the Commission.

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

The Trust began making payments to benefit providers for retiree claims and related administrative fees in October 2008. Prior to that time, the Commission made such payments. For the year ended May 31, 2018, preliminary and unaudited claims and administration expenses totaled $18.0 million.

In accordance with the pronouncements of the GASB (Governmental Accounting Standards Board), the Commission implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during fiscal year 2008*. Pursuant to GASB Statement No. 45, the Commission is required to have biennial actuarial valuations of its OPEB obligations. The most recent actuarial valuation was completed as of January 1, 2016. Based on this valuation, the value of the Trust's assets is $331.6 million and the actuarial accrued liability is $330.4 million which nets to a funding excess of $1.2 million and a funded percentage of 100.4%, using a 6.5% discount rate and assuming that the annual required contribution would be invested in an irrevocable separate trust account.

Prior to implementing GASB Statement No. 45, the Commission funded its post-employment benefit liabilities on a pay-as-you-go basis. As a result of GASB Statement No. 45, the Commission adopted a Retiree Medical Trust Funding Policy, effective September 17, 2008, whereby the Commission anticipates approving an annual contribution to the Trust in the amount of the annual required contribution ("***ARC***") as determined by the Commission's actuary during the approval of its annual operating budget. The Commission's annual required contributions for Fiscal Year 2017 and Fiscal Year 2018, which includes the normal costs for the year, a Trust expense assumption, a component for the level dollar amortization of the total UAAL and a mid-year contribution interest component, were $11.14 million and $8.4 million, respectively. The Commission's actual contributions to the Trust for Fiscal Year 2017 and Fiscal Year 2018 were $28.176 million and $28.171 million, respectively.

The Trust's financial statements are not included in the financial statements of the Commission. For additional information regarding the Benefits and the Trust, including funding status and actuarial methods and assumptions, see Note 11 to the Commission's Financial Statements.

Commission Compliance Department

In 2009, an Office of Inspector General (the "***OIG***") was created within the Commission to maintain integrity and efficiency at the Commission and to further maintain public confidence in the Commission. In 2012, the OIG merged into the newly created Compliance Department. The functions of the former OIG currently fall under the Compliance Department and the Special

Investigations unit within the Compliance Department. The primary mission of the Compliance Department is developing, managing, and executing comprehensive audit and investigation programs that examine and promote the adequacy and effectiveness of the Commission's internal control system. The Compliance Department includes the office of Chief Compliance Officer and the departments of Toll Revenue Audit, Internal Audit Services, and Special Investigations. As head of the department, the Chief Compliance Officer oversees all aspects of operations auditing, toll revenue auditing, and internal and external investigations to include working with the local District Attorneys' Offices in pursuing criminal prosecutions of the Commission's most egregious toll violators, enforcement of Commission rules, regulations, policies and strategic planning, and the Commission's Code of Conduct. The Compliance Department has conducted numerous investigations of fraud, waste, abuse and misconduct that have resulted in the termination of Commission employees and a vendor contract. The Compliance Department, in response to the Advisory Committee's Report dated, October 21, 2014, has conducted Code of Conduct and Business Conduct Guidelines training to all Commission employees, construction contractors, and vendors, consultants and other business partners in the construction services sector. When appropriate, the Compliance Department refers cases to law enforcement authorities for possible criminal prosecution.

EXHIBIT I

PENNSYLVANIA TURNPIKE COMMISSION
FISCAL YEAR 2019 TEN-YEAR CAPITAL PLAN

FY 2019 Ten Year Capital Plan (YOE)

Program	Category	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	Total FINAL PLAN
Highway	Roadway/Safety	126,855,000	137,589,443	51,369,932	73,617,724	58,551,278	66,806,085	92,842,317	76,961,092	88,898,540	91,343,250	864,834,660
Highway	Bridge,Tunnels & Misc Structure	51,361,790	61,561,519	79,716,987	53,637,419	46,323,660	59,496,950	65,722,513	77,202,918	79,325,998	93,889,960	668,239,714
Highway	Total Reconstruction	170,288,781	195,969,424	209,137,923	172,615,726	178,272,524	138,440,642	174,244,091	272,936,800	295,407,036	285,818,653	2,093,131,600
Highway	Interchanges	75,927,989	73,918,350	101,004,200	153,812,310	180,267,696	212,448,205	145,330,893	77,021,549	51,931,507	54,508,515	1,126,171,214
Highway	Highway Miscellaneous	38,450,363	39,102,779	29,385,075	29,220,164	32,424,778	33,293,554	33,738,420	34,932,235	35,892,871	23,220,883	329,661,121
Highway	Total	462,883,922	508,141,515	470,614,117	482,903,343	495,839,936	510,485,436	511,878,233	539,054,593	551,455,953	548,781,261	5,082,038,309
FEMO	Re-capitalization	1,350,000	256,875	263,939	271,197	278,655	286,318	294,192	302,282	310,595	319,137	3,933,191
FEMO	Sustainment	23,046,420	16,027,888	10,518,614	16,015,383	18,976,327	14,995,625	15,614,336	25,377,934	18,636,553	21,410,858	180,619,937
FEMO	Compliance	3,000,000	3,082,500	3,167,269	3,254,369	3,343,864	3,435,820	3,530,305	3,627,388	3,727,142	3,829,638	33,998,294
FEMO	New Energy Initiative	1,602,000	2,005,680	2,060,836	2,117,509	2,175,741	1,777,464	1,826,344	1,876,569	1,928,175	1,981,199	19,351,518
FEMO	Facilities Design	14,200,908	17,687,467	11,497,186	13,115,106	16,819,635	12,013,917	17,051,374	16,371,613	13,405,286	20,284,316	152,446,808
FEMO	Total	43,199,328	39,060,410	27,507,843	34,773,564	41,594,221	32,509,145	38,316,551	47,555,787	38,007,751	47,825,148	390,349,748
Fleet Equipment	Fleet Equipment	16,000,000	16,440,000	17,947,856	18,441,422	18,948,561	19,469,647	20,005,062	20,555,201	21,120,469	21,701,282	190,629,502
Technology	Functional Business Software	15,598,999	9,498,895	9,760,115	10,028,518	10,235,721	10,517,203	10,806,426	11,279,065	11,186,990	11,494,632	110,406,564
Technology	Infrastructure HW / SW	10,266,610	5,939,292	6,102,623	6,270,445	6,400,001	6,576,001	6,756,841	7,128,722	7,344,359	7,546,328	70,331,223
Technology	Toll Collection / Operations	4,700,000	359,625	369,515	379,676	501,580	515,373	529,546	423,195	559,071	0	8,337,581
Technology	Total	30,565,609	15,797,813	16,232,252	16,678,639	17,137,302	17,608,578	18,092,814	18,830,983	19,090,420	19,040,960	189,075,368
	Grand Total	**552,648,859**	**579,439,738**	**532,302,069**	**552,796,968**	**573,520,020**	**580,072,806**	**588,292,660**	**625,996,564**	**629,674,592**	**637,348,651**	**5,852,092,928**

[1] Capital plans from prior years back to Fiscal Year 2005-2006 are available on the Commission's website at https://www.paturnpike.com/business/capital_plans.aspx
(The information contained on such website link is not incorporated by reference in this Appendix A).

FY 2019 Ten Year Capital Plan - Percentage of Capital Expenditures by Funding Source[2]

		FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2019-28
PAYGO %		27%	20%	28%	27%	31%	39%	47%	52%	59%	50%	38%
Bond Proceeds %		65%	72%	67%	69%	66%	61%	53%	48%	41%	50%	59%
Federal Reimbursements %[3]		8%	8%	5%	4%	3%	0%	0%	0%	0%	0%	3%
	Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

[2] Totals may not add due to rounding

[3] Federal Funds receipt assumed in subsequent year for cash flow purposes

APPENDIX B

AUDITED 2018 AND 2017 FINANCIAL STATEMENTS

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PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania

Basic Financial Statements
Fiscal Years Ended May 31, 2018 and 2017
With Independent Auditor's Report

Prepared by:

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ACHIEVING EXCELLENCE TOGETHER

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PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Basic Financial Statements
Fiscal Years Ended May 31, 2018 and 2017

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MITCHELL TITUS

INDEPENDENT AUDITOR'S REPORT

The Commissioners
Pennsylvania Turnpike Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Pennsylvania Turnpike Commission (the Commission), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended May 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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MITCHELL TITUS

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of May 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Commission's Proportionate Share of Net Pension Liability – Pennsylvania State Employees' Retirement System, the Schedule of Commission's Contributions – Pennsylvania State Employees' Retirement System, and the Schedule of Funding Progress – Postemployment Healthcare Benefits on pages 4 through 19 and pages 98 through 100 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MITCHELL TITUS

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The Section Information on pages 101 through 114 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Mitchell & Titus, LLP

September 6, 2018

The management of the Pennsylvania Turnpike Commission (hereinafter referred to as the Commission) offers this narrative overview and analysis of the Commission's financial activities for the years ended May 31, 2018 and 2017, which should be read in conjunction with the Commission's basic financial statements.

Overview of the Basic Financial Statements

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

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

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

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

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

Financial Analysis

Comparative Condensed Statements of Net Position

	May 31		
	2018	2017	2016
		(In Thousands)	
Assets and deferred outflows of resources			
Current assets	$ 1,502,874	$ 1,398,596	$ 1,273,754
Long-term investments	708,304	843,616	935,770
Capital assets, net of accumulated depreciation	6,016,996	5,728,882	5,517,326
Other assets	168,267	159,666	155,908
Total assets	8,396,441	8,130,760	7,882,758
Total deferred outflows of resources	533,478	534,504	396,350
Total assets and deferred outflows of resources	8,929,919	8,665,264	8,279,108
Liabilities and deferred inflows of resources			
Current liabilities	921,771	913,350	740,063
Debt, net of unamortized premium	12,956,241	12,177,627	11,431,859
Net pension liability	329,112	379,173	346,946
Other noncurrent liabilities	197,627	246,896	269,409
Total liabilities	14,404,751	13,717,046	12,788,277
Total deferred inflows of resources	163,930	146,890	137,490
Total liabilities and deferred inflows of resources	14,568,681	13,863,936	12,925,767
Net position			
Net investment in capital assets	(250,112)	(258,038)	(24,520)
Restricted for construction purposes	260,524	330,048	332,920
Restricted for debt service	43,954	44,727	28,878
Unrestricted	(5,693,128)	(5,315,409)	(4,983,937)
Total net position	$ (5,638,762)	$ (5,198,672)	$ (4,646,659)

The Commission's total net position decreased $440.1 million and $552.0 million for the fiscal years ended May 31, 2018 and 2017, respectively. The large decreases in net position in both fiscal years were largely due to the requirements of Act 44, Act 89 and the Amended Lease and Funding Agreement (Amended Funding Agreement) between the Commission and Pennsylvania Department of Transportation (PennDOT) and costs associated with the related debt. Please refer to Note 9, Commitments and Contingencies, of the financial statements and to the Events That Will Impact Financial Position section of this MD&A for additional information regarding Act 44, Act 89 and the Amended Funding Agreement between the Commission and PennDOT. See also Note 7, Debt, in reference to the related debt.

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

Financial Analysis *(continued)*

The Commission's total assets and deferred outflows of resources increased by $264.7 million in fiscal year 2018. This 2018 increase is mostly related to an increase in capital assets of $288.1 million. The increase in capital assets is mostly related to capital asset additions of $667.9 million, offset by $379.4 million of depreciation expense. For additional information, see: Note 5, Capital Assets.

The Commission's total assets and deferred outflows of resources increased by $386.2 million in fiscal year 2017. This 2017 increase is mostly related to an increase in capital assets of $211.6 million and a $138.2 million increase in deferred outflows of resources. The increase in capital assets is mostly related to capital asset additions of $621.0 million, offset by assets transferred to PennDOT with a net book value of $54.7 million and $354.3 million of depreciation expense. The increase in deferred outflows of resources is primarily the result of refundings of debt. For additional information, see: Note 5, Capital Assets; Note 7, Debt; and the Capital Assets and Debt Administration section of this MD&A.

Total liabilities and deferred inflows of resources increased by $704.7 million in fiscal year 2018 and by $938.2 million in fiscal year 2017. The increases for both fiscal year 2018 and fiscal year 2017 were mainly related to the issuance of senior debt to finance the costs of various capital expenditures set forth in the Commission's current Ten-Year Capital Plan and the issuance of subordinate debt to finance the costs of making payments to PennDOT in accordance with Act 44, Act 89, and the Amended Funding Agreement. See Note 7, Debt, for additional information regarding the new issuances of debt.

Financial Analysis *(continued)*

	Year ended May 31		
	2018	**2017**	**2016**
		(In Thousands)	
Operating			
Operating revenues	$ 1,201,274	$ 1,134,396	$ 1,052,691
Cost of services	(494,742)	(517,103)	(471,132)
Depreciation	(379,401)	(354,343)	(332,941)
Operating income	327,131	262,950	248,618
Nonoperating revenues (expenses)			
Investment earnings	18,809	14,225	29,069
Other nonoperating revenues	22,303	21,532	21,651
Act 44 payments to PennDOT	(450,000)	(450,000)	(450,000)
Capital assets transferred to PennDOT	-	(54,724)	(40,937)
Interest and bond expense	(566,137)	(560,660)	(521,021)
Nonoperating expenses, net	(975,025)	(1,029,627)	(961,238)
Loss before capital contributions	(647,894)	(766,677)	(712,620)
Capital contributions	207,804	214,664	180,906
Decrease in net position	(440,090)	(552,013)	(531,714)
Net position at beginning of year	(5,198,672)	(4,646,659)	(4,114,945)
Net position at end of year	$ (5,638,762)	$ (5,198,672)	$ (4,646,659)

For fiscal years ended May 31, 2018, and 2017, operating and nonoperating revenues totaled $1,242.4 million and $1,170.2 million, respectively, while operating and nonoperating expenses totaled $1,890.3 million and $1,936.8 million, respectively.

Total operating and nonoperating revenues for fiscal year 2018 were $72.2 million or 6.2% higher than fiscal year 2017. This increase in revenue was mainly related to an $85.5 million increase in net fare revenues resulting from a January 2018 toll increase of 6.0% for both cash and E-ZPass customers and the full year impact of the January 2017 toll increase of 6.0% for both cash and E-ZPass customers. In addition, total traffic volumes were up slightly, 0.4%, in fiscal year 2018 compared to fiscal year 2017.

Total operating and nonoperating revenues for fiscal year 2017 were $66.8 million or 6.1% higher than fiscal year 2016. This increase in revenue was mainly related to a $80.9 million increase in net fare revenues resulting from a January 2017 toll increase of 6.0% for both cash and E-ZPass customers and the full year impact of the January 2016 toll increase of 6.0% for both cash and E-ZPass customers. In addition, total traffic volumes were up slightly, 0.7%, in fiscal year 2017 compared to fiscal year 2016.

Financial Analysis *(continued)*

Total operating and nonoperating expenses for fiscal year 2018 were $46.5 million lower than fiscal year 2017 primarily due to a decrease in capital assets transferred to PennDOT of $54.7 million. In addition, cost of services decreased $22.4 million which is mainly related to a decrease in maintenance costs of $11.7 million to maintain the System and a decrease in employee benefits of $12.5 million primarily due to a decrease in pension expense of $11.3 million. These decreases were partially offset by a $25.1 million increase in depreciation expense.

Total operating and nonoperating expenses for fiscal year 2017 were $120.8 million higher than fiscal year 2016 primarily due to increases in cost of services of $46.0 million, increases in interest and bond expenses of $39.6 million related to the increase in debt (see Note 7, Debt), an increase in depreciation expense of $21.4 million and an increase in capital assets transferred to PennDOT of $13.8 million. The increase in cost of services is mainly related to an increase in maintenance costs of $12.6 million to maintain the System, an increase in employee benefits due to an increase in pension expense of $10.7 million and an increase in professional fees and services of $7.1 million.

Capital contributions decreased by $6.9 million in fiscal year 2018 primarily due to a $25.3 million decrease in reimbursements from other governments offset by an increase in Oil Company Franchise Tax revenue of $18.3 million. Capital contributions increased by $33.8 million in fiscal year 2017 primarily due to an increase in reimbursements from other governments. (See Note 2.)

Capital Assets and Debt Administration

Capital Assets

Capital assets consist of land and intangible assets (right-of-way easements), buildings, improvements, equipment, infrastructure, and assets under construction. Infrastructure assets are typically items that are immovable such as highways, bridges and tunnels. The Commission's investment in capital assets at May 31, 2018 amounted to $12.4 billion of gross asset value with accumulated depreciation of $6.4 billion, leaving a net book value of $6.0 billion. The net book value of capital assets at May 31, 2017 was $5.7 billion. Capital assets represented 67.4% and 66.1% of the Commission's total assets and deferred outflows of resources at May 31, 2018 and May 31, 2017, respectively.

Assets under construction at the end of fiscal year 2018 were $1,517.7 million, which was $160.7 million more than in fiscal year 2017. Assets under construction at the end of fiscal year 2017 were $1,357.0 million, which was $26.4 million more than in fiscal year 2016. In fiscal year 2018, $451.7 million of constructed capital assets were completed, which was $82.1 million less than the $533.8 million of constructed capital assets completed in fiscal year 2017. In addition to constructed capital assets, the Commission had capital assets additions of approximately $55.5 million and $60.9 million in fiscal years 2018 and 2017, respectively, related to purchases, capital contributions and capitalized interest.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Capital Assets (continued)

The highest priority highway program for the Commission is the ongoing full depth roadway total reconstruction of the east/west Turnpike Mainline and Northeast Extension. This work includes the reconstruction and widening of the roadway, the widening of the median, replacement of both mainline and overhead bridges as well as many safety enhancements. To date, approximately 125 miles of total reconstruction have been completed. Currently, approximately 18 miles are in construction and approximately 93 miles are in design. Also, the Commission completed another 13 miles of full depth roadway total reconstruction and 59 miles of roadway resurfacing during fiscal year 2018, helping to maintain a quality-riding surface with a Turnpike System-wide median IRI (International Roughness Index) of 84, which is rated as good.

The Commission completely replaced 26 aging original bridges with new bridges, rehabilitated another three bridges, constructed one new culvert, replaced two culverts and extended another 12 culverts. Of the Commission's bridges, 4.2% are rated structurally deficient which is below the national average of 9.2%. All 36 bridges currently rated structurally deficient are either in construction or design for rehabilitation.

The Commission also constructed 39 new noise walls, 36 new retaining walls and completed one major slide remediation project in calendar year 2017.

Facility projects continue to focus on environmental and safety compliance, and on the maintenance and repair of existing buildings including HVAC, electrical and plumbing systems based on deficiencies identified during facility condition assessments. The construction for the Kegg Maintenance Renovation and Lehigh Tunnel Lighting Replacement is currently underway and is scheduled to be completed in December 2018 and October 2019, respectively. The design for the Southern Beltway Maintenance Facility is scheduled to be completed in the fall of 2018 with construction completion anticipated in June 2020. The Devault Maintenance Facility Reconstruction is slated to begin design in the fall of 2018 with construction estimated to be completed in the spring of 2021.

Through collaboration with the Department of General Services and other Commonwealth agencies, the Commission has implemented a utility bill management system, "EnergyCap," to provide effective utility bill data collection and analytics for electricity and natural gas utility usage at Commission facilities, and to facilitate energy procurement activities that reduce energy costs. The Commission continues to utilize alternative fuels such as the public CNG Fueling Station at New Stanton Service Plaza and electric vehicle (EV) charging stations at Oakmont, New Stanton, Bowmansville, Peter J. Camiel and King of Prussia service plazas.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Capital Assets (continued)

The Mon/Fayette Expressway is open to traffic from the Pennsylvania/West Virginia line to PA 51 in Jefferson Hills Borough, a distance of 53 miles. The preliminary design for the remainder of the Mon/Fayette Expressway project, extending from PA Route 51 to Interstate Route 376 in Pittsburgh, has been completed. The current estimates to complete the final 14 miles of the Mon/Fayette Expressway to Interstate Route 376 are in excess of $2.0 billion. Limited funding provided through Act 89 will be used to advance this project.

The Southern Beltway is a series of three independent projects that extend from the Mon/Fayette Expressway near Finleyville to Interstate 376 (I-376) at the Pittsburgh International Airport. One project constructed as part of the Southern Beltway, a six-mile section of toll road in Allegheny County that connects I-376 to U.S. Route 22 (U.S. 22), is in operation. The project from U.S. 22 to Interstate 79 (I-79) has started construction with expected completion in late 2020 or early 2021. The project from I-79 to Mon/Fayette Expressway is currently in the final design phase. When completed, the entire Southern Beltway will utilize cashless tolling.

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

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

The first phase of the Interchange Project includes preparatory work and construction of a portion of the interchange between I-95 and the Turnpike Mainline, including northbound I-95 to the eastbound Turnpike Mainline and westbound Turnpike Mainline to southbound I-95, and is currently under construction. This phase included construction of a new mainline toll plaza and a cashless tolling plaza westbound, both of which opened in January 2016. This first phase of the Interchange Project is expected to be completed and open to traffic in the fall of 2018. The second phase will include the completion of the reconstruction and widening of the remaining interchange connectors. The third phase will be the construction of a new wider bridge over the Delaware River, replacing the existing bridge.

The above paragraphs describe the changes in capital assets occurring during the fiscal years ended May 31, 2018 and 2017. Please refer to the capital assets section in the notes to the financial statements (Note 5) for more detailed capital asset schedules.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline

In June 2016, the Commission issued $447,850,000 2016 Series A-1 Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2046. The 2016 Series A-1 Senior Revenue Bonds were issued primarily to provide funds for various capital expenditures set forth in the Commission's current or any prior Ten-Year Capital Plan, including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and the rehabilitation of certain interchanges. The bonds were also issued for payment of the costs of issuance for the 2016 Series A-1 Senior Revenue Bonds.

In June 2016, the Commission issued $140,590,000 2016 Series A-2 Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2018. The 2016 Series A-2 Senior Revenue Bonds were issued primarily for the current refunding of existing variable rate debt, which included the Commission's 2012 Series B Variable Rate Revenue Bonds ($70,060,000), the Commission's 2014 Series B-1 Variable Rate Revenue Bonds ($35,050,000) and the Commission's 2014 Series B-2 Variable Rate Revenue Bonds ($34,950,000). The bonds were also issued for payment of the costs of issuance for the 2016 Series A-2 Senior Revenue Bonds.

In June 2016, the Commission issued $649,545,000 2016 Second Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of June 1, 2039. The 2016 Second Series Subordinate Revenue Refunding Bonds were issued to provide funds for the advance refunding of a portion of the Commission's 2008 Series A-1 Subordinate Revenue Bonds ($105,065,000), 2008 Series B-1 Subordinate Revenue Bonds ($50,665,000), 2009 Series A Subordinate Revenue Bonds ($43,355,000), 2009 Series B Subordinate Revenue Bonds ($288,185,000), 2009 Series D Subordinate Revenue Bonds ($16,575,000), 2010 Series B-1 Subordinate Revenue Bonds ($11,850,000), 2010 Series B-2 Subordinate Revenue Bonds ($87,475,000), 2010 Series C-2 Subordinate Revenue Bonds ($17,670,000), 2011 Series A Subordinate Revenue Bonds ($53,375,000), and for paying the cost of issuing the 2016 Second Series Subordinate Revenue Refunding Bonds.

In October 2016, the Commission issued $255,455,000 2016 Third Series Sub-Series A Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2041. The 2016 Third Series Sub-Series A Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2009 Series A Subordinate Revenue Bonds ($20,990,000), 2009 Series B Subordinate Revenue Bonds ($112,560,000), 2009 Series D Subordinate Revenue Bonds ($75,700,000), 2010 Series B-2 Subordinate Revenue Bonds ($35,545,000), 2011 Series A Subordinate Revenue Bonds ($7,925,000), and for paying the cost of issuing the 2016 Third Series Sub-Series A Subordinate Revenue Refunding Bonds.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline (continued)

In October 2016, the Commission issued $75,755,000 2016 Third Series Sub-Series B Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2025. The 2016 Third Series Sub-Series B Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2008 Series A-2 Subordinate Revenue Bonds ($18,905,000), 2008 Series B-2 Subordinate Revenue Bonds ($47,785,000) and for paying the cost of issuing the 2016 Third Series Sub-Series B Subordinate Revenue Refunding Bonds.

In October 2016, the Commission issued $79,865,000 2016 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2036. The 2016 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2010 Series A-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($16,520,000), 2010 Series B-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($9,705,000), 2011 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($56,860,000) and for paying the cost of issuing 2016 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds.

In January 2017, the Commission issued $284,275,000 2017 Series A Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2046. The 2017 Series A Subordinate Revenue Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and Act 89, including reimbursing the Commission for certain payments previously made by the Commission to PennDOT and for paying the cost of issuing the 2017 Series A Subordinate Revenue Bonds.

In May 2017, the Commission issued $291,850,000 2017 First Series Subordinate Revenue Refunding Bonds at a variable rate with a maturity date of December 1, 2041. The 2017 First Series Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2009 Series A Subordinate Revenue Bonds ($71,475,000) and 2009 Series D Subordinate Revenue Bonds ($215,130,000) and for paying the cost of issuing the 2017 First Series Subordinate Revenue Refunding Bonds.

In July 2017, the Commission issued $379,115,000 2017 Series B-1 Subordinate Revenue Bonds at a fixed rate with a maturity date of June 1, 2047. The 2017 Series B-1 Subordinate Revenue Bonds were issued primarily to finance a portion of the cost of making payments to PennDOT in accordance with Act 44 and Act 89 and paying the cost of issuing the 2017 Series B-1 Subordinate Revenue Bonds.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline (continued)

In July 2017, the Commission issued $371,395,000 2017 Series B-2 Subordinate Revenue Bonds at a fixed rate with a maturity date of June 1, 2039. The 2017 Series B-2 Subordinate Revenue Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2008 Series A-1 Subordinate Revenue Bonds ($2,820,000), 2009 Series A Subordinate Revenue Bonds ($62,675,000), 2009 Series B Subordinate Revenue Bonds ($138,605,000), 2010 Series B-2 Subordinate Revenue Bonds ($106,615,000), 2010 Series C-2 Subordinate Revenue Bonds ($19,575,000), 2011 Series A Subordinate Revenue Bonds ($18,190,000), 2012 Series A Subordinate Revenue Bonds ($9,310,000), 2015 Series B Subordinate Revenue Bonds ($12,940,000) and for paying the cost of issuing the 2017 Series B-2 Subordinate Revenue Bonds.

In July 2017, the Commission issued $45,390,000 2017 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds at a fixed rate with a maturity date of June 1, 2028. The 2017 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2010 Series B-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds, ($5,220,000), 2011 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($4,015,000), 2011 Series B Motor License Fund-Enhanced Special Subordinate Revenue Bonds ($12,560,000), 2012 Series A Motor License Fund-Enhanced Special Subordinate Revenue Bonds ($9,845,000), 2012 Series B Motor License Fund-Enhanced Special Subordinate Revenue Bonds ($6,430,000), 2013 Series A Motor License Fund-Enhanced Special Subordinate Revenue Bonds ($6,080,000), 2013 Series B Motor License Fund-Enhanced Special Subordinate Revenue Bonds ($3,410,000) and for paying the cost of issuing the 2017 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds.

In October 2017, the Commission issued $365,895,000 2017 Series A-1 Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2047. The 2017 Series A-1 Senior Revenue Bonds were issued to finance the cost of various capital expenditures set forth in the Commission's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and paying the costs of issuing the 2017 Series A-1 Senior Revenue Bonds.

In October 2017, the Commission issued $133,060,000 2017 Series A-2 Senior Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2030. The 2017 Series A-2 Senior Revenue Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2014 Series C Senior Revenue Bonds ($7,015,000), 2014 Series A Senior Revenue Bonds ($4,145,000), 2013 Series C Senior Revenue Bonds ($18,240,000), 2012 Series A Senior Revenue Bonds ($26,970,000), 2011 Series E Senior Revenue Bonds ($84,295,000), and paying the costs of issuing the 2017 Series A-2 Senior Revenue Bonds.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline (continued)

In October 2017, the Commission issued $40,000,000 2017 Series B-1 Senior Revenue Bonds at a variable rate with a maturity of December 1, 2020. The 2017 Series B-1 Senior Revenue Bonds were issued primarily for the current refunding of the December 1, 2017 maturity of the Commission's 2014 Series B-1 Variable Rate Senior Revenue Bonds ($40,000,000).

In October 2017, the Commission issued $100,320,000 2017 Series B-2 Senior Revenue Bonds at a variable rate with a maturity of December 1, 2021. The 2017 Series B-2 Senior Revenue Bonds were issued primarily for the current refunding of the December 1, 2017 maturity of the Commission's 2016 Series A-2 Variable Rate Senior Revenue Bonds ($100,000,000) and for paying the cost of issuing the 2017 Series B-1 Senior Revenue Bonds and the 2017 Series B-2 Senior Revenue Bonds.

In November 2017, the Commission issued $150,425,000 2017 Second Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity of December 1, 2037. The 2017 Second Series Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2010 Series B-1 Subordinate Revenue Bonds ($81,350,000), 2010 Series C-2 Subordinate Revenue Bonds ($54,775,000), 2011 Series A Subordinate Revenue Bonds ($6,135,000), 2015 Series B Subordinate Revenue Bonds ($18,245,000) and for paying the costs of issuing the 2017 Second Series Subordinate Refunding Bonds.

In November 2017, the Commission issued $243,675,000 2017 Second Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2041. The 2017 Second Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2010 Series A-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($66,495,000), 2010 Series A-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($75,670,000), 2010 Series B-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($44,695,000), 2011 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($41,745,000), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($6,815,000), 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($6,010,000), 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($4,270,000), 2013 Series B-3 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($12,835,000) and for paying the cost of issuing the 2017 Second Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds.

In December 2017, the Commission issued $103,330,000 2017 Series C Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2021. The 2017 Series C Senior Revenue Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2011 Series E Senior Revenue Bonds ($25,785,000), 2012 Series A Senior Revenue Bonds ($26,985,000), 2013 Series C Senior Revenue Bonds ($38,385,000) and to pay the cost of issuing the 2017 Series C Senior Revenue Bonds.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline (continued)

In December 2017, the Commission issued $143,585,000 2017 Third Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2040. The 2017 Third Series Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding a portion of the Commission's 2010 Series C-1 Subordinate Revenue Bonds ($51,595,0000), 2011 Series B Subordinate Revenue Bonds ($39,605,000), 2012 Series A Subordinate Revenue Bonds ($21,610,000), 2012 Series B Subordinate Revenue Bonds ($1,055,000), 2013 Series B-3 Subordinate Revenue Bonds ($5,375,000), 2015 Series B Subordinate Revenue Bonds ($29,870,000) and for paying the cost of issuing the 2017 Third Series Subordinate Revenue Refunding Bonds.

In December 2017, the Commission issued $164,240,000 2017 Third Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2040. The 2017 Third Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for the advanced refunding a portion of the Commission's 2010 Series A-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($26,360,000), 2010 Series B-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($20,000,000), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($45,930,000), 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($39,960,000), 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($13,915,000), 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($13,010,000), 2013 Series B-3 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($7,255,000) and for paying the cost of issuing the 2017 Third Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds.

In February 2018, the Commission issued $50,000,000 EB-5 Loan (First Tranche) at a fixed rate with a maturity of February 21, 2023. The Commission is borrowing this money to fund a portion of the costs of certain capital projects included in the Commission's current Ten-Year Capital Plan and for paying the cost of issuing the EB-5 Loan.

Debt Administration – Oil Company Franchise Tax

In September 2016, the Commission issued $198,595,000 2016 Series A Oil Franchise Tax Senior Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2032. The 2016 Series A Oil Franchise Tax Senior Revenue Refunding Bonds were issued to provide funds for the advanced refunding of the Commission's 2003 Series C Oil Franchise Tax Senior Revenue Bonds ($160,000,000), the advanced refunding of a portion of 2009 Series A-2 Oil Franchise Tax Senior Revenue Bonds ($2,120,000), the current refunding of 2006 Series A Oil Franchise Tax Senior Revenue Bonds ($66,025,000) and for paying the cost of issuing the 2016 Series A Oil Franchise Tax Senior Revenue Refunding Bonds.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Oil Company Franchise Tax (continued)

In September 2016, the Commission issued $115,395,000 2016 Series B Oil Franchise Tax Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2032. The 2016 Series B Oil Franchise Tax Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the 2009 Series D-2 Oil Franchise Tax Subordinate Revenue Bonds ($860,000), the current refunding of the 2006 Series B Oil Franchise Tax Subordinate Revenue Bonds ($122,205,000), the current refunding of 2003 Series B Oil Franchise Tax Subordinate Revenue Bonds ($16,440,000) and for paying the cost of issuing the 2016 Series B Oil Franchise Tax Subordinate Revenue Refunding Bonds.

The preceding paragraphs describe debt activity occurring during the fiscal years ended May 31, 2018 and 2017. Please refer to the debt and commitments and contingencies sections in the notes to the financial statements (Notes 7 and 9) for more detailed schedules and descriptions of long-term debt and swap activity.

Events That Will Impact Financial Position

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

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

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

Events That Will Impact Financial Position *(continued)*

On November 25, 2013, Act 89 was enacted providing substantial revision to the Commission's transportation funding obligations under Act 44 and authorized the Commission and PennDOT to immediately amend the Funding Agreement to reflect the statutory provisions of Act 89. On April 4, 2014, the Commission and PennDOT executed Amendment Number One to the Lease and Funding Agreement (the *Act 89 Amendment* and together with the Act 44 Funding Agreement, the *Amended Funding Agreement*). The Amended Funding Agreement terminates on October 14, 2057. In accordance with Act 89 and the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT for fiscal year 2014 through fiscal year 2022 is $450 million and, in accordance with Act 89, the Commission must pay at least $30 million of such amount from current revenues. Commencing in fiscal year 2023 through the term of the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT is $50 million, which amount shall be paid from then current revenues of the Commission.

The provisions of Act 44 and the Funding Agreement require that the Commission provide a financial plan to the Secretary of the Budget of the Commonwealth on or before June 1 of each year that describes the Commission's proposed operating and capital expenditures, borrowings, liquidity and other financial management covenants and policies, estimated toll rates and all other revenue and expenditures for the ensuing fiscal year. Act 44 provides that the financial plan shall demonstrate that the operation of the Commission can reasonably be anticipated to result in having sufficient funds to make payments due to PennDOT pursuant to the Funding Agreement and Act 44 during the ensuing and future fiscal years. It is important to note that the financial plan does not cover the funding needs for the Mon/Fayette or the Southern Beltway projects.

On June 1, 2018, the Commission submitted its financial plan for fiscal year 2019 (the Financial Plan). The Financial Plan incorporates the Commission's adopted Ten-Year Capital Plan, which provides for approximately $5.8 billion, net of federal reimbursements, in capital spending over the coming decade. The Ten-Year Capital Plan authorizes the Commission to undertake a number of capital improvements and to pursue new initiatives to maintain and improve the Turnpike System ensuring that it remains in a state of good repair. The Financial Plan indicates that in fiscal year 2018 the Commission was able to meet all of its financial covenants and obligations under Act 44 and Act 89 and progressed with its Ten-Year Capital Plan. Given the ongoing and moderate recovery of both the national and state economies, the Commission plans to continue the cost containment and efficiency measures it implemented within the past few years. These measures, together with future toll increases, are expected to allow the Commission to meet its financial covenants, Act 44 and Act 89 obligations, and capital needs during fiscal year 2019.

Events That Will Impact Financial Position *(continued)*

The Financial Plan concludes that the Commission will continue to meet all of its indenture covenants and all of its other obligations through fiscal year 2057. However, as a forward-looking report, the Financial Plan makes certain assumptions, including future toll increases, to reach its conclusion that the financial covenants, Act 44 and Act 89 obligations and capital needs will be met beyond fiscal year 2018. Key among these assumptions is the Commission's ability to raise tolls throughout the Turnpike System. The Financial Plan reflects the full year effects of the January 2018 toll increase and the partial year impacts of a January 2019 toll increase. The Financial Plan assumes the $450 million reduced level of funding obligations required by Act 44 and Act 89 through fiscal year 2022 and the $50 million funding level from fiscal year 2023 through fiscal year 2057. No assurances can be made by the Commission with respect to the assumptions made or conclusions reached in the Financial Plan. A complete copy of the Financial Plan is available on the Commission's website.

The preceding paragraphs provide a brief overview of Act 44 and Act 89 and their requirements. Please refer to the commitments and contingencies section in the notes to the financial statements (Note 9) for additional information regarding the Commission's commitments under the Amended Funding Agreement. See Note 15 (Subsequent Events) regarding an additional Amendment to this agreement. Furthermore, legislation may be introduced that could affect the Commission and its obligations pursuant to Act 44 and Act 89. However, the Commission cannot predict what other legislation may be considered by the General Assembly during the 2018-2019 or future legislative sessions or if any other proposals or initiatives may lead to the adoption of legislation that may affect the Commission.

On March 15, 2018, several individuals, entities and associations involved in or related to the commercial trucking industry (the Trucking Plaintiffs) filed a class action lawsuit against the Commission, several individuals in their individual capacity and in their official capacity related to the Commission, an individual in her individual capacity and in her official capacity as Chair of the Commission and as Secretary of Transportation, and Governor Wolf, in both his individual and official capacity. The litigation is captioned Owner Operator Independent Drivers Association, Inc. et al. v. Pennsylvania Turnpike Commission et al., No. 1:18-cv-00608-SHR (United States District Court for the Middle District of Pennsylvania). The Trucking Plaintiffs allege that Act 44, as amended by Act 89 (Act 44/89), violates the Commerce Clause and the right to travel under the U.S. Constitution, either facially or as applied, because the Commission improperly imposes Turnpike tolls beyond that which is necessary for the operation and maintenance of the Turnpike System and that the Commission expends toll revenues for purposes other than the operation and maintenance of the Turnpike System.

Events That Will Impact Financial Position *(continued)*

The lawsuit seeks, among other things, the following injunctive remedies: (1) a permanent injunction enjoining the Commission from issuing any further bonds or incurring any additional debt for the purpose of making Act 44/89 payments; and (2) a permanent injunction prohibiting the Commission from using toll revenues to make payments on outstanding bonds issued to meeting Act 44/89 obligations. Moreover, the lawsuit seeks certain monetary damages including a refund of a portion of certain tolls allegedly imposed up on the Trucking Plaintiffs' use of the Turnpike System in excess of what was reasonably necessary to pay for the cost of operating and maintaining the Turnpike System, together with any legally applicable interest and other compensation.

The Commission along with all of the Commonwealth parties are vigorously defending Act 44/89 and the propriety of its use of the Turnpike toll revenues in court. All defendants have filed motions to dismiss the complaint. In addition, the Commission has filed an alternative motion for summary judgement. The Commission's motions assert that Act 44/89, the amount of the tolls and the use of the toll revenues violate neither the Commerce Clause nor the Constitutional right to travel. The Commission also asserts that the uses of toll revenues fall with in Congressional authorization. As of May 31, 2018, no specific liability has been recorded for this lawsuit.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Statements of Net Position
May 31, 2018 and 2017
(in thousands)

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and cash equivalents	$ 211,437	$ 215,949
Short-term investments	91,361	67,764
Accounts receivable - net of allowance of $106.5 million and $55.7 million for the years ended May 31, 2018 and 2017, respectively	68,246	69,181
Accrued interest receivable	1,331	1,268
Inventories	17,396	18,973
Restricted current assets		
Cash and cash equivalents	904,570	701,841
Short-term investments	188,143	303,421
Accounts receivable	17,216	16,686
Accrued interest receivable	3,174	3,513
Total current assets	1,502,874	1,398,596
Noncurrent assets		
Long-term investments		
Long-term investments unrestricted	221,063	278,202
Long-term investments restricted	487,241	565,414
Total long-term investments	708,304	843,616
Capital assets not being depreciated		
Land and intangibles	380,837	359,210
Assets under construction	1,517,692	1,356,951
Capital assets being depreciated		
Buildings	980,744	978,186
Improvements other than buildings	124,960	121,137
Equipment	621,430	638,300
Infrastructure	8,809,493	8,380,745
Total capital assets before accumulated depreciation	12,435,156	11,834,529
Less: Accumulated depreciation	6,418,160	6,105,647
Total capital assets after accumulated depreciation	6,016,996	5,728,882
Other assets		
Prepaid bond insurance costs	4,821	5,377
OPEB asset	133,248	122,542
Other assets	30,198	31,747
Total other assets	168,267	159,666
Total noncurrent assets	6,893,567	6,732,164
Total assets	8,396,441	8,130,760
Deferred outflows of resources from hedging derivatives	71,003	106,825
Deferred outflows of resources from refunding bonds	415,773	343,320
Deferred outflows of resources from pensions	46,702	84,359
Total deferred outflows of resources	533,478	534,504
Total assets and deferred outflows of resources	$ 8,929,919	$ 8,665,264

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Statements of Net Position *(continued)*
May 31, 2018 and 2017
(in thousands)

	2018	2017
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current liabilities		
Accounts payable and accrued liabilities	$ 491,114	$ 449,301
Current portion of debt	356,030	391,375
Unearned Income	74,627	72,674
Total current liabilities	921,771	913,350
Noncurrent liabilities		
Debt, less current portion, net of unamortized premium of $1,009,927 and $808,031 in 2018 and 2017, respectively	12,956,241	12,177,627
Net pension liability	329,112	379,173
Other noncurrent liabilities	197,627	246,896
Total noncurrent liabilities	13,482,980	12,803,696
Total liabilities	14,404,751	13,717,046
Deferred inflows of resources from hedging derivatives	4,573	2,700
Deferred inflows of resources from service concession arrangements	121,674	122,694
Deferred inflows of resources from refunding bonds	2,896	3,207
Deferred inflows of resources from pensions	34,787	18,289
Total deferred inflows of resources	163,930	146,890
Total liabilities and deferred inflows of resources	14,568,681	13,863,936
NET POSITION		
Net investment in capital assets	(250,112)	(258,038)
Restricted for construction purposes	260,524	330,048
Restricted for debt service	43,954	44,727
Unrestricted	(5,693,128)	(5,315,409)
Total net position	$ (5,638,762)	$ (5,198,672)

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended May 31, 2018 and 2017
(in thousands)

	2018	2017
Operating revenues		
Fares - net of discounts of $6,552 and $3,915 for the years ended May 31, 2018 and 2017, respectively	$ 1,196,606	$ 1,111,061
Other	4,668	23,335
Total operating revenues	1,201,274	1,134,396
Operating expenses		
Cost of services	494,742	517,103
Depreciation	379,401	354,343
Total operating expenses	874,143	871,446
Operating income	327,131	262,950
Nonoperating revenues (expenses)		
Investment earnings	18,809	14,225
Other nonoperating revenues	22,303	21,532
Act 44 and Act 89 payments to PennDOT	(450,000)	(450,000)
Capital assets transferred to PennDOT	-	(54,724)
Interest and bond expense	(566,137)	(560,660)
Nonoperating expenses, net	(975,025)	(1,029,627)
Loss before capital contributions	(647,894)	(766,677)
Capital contributions	207,804	214,664
Decrease in net position	(440,090)	(552,013)
Net position at beginning of year	(5,198,672)	(4,646,659)
Net position at end of year	$(5,638,762)	$(5,198,672)

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Statements of Cash Flows
Years Ended May 31, 2018 and 2017
(in thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customer tolls and deposits	$ 1,189,955	$ 1,117,714
Cash payments for goods and services	(321,166)	(328,522)
Cash payments to employees	(182,302)	(158,134)
Cash received from other operating activities	12,846	8,926
Net cash provided by operating activities	699,333	639,984
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	4,258,179	4,841,067
Interest received on investments	21,980	22,255
Purchase of investments	(4,030,569)	(4,910,891)
Net cash provided by (used in) investing activities	249,590	(47,569)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants received from other governments	31,273	55,265
Proceeds from Motor License Registration fees	28,000	28,000
Proceeds from Oil Company Franchise Tax	142,794	120,754
Construction and acquisition of capital assets	(628,744)	(599,083)
Proceeds from sale of capital assets	1,449	993
Payments for bond and swap expenses	(3,049)	(4,337)
Payments for debt refundings	(407,296)	(525,419)
Payments for debt maturities	(194,370)	(68,200)
Interest paid on debt	(281,423)	(270,070)
Interest subsidy from Build America Bonds	20,909	20,843
Proceeds from debt issuances	880,543	1,055,718
Net cash used in capital and related financing activities	(409,914)	(185,536)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments to PennDOT	(450,000)	(450,000)
Payments for bond and swap expenses	(8,207)	(8,128)
Payments for debt refundings	(1,283,282)	(1,549,690)
Payments for debt maturities	(57,005)	(54,430)
Interest paid on debt	(237,750)	(224,231)
Proceeds from debt issuances	1,695,452	1,823,095
Net cash used in noncapital financing activities	(340,792)	(463,384)
Increase (decrease) in cash and cash equivalents	198,217	(56,505)
Cash and cash equivalents at beginning of year	917,790	974,295
Cash and cash equivalents at end of year	$ 1,116,007	$ 917,790

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Statements of Cash Flows *(continued)*
Years Ended May 31, 2018 and 2017
(in thousands)

	2018	2017
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 327,131	$ 262,950
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	379,401	354,343
Change in operating assets and liabilities		
Accounts receivable	677	(11,924)
Inventories	1,577	1,520
Other assets	(10,724)	(8,606)
Deferred outflows of resources from pensions	37,657	(18,078)
Accounts payable and accrued liabilities	1,954	17,042
Net pension liability	(50,061)	32,227
Other noncurrent liabilities	(4,777)	4,414
Deferred inflows of resources from pensions	16,498	6,096
Net cash provided by operating activities	$ 699,333	$ 639,984
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	$ 211,437	$ 215,949
Restricted cash and cash equivalents	904,570	701,841
Total cash and cash equivalents	$ 1,116,007	$ 917,790

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities

The Commission recorded a net increase of $6.8 million and $9.5 in the fair value of its investments not reported as cash equivalents for the years ended May 31, 2018 and 2017, respectively.

The Commission recorded $44.6 million and $34.8 million for the amortization of bond premiums for the years ended May 31, 2018 and 2017, respectively.

As indicated in Note 7, the Commission refunded various bonds in both fiscal years 2018 and 2017. The fiscal year 2018 refundings resulted in a $32.8 million reclassification from bond premiums (discounts) to deferred outflows of resources from refunding bonds and a $6.2 million reclassification from bond premiums (discounts) to deferred inflows of resources from refundings. The fiscal year 2017 refundings resulted in a $8.1 million reclassification from bond premiums (discounts) to deferred outflows of resources from refunding bonds and a $3.1 million reclassification from bond premiums (discounts) to deferred inflows of resources from refundings. Additionally, the Commission recorded $33.5 million and $36.4 million in expenses for amortization of deferred outflows/inflows of resources from refunding bonds for the years ended May 31, 2018 and 2017, respectively.

The accompanying notes are an integral part of these financial statements.

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities *(continued)*

The Commission recorded $0.5 million and $4.6 million in expenses for amortization of prepaid bond insurance costs for the years ended May 31, 2018 and 2017, respectively.

The Commission recorded an interest expense reduction of $3.2 million and $3.1 million for the years ended May 31, 2018 and 2017, respectively, related to GASB 53 entries.

The Commission recognized total capital contributions of $207.8 million for fiscal year ended May 31, 2018. Cash received of $202.1 million for fiscal year ended May 31, 2018 is reported in the capital and related financing activities of this statement. The $5.7 million difference between capital contributions and cash received is the result of a $0.3 million increase in receivables related to these capital contributions and a $5.4 million noncash capital contribution related to capital assets provided by service plaza operators. The Commission recognized total capital contributions of $214.7 million for fiscal year ended May 31, 2017. Cash received of $204.0 million for fiscal year ended May 31, 2017 is reported in the capital and related financing activities of this statement. The $10.7 million difference between capital contributions and cash received is the result of a $5.5 million increase in receivables related to these capital contributions and a $5.2 million noncash capital contribution related to capital assets provided by service plaza operators. The Commission entered into agreements with a food and fuel provider to totally reconstruct the service plazas; the service plaza operators provide the capital for the reconstruction in exchange for lower rental rates. See Note 2 for further discussion on capital contributions and Note 6 for further discussion on the service plazas.

The Commission and PennDOT entered into an agreement regarding ownership of overhead bridges that carry state roads. Per the agreement, once the Commission replaces these overhead bridges, and after final inspections and supplemental agreements are signed by both parties, ownership and maintenance responsibilities of the bridges are transferred from the Commission to PennDOT. The Commission did not transfer any assets to PennDOT during fiscal year ended May 31, 2018. The Commission transferred assets with a net book value of $54.7 million to PennDOT during the fiscal year ended May 31, 2017.

NOTE 1 FINANCIAL REPORTING ENTITY

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

The Pennsylvania Turnpike Commission (the Commission) was created as an instrumentality of the Commonwealth of Pennsylvania on May 21, 1937, with powers to construct, operate, and maintain the Turnpike System and to issue Turnpike revenue bonds, repayable solely from tolls and other Commission revenues. The Commission is considered a component unit of the Commonwealth of Pennsylvania (the Commonwealth).

Based on the application of the criteria set forth by the Governmental Accounting Standards Board (GASB), the Commission has determined that it has no component units based on its review of GASB Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14*, No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash Equivalents

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

Investments

Investments are stated at fair value with the exception of certain nonparticipating contracts such as repurchase agreements and other agreements structured as repurchase agreements that are reported at cost, which does not materially differ from fair value. The Commission categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 4 for further discussion.

Accounts Receivable

Accounts receivable consist primarily of toll revenue receivables from customers and other E-ZPass agencies, fee revenue receivables from customers and reimbursement receivables from other governments. A reserve for uncollectible accounts receivable is established based on specific identification and historical experience.

Capital Assets

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are valued at average cost.

Debt Premium/Discount and Prepaid Insurance Costs

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

Unearned Income

Unearned income is primarily related to E-ZPass customer deposits. E-ZPass customers of the Commission are required to deposit funds in advance of anticipated travel. Since this money is collected prior to the customers' travel and revenue recognition, it is recorded as unearned income. The Commission also had unearned income related to microwave tower leases and an upfront payment from a CMS swap in fiscal year 2015. The Commission had total unearned income of $75.3 million and $73.8 million for fiscal years ended May 31, 2018 and 2017, respectively. Unearned income recorded as current liabilities is $74.6 million and $72.7 million for fiscal years ended May 31, 2018 and 2017, respectively. Unearned income recorded as other noncurrent liabilities is $0.7 million and $1.1 million for the fiscal years ended May 31, 2018 and 2017, respectively.

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pennsylvania State Employees' Retirement System (SERS) and additions to / deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred Outflows/Inflows of Resources

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

The deferred outflows/inflows of resources related to hedging derivative instruments represent the cumulative change in their fair values. Deferred inflows from the Commission's service concession arrangements represent unamortized capital contributions from service plaza operators and the present value of minimum guaranteed rent payments. Deferred outflows/inflows on refundings are the result of differences in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows/inflows of resources related to pensions are described further in Note 8. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all SERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on SERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year).

Net Position

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net Position *(continued)*

Restricted – This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. The restrictions would be imposed by:

- External parties such as creditors, grantors and contributors,
- Laws or regulations of other governments, or
- Restrictions imposed by law through constitutional provisions or enabling legislation.

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

Operating Revenues

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

Fare Revenues

Fare revenues are recognized when vehicles exit the Turnpike System. For fiscal years 2018 and 2017, approximately 79.7% and 77.1%, respectively, of the fare revenues were realized through electronic toll collection. For fiscal years 2018 and 2017, approximately 20.3% and 22.9%, respectively, of the fare revenues were realized through cash or credit card collection.

During fiscal year 2016, the Commission implemented Toll By Plate (TBP), a license plate tolling system for customers without a valid E-ZPass. The TBP program offers cashless, nonstop travel at several tolling points throughout the Turnpike System; current locations include: Delaware River Bridge, Beaver Valley Expressway, Keyser Avenue/Clarks Summit and Findlay Connector (as of June 2018). This system utilizes high speed cameras over the roadway that capture license plate images as vehicles pass through the tolling point. The registered owner of the vehicle then receives a flat rate invoice in the mail. For fiscal years 2018 and 2017, approximately 0.8% and 0.6%, respectively, of the fare revenues were realized through TBP, which are included as part of electronic toll collection.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating Expenses

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

Cost of Services

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

Utilization of Resources

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

Nonoperating Revenues (Expenses)

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

Act 44 and Act 89 Payments to PennDOT

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

Capital Assets Transferred to PennDOT

The Commission and PennDOT entered into an agreement regarding ownership of overhead bridges that carry state roads. Per the agreement, once the Commission replaces these overhead bridges, and after final inspections and supplemental agreements are signed by both parties, ownership and maintenance responsibilities of the bridges are transferred from the Commission to PennDOT. The Commission did not transfer any assets to PennDOT during the fiscal year ended May 31, 2018. The Commission transferred assets with a net book value of $54.7 million to PennDOT during the fiscal year ended May 31, 2017.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Contributions

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

Oil Company Franchise Tax Revenues

The Commission receives 14% of the additional 55 mills of the Commonwealth's Oil Company Franchise Tax revenues pursuant to Act 26 established in 1991. The revenues totaled $142.0 million and $123.7 million for the fiscal years ended May 31, 2018 and 2017, respectively. These revenues are kept in a separate fund as required by the applicable bond indenture.

Motor License Registration Fee Revenues

The Commission received $28.0 million in registration fee revenue during each of the fiscal years ended May 31, 2018 and 2017 from the Commonwealth's Motor License Fund. These revenues are kept in a separate fund as required by the applicable bond indenture.

Reimbursements from Other Governments

The Commission receives grants from other governments for reimbursement of costs for various highway construction projects. During the fiscal years ended May 31, 2018 and 2017, the Commission recognized $32.4 million and $57.7 million, respectively, as capital contributions from the other governments. In fiscal year 2018, $1.1 million of the reimbursements were received from the Commonwealth of Pennsylvania with the remainder received from the Federal government. In fiscal year 2017, all of the reimbursements were received from the Federal government.

Other Capital Contributions

The Commission entered into contracts with a food and a fuel provider to totally reconstruct the service plazas. The service plaza operators provide the capital for the reconstruction in exchange for lower rental rates. The Commission recognized capital contribution revenues of $5.4 million and $5.2 million, related to these agreements for the years ended May 31, 2018 and 2017, respectively. See Note 6 for further discussion on the service plazas.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Adoption of Accounting Pronouncements

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Commission adopted this Statement for its fiscal year ended May 31, 2017. The adoption of this Statement had no impact on the Commission's financial statements for fiscal year ending May 31, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Commission adopted this Statement for its fiscal year ended May 31, 2017. The adoption of this Statement had no impact on the Commission's financial statements for fiscal year ending May 31, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The Commission adopted this Statement for its fiscal year ended May 31, 2017. The adoption of this Statement had no impact on the Commission's financial statements for fiscal year ending May 31, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The Commission adopted this Statement for its fiscal year ended May 31, 2017. The adoption of this Statement had no impact on the Commission's financial statements for fiscal year ending May 31, 2017. See the Required Supplementary Information section of these financial statements for disclosures.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The Commission adopted this Statement for its fiscal year ended May 31, 2018. The adoption of this Statement had no impact on the Commission's financial statements for fiscal years ending May 31, 2018 and 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The Commission adopted this Statement for its fiscal year ended May 31, 2018. The adoption of this Statement had no significant impact on the Commission's financial statements for fiscal years ending May 31, 2018 and 2017.

Pending Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Pennsylvania Turnpike Commission Retiree Medical Trust is required to adopt Statement No. 74 for its fiscal year ended May 31, 2018. The stand-alone Trust financial statements for the fiscal year ending May 31, 2018 will be issued subsequent to these Commission financial statements. The Commission is required to adopt Statement No. 75 for its fiscal year ended May 31, 2019.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Pending Changes in Accounting Principles *(continued)*

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The Commission is required to adopt Statement No. 83 for its fiscal year ended May 31, 2020.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Commission is required to adopt Statement No. 84 for its fiscal year ended May 31, 2020.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The Commission is required to adopt Statement No. 85 for its fiscal year ended May 31, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Commission is required to adopt Statement No. 87 for its fiscal year ended May 31, 2021.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The Commission is required to adopt Statement No. 88 for its fiscal year ended May 31, 2020.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The Commission is required to adopt Statement No. 89 for its fiscal year ended May 31, 2021.

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

NOTE 3 INDENTURE REQUIREMENTS AND RESTRICTIONS

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

- A Senior Trust Indenture dated July 1, 1986 which was amended and restated as of March 1, 2001, as supplemented, between the Commission and U.S. Bank, N.A., as successor Trustee;

- An Oil Franchise Tax Trust Indenture dated August 1, 1998, as supplemented, between the Commission and U.S. Bank, N.A., as successor Trustee;

- A Registration Fee Revenue Trust Indenture dated August 1, 2005 between the Commission and U.S. Bank, N.A., as successor Trustee;

NOTE 3 INDENTURE REQUIREMENTS AND RESTRICTIONS *(continued)*

- A Subordinate Trust Indenture dated April 1, 2008, as supplemented, between the Commission and Wells Fargo Bank, N.A., as successor Trustee; and

- A Special Obligation Trust Indenture dated September 1, 2014 between the Commission and U.S. Bank, N.A., as successor Trustee.

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

NOTE 4 CASH AND INVESTMENTS

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

	May 31,	
	2018	**2017**
	(In Thousands)	
Cash and cash equivalent and investment types		
U.S. Treasuries	$ 361,692	$ 383,019
GNMA mortgages	1,627	2,340
Government agency securities	115,528	164,276
Municipal bonds	91,274	99,557
Corporate obligations	406,115	555,789
Total investment securities	976,236	1,204,981
Investment derivatives	11,572	9,820
Cash and cash equivalents	1,116,007	917,790
Total cash and cash equivalents and investments	$ 2,103,815	$ 2,132,591

Cash and Cash Equivalents

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

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash and Cash Equivalents *(continued)*

The following summary presents the Commission's cash and cash equivalents:

	Bank Balance	Book Balance
	(In Thousands)	
May 31, 2018		
Demand deposits	$ 18,707	$ 21,846
Money market funds	739,543	739,543
Cash equivalents	354,618	354,618
Total cash and cash equivalents	$ 1,112,868	$ 1,116,007
May 31, 2017		
Demand deposits	$ 33,009	$ 32,924
Money market funds	562,013	562,086
Cash equivalents	322,780	322,780
Total cash and cash equivalents	$ 917,802	$ 917,790

Cash Equivalents and Investment Securities

Following is a description of the valuation methodologies used for investment securities measured at fair value.

- For fiscal years ended May 31, 2018 and 2017, U.S. Treasuries of $361.7 and $383.0 million, respectively, categorized as Level 1 are valued using quoted market prices.

- For fiscal years ended May 31, 2018 and 2017, GNMA mortgages of $1.6 and $2.3 million, respectively, categorized as Level 2 are valued using models based on spreads of comparable securities.

- For fiscal years ended May 31, 2018 and 2017, government agency securities of $115.5 and $164.3 million, respectively, categorized as Level 2 are valued using various market and industry inputs. Callable agency-issued debt securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The fair value of agency mortgage pass-through pool securities is model-driven based on spreads of a comparable security. Collateralized mortgage obligations are valued using quoted market prices and trade data adjusted by subsequent changes in related indices for identical or comparable securities.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities *(continued)*

- For fiscal years ended May 31, 2018 and 2017, municipal bonds of $91.3 and $99.6 million, respectively, categorized as Level 2 are valued using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond or credit default swap spreads and volatility.

- For fiscal years ended May 31, 2018 and 2017, corporate obligations of $406.1 and $555.8 million, respectively, categorized as Level 2 are valued using recently executed transactions, market price quotations (where observable), bond spreads, credit default swap spreads, at the money volatility and/or volatility skew obtained from independent external parties such as vendors and brokers adjusted for any basis difference between cash and derivative instruments. The spread data used are for the same maturity as the bond.

- For fiscal years ended May 31, 2018 and 2017, investment derivatives of $11.6 and $9.8 million, respectively, categorized as Level 2 are valued using discounted future net cash flows, mid-market values, nonperformance risk and bid/offer spreads. See Note 9 for further discussion.

The Indentures (as listed in Note 3) permit investments in obligations of, or guaranteed by, the United States of America, its agencies, and its instrumentalities (United States Government obligations); certificates of deposit issued by institutions insured by the FDIC or fully collateralized with United States Government obligations; investment agreements with certain financial institutions; commercial paper and asset-backed securities rated in the highest category by applicable rating agencies; money market funds and auction rate certificates rated in one of the two highest categories by applicable rating agencies; corporate bonds and medium term notes with a minimum rating of “AA-“; investments in bonds or notes issued by any state or municipality which are rated by Moody’s, S&P and Fitch in one of their two highest rating categories; and repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York collateralized with obligations of, or guaranteed by, the United States of America.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities *(continued)*

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

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

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities *(continued)*

- Share or Certificates in any short-term investment fund investing not less than 90% of its assets in obligations of U.S. Treasury bills, notes, bonds, strips or time deposits.

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

- Investments in any single federal agency, not carrying the full faith and credit of the U.S. Government, are limited to 35% of the portfolio.

- Investments in certificates of deposit and investment agreements are limited to 30% of the portfolio.

- Combined exposure to commercial paper, corporate bonds, and asset-backed securities, in aggregate, is limited to 35% of the total portfolio.

- Investments in any single issuer, excluding U.S. Treasury and federal agencies, are limited to 5% of the portfolio.

The Commission's investment policy also limits investments to those issues expected to mature within five years, taking into consideration call, prepayment, or other features that may impact maturity. At May 31, 2018 and 2017, the Commission held one security totaling $14.0 million and three securities totaling $21.9 million, respectively, which had a maturity greater than five years. All of these securities were purchased prior to the Commission's adoption of an Investment Policy.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Credit Risk

The Commission's exposure to credit risk for investment securities is as follows:

Investment Type	AAA	AA	A	A-1	Below A	Total
			Quality Rating as of May 31, 2018 (In Thousands)			
Government agency securities	$ 1,470	$ 114,058	$ -	$ -	$ -	$ 115,528
Municipal bonds	6,191	27,323	18,421	39,339	-	91,274
Corporate obligations	70,016	310,308	25,506	-	285	406,115
	$ 77,677	$ 451,689	$ 43,927	$ 39,339	$ 285	$ 612,917

Investment Type	AAA	AA	A	A-1	Below A	Total
			Quality Rating as of May 31, 2017 (In Thousands)			
Government agency securities	$ 4,870	$ 159,406	$ -	$ -	$ -	$ 164,276
Municipal bonds	9,020	78,741	11,796	-	-	99,557
Corporate obligations	91,567	376,607	32,520	54,713	382	555,789
	$ 105,457	$ 614,754	$ 44,316	$ 54,713	$ 382	$ 819,622

Concentration of Credit Risk

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

As of May 31, 2018 and 2017, the Commission did not have any investments of more than 5% of its consolidated portfolio.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Interest Rate Risk

The effective duration of the Commission's investments, by type, was as follows:

	As of May 31, 2018	
Investment Type	**Fair Value**	**Effective Duration**
	(In Thousands)	*(In Years)*
U.S. Treasuries	$ 361,692	2.8631
GNMA mortgages	1,627	3.8923
Government agency securities	115,528	1.5158
Municipal bonds	91,274	1.7169
Corporate obligations	406,115	1.3215
Total investment securities	$ 976,236	

	As of May 31, 2017	
Investment Type	**Fair Value**	**Effective Duration**
	(In Thousands)	*(In Years)*
U.S. Treasuries	$ 383,019	2.5304
GNMA mortgages	2,340	3.6307
Government agency securities	164,276	2.2602
Municipal bonds	99,557	2.3438
Corporate obligations	555,789	1.5028
Total investment securities	$ 1,204,981	

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At May 31, 2018 and 2017, $18.2 million and $32.5 million, respectively, of the Commission's demand deposits were exposed to custodial credit risk, as they were uninsured and collateralized with securities held by an agent of the pledging financial institution but not in the Commission's name. None of the Commission's investments were exposed to custodial credit risk at May 31, 2018 or 2017.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Investment Derivatives

Following is a summary of the Commission's investment derivatives at May 31, 2018:

	Notional Amount *(Thousands)*	Weighted Avg. Mat. *(Years)*	Effective Date	Maturity Date	Terms	Fair Value *(Thousands)*	Counterparty	Credit Ratings Moody's/ S&P's/Fitch
	$ 67,452	6.4				$ 102	JPMorgan Chase Bank	Aa3/A+/AA-
	60,384	7.1			Pay 67% of 1-month LIBOR, receive	27	Merrill Lynch CS*	A3/A-/A
	67,452	6.4			60.08% of the 10 year maturity of the	102	PNC Bank	A2/A/A+
	75,478	7.1			USD-ISDA Swap Rate	35	Bank of New York Mellon	Aa2/AA-/AA
A	270,766		7/1/2007	12/1/2030		266		
	112,000				Pay SIFMA, receive 63% of 1-month	(2,952)	JPMorgan Chase Bank	Aa3/A+/AA-
	48,000				LIBOR + 20 bps	(1,264)	Bank of New York Mellon	Aa2/AA-/AA
B	160,000	11.1	8/14/2003	12/1/2032		(4,216)		
	80,000				Pay 67% of 1-month LIBOR, receive	213	JPMorgan Chase Bank	Aa3/A+/AA-
	80,000				60.15% of the 10 year maturity of the	213	Royal Bank of Canada	A1/AA-/AA
C	160,000	11.0	9/19/2006	11/15/2032	USD-ISDA Swap rate	426		
D	80,000	0.5	5/15/2014	11/15/2018	Pay 60.15% of the 10 year maturity of the USD-ISDA Swap Rate, receive 67% of 1-month LIBOR	(139)	Wells Fargo	Aa2/A+/AA-
E	127,020	12.8	6/1/2010	6/1/2039	Pay SIFMA, receive 99.68% of 3-month LIBOR	7,103	Goldman Sachs MMDP	Aa2/AA-/NR
F	127,020	12.8	6/1/2010	6/1/2039	Pay SIFMA, receive 99.80% of 3-month LIBOR	8,132	Deutsche Bank	Baa2/A-/BBB+
						$ 11,572		

1-month LIBOR was 2.00070% at May 31, 2018.
3-month LIBOR was 2.32125% at May 31, 2018.
10-year maturity of the USD-ISDA swap rate was 2.884% at May 31, 2018.
SIFMA was 1.06% at May 31, 2018.

* On November 15, 2012, the Commission executed an amendment to the swap agreements to include Merrill Lynch Derivative Products as guarantor. Merrill Lynch Derivative Products credit ratings were Aa3/AA/NR (Moody's/Standard & Poor's/Fitch) as of May 31, 2018.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Investment Derivatives *(continued)*

Following is a summary of the Commission's investment derivatives at May 31, 2017:

Notional Amount *(Thousands)*	Weighted Avg. Mat. *(Years)*	Effective Date	Maturity Date	Terms	Fair Value *(Thousands)*	Counterparty	Credit Ratings Moody's/ S&P's/Fitch
$ 67,452	7.4				$ 782	JPMorgan Chase Bank	Aa3/A+/AA-
60,384	8.1			Pay 67% of 1-month LIBOR, receive	672	Merrill Lynch CS*	Baa1/BBB+/A
67,452	7.4			60.08% of the 10 year maturity of the	782	PNC Bank	A2/A/A+
75,478	8.1			USD-ISDA Swap Rate	840	Bank of New York Mellon	Aa2/AA-/AA
270,766		7/1/2007	12/1/2030		3,076		
112,000				Pay SIFMA, receive 63% of 1-month	(3,362)	JPMorgan Chase Bank	Aa3/A+/AA-
48,000				LIBOR + 20 bps	(1,442)	Bank of New York Mellon	Aa2/AA-/AA
160,000	12.1	8/14/2003	12/1/2032		(4,804)		
80,000				Pay 67% of 1-month LIBOR, receive	1,707	JPMorgan Chase Bank	Aa3/A+/AA-
80,000				60.15% of the 10 year maturity of the	1,326	Royal Bank of Canada	A1/AA-/AA
160,000	12.0	9/19/2006	11/15/2032	USD-ISDA Swap rate	3,033		
80,000	1.0	5/15/2014	5/15/2018	Pay 60.15% of the 10 year maturity of the USD-ISDA Swap Rate, receive 67% of 1-month LIBOR	(400)	Wells Fargo	Aa2/AA-/AA
127,020	13.8	6/1/2010	6/1/2039	Pay SIFMA, receive 99.68% of 3-month LIBOR	4,118	Goldman Sachs MMDP	Aa2/AA-/NR
127,020	13.8	6/1/2010	6/1/2039	Pay SIFMA, receive 99.80% of 3-month LIBOR	4,797	Deutsche Bank	Baa2/A-/A-
					$ 9,820		

1-month LIBOR was 1.06033% at May 31, 2017.
3-month LIBOR was 1.21000% at May 31, 2017.
10-year maturity of the USD-ISDA swap rate was 2.150% at May 31, 2017.
SIFMA was 0.76% at May 31, 2017.

* On November 15, 2012, the Commission executed an amendment to the swap agreements to include Merrill Lynch Derivative Products as guarantor. Merrill Lynch Derivative Products credit ratings were Aa3/AA/NR (Moody's/Standard & Poor's/Fitch) as of May 31, 2017.

See Note 9 for additional disclosures regarding derivative instruments, including a rollforward from the prior-year balances.

NOTE 5 CAPITAL ASSETS

Summaries of changes to capital assets for the years ended May 31, 2018 and 2017 are as follows:

	Balance May 31, 2017	Additions	Transfers	Reductions	Balance May 31, 2018
	(In Thousands)				
Capital assets not being depreciated (cost)					
Land and intangibles	$ 359,210	$ 21,627	$ -	$ -	$ 380,837
Assets under construction	1,356,951	612,449	(451,708)	-	1,517,692
Total capital assets not being depreciated	1,716,161	634,076	(451,708)	-	1,898,529
Capital assets being depreciated (cost)					
Buildings	978,186	2,061	497	-	980,744
Improvements other than buildings	121,137	3,952	2	131	124,960
Equipment	638,300	8,320	9,156	34,346	621,430
Infrastructure	8,380,745	19,535	442,053	32,840	8,809,493
Total capital assets being depreciated	10,118,368	33,868	451,708	67,317	10,536,627
Less accumulated depreciation for					
Buildings	399,831	22,722	-	-	422,553
Improvements other than buildings	82,984	4,062	-	130	86,916
Equipment	513,449	34,794	-	33,918	514,325
Infrastructure	5,109,383	317,823	-	32,840	5,394,366
Total accumulated depreciation	6,105,647	379,401	-	66,888	6,418,160
Total capital assets being depreciated, net	4,012,721	(345,533)	451,708	429	4,118,467
Total capital assets	$ 5,728,882	$ 288,543	$ -	$ 429	$ 6,016,996

	Balance May 31, 2016	Additions	Transfers	Reductions	Balance May 31, 2017
	(In Thousands)				
Capital assets not being depreciated (cost)					
Land and intangibles	$ 333,934	$ 25,276	$ -	$ -	$ 359,210
Assets under construction	1,330,627	560,091	(533,767)	-	1,356,951
Total capital assets not being depreciated	1,664,561	585,367	(533,767)	-	1,716,161
Capital assets being depreciated (cost)					
Buildings	968,902	2,457	6,827	-	978,186
Improvements other than buildings	119,256	1,876	5	-	121,137
Equipment	619,779	10,329	12,748	4,556	638,300
Infrastructure	7,908,360	20,969	514,187	62,771	8,380,745
Total capital assets being depreciated	9,616,297	35,631	533,767	67,327	10,118,368
Less accumulated depreciation for					
Buildings	377,111	22,720	-	-	399,831
Improvements other than buildings	78,579	4,405	-	-	82,984
Equipment	481,056	36,575	-	4,182	513,449
Infrastructure	4,826,786	290,643	-	8,046	5,109,383
Total accumulated depreciation	5,763,532	354,343	-	12,228	6,105,647
Total capital assets being depreciated, net	3,852,765	(318,712)	533,767	55,099	4,012,721
Total capital assets	$ 5,517,326	$ 266,655	$ -	$ 55,099	$ 5,728,882

NOTE 5 CAPITAL ASSETS *(continued)*

The Commission incurred interest costs of $20.2 million and $22.3 million for the fiscal years ended May 31, 2018 and 2017, respectively, which qualified for capitalization. For fiscal year 2018, there was a $0.7 million interest income offset; therefore, $19.5 million was capitalized. For fiscal year 2017, there was a $1.3 million interest income offset; therefore, $21.0 million was capitalized.

NOTE 6 SERVICE CONCESSION ARRANGEMENTS

There are 17 service plazas along the Turnpike System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. The Commission has entered into long term service plaza redevelopment agreements with HMSHost Restaurants, LLC and Sunoco Retail LLC to design, reconstruct, finance, operate and maintain all of the service plazas. During fiscal year 2018, the agreement with Sunoco Retail LLC was assigned to 7-Eleven, Inc. All terms of the contract remained the same. The Commission has no responsibility for maintaining the service plazas under the agreements. The Commission maintains the ability to approve and/or modify the services that the operators can provide and the rates that can be charged. The service plaza operators are compensated by the users of the services and share a portion of the revenue with the Commission as rental payments. Upon completion of construction, the reconstructed assets are recognized by the Commission. The current contracts with HMSHost Restaurants, LLC and 7-Eleven, Inc. expire on August 25, 2036 and January 31, 2022, respectively. 7-Eleven Inc.'s lease may be extended for three additional five-year periods. The first extension shall be at the discretion of 7-Eleven Inc., and the second and third extensions shall be mutually agreed to by both parties.

As of May 31, 2018, the Commission had capitalized $125.4 million in capital assets representing all 17 service plazas that had fully completed construction and recorded deferred inflows of resources of $91.5 million related to these assets in accordance with GASB Statement No. 60. Also, as of May 31, 2018 and in accordance with GASB Statement No. 60, the Commission recognized a receivable and deferred inflow of resources in the amount of $30.2 million for the present value of guaranteed minimum rent payments scheduled to begin upon completion of all construction. Since the final service plaza was completed at the end of fiscal year 2018, guaranteed minimum rental payment requirements will begin in fiscal year 2019.

As of May 31, 2017, the Commission had capitalized $119.4 million in capital assets representing 16 service plazas that had fully completed construction and recorded deferred inflows of resources of $91.0 million related to these assets in accordance with GASB Statement No. 60. Also, as of May 31, 2017 and in accordance with GASB Statement No. 60, the Commission recognized a receivable and deferred inflow of resources in the amount of $31.7 million for the present value of guaranteed minimum rent payments scheduled to begin upon completion of all construction.

NOTE 7 DEBT

Following is a summary of debt outstanding:

	May 31, 2018	May 31, 2017
	(In Thousands)	
Mainline Senior Debt		
2009 Series A Build America Bonds: Issued $275,000 in July 2009 at 6.105%, due in varying installments through June 1, 2039. Interest paid each June 1 and December 1.	$ 275,000	$ 275,000
2009 Series B: Issued $375,010 in December 2009 at 3.00% to 5.00%, due in varying installments through December 1, 2025. Interest paid each June 1 and December 1.	272,655	312,085
2010 Series B Build America Bonds: Issued $600,000 in September 2010 at 5.5%, due in varying installments through December 1, 2049. Interest paid each June 1 and December 1.	600,000	600,000
2011 Series A: Issued $68,660 in April 2011 at 4.00% to 5.00% due in varying installments through December 1, 2023. Interest paid each June 1 and December 1.	68,660	68,660
2011 Series E: Issued $110,080 in November 2011 at 3.63% to 5.00%, due in varying installments through December 1, 2030. Interest paid each June 1 and December 1. Partially refunded in October 2017. Final refunding in December 2017.	-	110,080
2012 Series A: Issued $200,215 in July 2012 at 3.00% to 5.00%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1. Partially refunded in October 2017 and December 2017.	131,765	189,550
2013 Series A: Issued $176,075 in January 2013 at a variable rate (based on SIFMA + .60% and .68%, reset weekly, paid the 1st of each month). Due in varying installments through December 1, 2018.	76,075	176,075
2013 Series B: Issued $265,155 in July 2013 at a variable rate (based on SIFMA + .40% to 1.27%, reset weekly, paid the 1st of each month). Due in varying installments through December 1, 2020. Partially refunded in June 2015.	200,000	200,000
2013 Series C: Issued $222,935 in August 2013 at 3.00% to 5.50%, due in varying installments through December 1, 2043. Interest paid each June 1 and December 1. Partially refunded in October 2017 and December 2017.	165,645	222,750
2014 Series A: Issued $236,115 in April 2014 at 4.00% to 5.00%, due in varying installments through December 1, 2044. Interest paid each June 1 and December 1. Partially refunded in October 2017.	231,970	236,115
2014 Series B-1: Issued $444,280 in May 2014 at a variable rate (based on SIFMA + .05% to .98%, reset weekly, paid the 1st of each month). Due in varying installments through December 1, 2021. Partially refunded in June 2015, June 2016 and October 2017.	354,150	394,150
2014 Series Refunding: Issued $239,620 in November 2014 at 5.00%, due in varying installments through December 1, 2034. Interest paid each June 1 and December 1.	239,620	239,620
2014 Series C: Issued $294,225 in December 2014 at 2.25% to 5.00%, due in varying installments through December 1, 2044. Interest paid each June 1 and December 1. Partially refunded in October 2017.	287,210	294,225
2015 Series A-1: Issued $385,095 in June 2015 at 4.00% to 5.00%, due in varying installments through December 1, 2045. Interest paid each June 1 and December 1.	385,095	385,095
2015 Series A-2: Issued $115,635 in June 2015 at a variable rate (based on SIFMA + .15% to .90%, reset weekly, paid the 1st of each month). Due in varying installments through December 1, 2021.	75,000	100,000
2015 Series B: Issued $304,005 in December 2015 at 2.50% to 5.00%, due in varying installments through December 1, 2045. Interest paid each June 1 and December 1.	304,005	304,005
2016 EB-5 Loan (1st-3rd Tranches): Issued $150,000 in March 2016 at 2.00% due on March 18, 2021. Interest is paid each June 1 and December 1.	150,000	150,000
2016 EB-5 Loan (4th Tranche): Issued $50,000 in May 2016 at 2.00%, due on May 12, 2021. Interest is paid each June 1 and December 1.	50,000	50,000
2016 Series A-1: Issued $447,850 in June 2016 at 3.00% to 5.00% due in varying installments through December 1, 2046. Interest is paid each June 1 and December 1.	447,850	447,850
2016 Series A-2: Issued $140,590 in June 2016 at a variable rate (based on 70% of 1-month LIBOR + .60% to .70%, reset weekly, paid the 1st of each month). Due in varying installments through December 1, 2018. Partially refunded in October 2017.	40,590	140,590
2017 Series A-1: Issued $365,895 in October 2017 at 3.00% to 5.00% due in varying installments through December 1, 2047. Interest is paid each June 1 and December 1.	365,895	-
2017 Series A-2 Refunding: Issued $133,060 in October 2017 at 5.00% due in varying installments through December 1, 2030. Interest is paid each June 1 and December 1.	133,060	-
2017 Series B-1: Issued $40,000 in October 2017 at a variable rate (based on 70% of 1-month LIBOR + .40%, reset weekly, paid the 1st of each month). Due on December 1, 2020.	40,000	-

NOTE 7 DEBT *(continued)*

Following is a summary of debt outstanding: *(continued)*

	May 31, 2018	May 31, 2017
	(In Thousands)	
2017 Series B-2: Issued $100,320 in October 2017 at a variable rate (based on 70% of 1-month LIBOR + .50%, reset weekly, paid the 1st of each month). Due on December 1, 2021.	$ 100,320	$ -
2017 Series C: Issued $103,330 in December 2017 at 2.57% due on December 1, 2021. Interest paid each June 1 and December 1.	103,330	-
2018 EB-5 Loan (1st Tranche): Issued $50,000 in February 2018 at 2.00% due on February 21, 2023. Interest is paid each June 1 and December 1.	50,000	-
Total Mainline Senior Debt Payable	5,147,895	4,895,850
Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt)		
Mainline Subordinate Revenue Debt		
2008 Sub-Series A-1 Subordinate Revenue: Issued $176,565 in April 2008 at 4.125% to 5.00%, due in varying installments through June 1, 2038. Interest paid each June 1 and December 1. Partially refunded in February 2016, April 2016 and June 2016. Final refunding in July 2017.	-	2,820
2008 Sub-Series A-2 Subordinate Revenue (Federally Taxable): Issued $68,290 in April 2008 at 3.74% to 6.41%, due in varying installments through June 1, 2022. Interest paid each June 1 and December 1. Partially refunded in October 2016.	11,365	16,610
2008 Sub-Series B-1, B-2 Subordinate Revenue (B-2 Federally Taxable): Issued $233,905 in July 2008 at 5.00% to 7.47%, due in varying installments through June 1, 2036. Interest paid each June 1 and December 1. Sub-series B-1 was partially refunded in February 2016, April 2016, and final refunding in June 2016. Sub-series B-2 was partially refunded in October 2016.	21,205	21,205
2008 Sub-Series C-1, C-3, C-4 Subordinate Revenue (C-4 Federally Taxable): Issued $411,110 in October 2008 at 4.00% to 6.25%, due in varying installments through June 1, 2038. Interest paid each June 1 and December 1. Sub-Series C-3 refunded July 2009 and Sub-Series C-4 refunded June 2010. Sub-Series C-1 was partially refunded in February 2016.	6,550	12,790
2009 Series A Subordinate Revenue: Issued $308,035 in January 2009 at 3.00% to 5.00%, due in varying installments through June 1, 2039. Interest paid each June 1 and December 1. Partially refunded in February 2016, April 2016, June 2016, October 2016, May 2017 and July 2017.	13,940	83,100
2009 Series B Subordinate Revenue: Issued $856,735 in July 2009 at 3.00% to 5.75%, due in varying installments through June 1, 2039. Interest paid each June 1 and December 1. Partially refunded in February 2016, April 2016, June 2016, October 2016 and July 2017.	45,050	204,585
2009 Series C Subordinate Revenue: Issued $99,998 in July 2009 at 6.25%, due in varying installments through June 1, 2033. Interest compounded semi-annually until June 1, 2016, thereafter paid each June 1 and December 1. Series C issued as Capital Appreciation Bonds (CABs). Compounded interest to be paid at maturity or earlier redemption.	152,355	152,355
2009 Series D Subordinate Revenue: Issued $324,745 in October 2009 at 4.00% to 5.50%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1. Partially refunded in February 2016, June 2016, October 2016, and May 2017.	7,365	7,365
2009 Series E Subordinate Revenue: Issued $200,005 in October 2009 at 6.00% to 6.375%, due in varying installments through December 1, 2038. Interest compounded semi-annually until December 1, 2017, thereafter paid each June 1 and December 1. Series E issued as CABs. The compounded interest to be paid at maturity or earlier redemption.	329,975	319,922
2010 Sub-Series B-1, B-2 Subordinate Revenue: Issued $273,526 in July 2010 at 5.00%. Sub-Series B-1 due in varying installments through December 1, 2037. Sub-Series B-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compounded interest paid at maturity or earlier redemption. Sub-Series B-1 was partially refunded in June 2016 and November 2017. Sub-Series B-2 was partially refunded in June 2016 and October 2016 and final refunding in July 2017.	11,285	199,250
2010 Sub-Series C-1, C-2, C-3 Subordinate Revenue: Issued $138,916 in October 2010 at 4.25% to 5.45%. Sub-Series C-1 due in varying installments through December 1, 2040. Sub-Series C-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub Series C-3 issued as CABs with interest paid at maturity or earlier redemption. Sub-series C-2 partially refunded in June 2016, July 2017 and final refunding in November 2017. Sub-Series C-1 partially refunded in December 2017.	23,689	148,636
2011 Series A Subordinate Revenue: Issued $135,655 in April 2011 at 5.00% to 6.50%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1. Partially refunded in April 2015, June 2016, October 2016 and July 2017. Final refunding in November 2017.	-	24,325

NOTE 7 DEBT *(continued)*

Following is a summary of debt outstanding: *(continued)*

	May 31, 2018	May 31, 2017
	(In Thousands)	
2011 Series B Subordinate Revenue: Issued $126,740 in October 2011 at 2.00% to 5.25%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1. Partially refunded in December 2017.	$ 66,315	$ 109,510
2012 Series A Subordinate Revenue: Issued $123,545 in April 2012 at 3.00% to 5.00%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1. Partially refunded in July 2017 and December 2017.	75,240	109,640
2012 Series B Subordinate Revenue: Issued $121,065 in October 2012 at 2.00% to 5.00%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1. Partially refunded in December 2017.	104,295	108,910
2013 Series A Subordinate Revenue: Issued $71,702 in April 2013 at 3.125% to 5.00%, due in varying installments through December 1, 2043. Sub-Series A-1 Serial bond interest paid each June 1 and December 1. Sub-Series A-1 Term bond interest paid each June 1 and December 1. Sub-Series A-2 issued as convertible CABs. Interest to be compounded semi-annually until December 1, 2018, thereafter paid each June 1 and December 1.	81,719	79,550
2013 Sub-Series B-1, B-2, B-3 Subordinate Revenue: Issued $108,708 in October 2013 at 2.00% to 6.10%, due in varying installments through December 1, 2043. Sub-Series B-1 interest paid each June 1 and December 1. Sub-Series B-2 issued as convertible CABs. Interest to be compounded semi-annually until December 1, 2028, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 interest paid each June 1 and December 1. Sub-Series B-3 partially refunded in December 2017.	109,775	114,022
2014 Sub-Series A-1, A-2, A-3 Subordinate Revenue: Issued $148,300 in April 2014 at 2.00% to 5.44%, due in varying installments through December 1, 2043. Sub-Series A-1 interest paid each June 1 and December 1. Sub-Series A-2 issued as convertible CABs. Interest to be compounded semi-annually until June 1, 2024, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 issued as CABs with interest paid at maturity or earlier redemption.	155,626	154,152
2014 Series B Subordinate Revenue: Issued $201,395 in October 2014 at 5.00% to 5.25% due in varying installments through December 1, 2044. Interest paid each June 1 and December 1.	201,395	201,395
2015 Series A-1 Subordinate Revenue: Issued $209,010 in April 2015 at 3.00% to 5.25% due in varying installments through December 1, 2045. Interest is paid each June 1 and December 1.	209,010	209,010
2015 Series A-2 Subordinate Revenue: Issued $50,000 in April 2015 at a variable rate (based on SIFMA + .80%, reset weekly, paid the 1st of each month commencing on December 1, 2015). Due in varying installments through December 1, 2045.	50,000	50,000
2015 Series B Subordinate Revenue: Issued $192,215 in October 2015 at 4.00% to 5.00% due in varying installments through December 1, 2045. Interest is paid each June 1 and December 1. Partially refunded in July 2017, November 2017 and December 2017.	131,160	192,215
2016 First Series Subordinate Revenue Refunding: Issued $360,990 in February 2016 at 3.00% to 5.00% due in varying installments through June 1, 2038. Interest is paid each June 1 and December 1.	360,780	360,990
2016 Series A-1 Subordinate Revenue: Issued $203,700 in April 2016 at 3.00% to 5.00% due in varying installments through December 1, 2046. Interest is paid each June 1 and December 1.	203,700	203,700
2016 Series A-2 Subordinate Revenue: Issued $185,455 in April 2016 at 5.00% due in varying installments through June 1, 2033. Interest is paid each June 1 and December 1.	185,455	185,455
2016 Second Series Subordinate Revenue Refunding: Issued $649,545 in June 2016 at 3.00% to 5.00% due in varying installments through June 1, 2039. Interest is paid each June 1 and December 1.	649,545	649,545
2016 Third Series Sub-Series A Subordinate Revenue Refunding: Issued $255,455 in October 2016 at 3.375% to 5.00% due in varying installments through December 1, 2041. Interest is paid June 1 and December 1.	255,455	255,455
2016 Third Series Sub-Series B Subordinate Revenue Refunding (Federally Taxable): Issued $75,755 in October 2016 at 1.175% to 2.928% due in varying installments through December 1, 2025. Interest is paid June 1 and December 1.	73,750	75,755
2017 Series A Subordinate Revenue: Issued $284,275 in January 2017 at 4.00% to 5.50% due in varying installments through December 1, 2046. Interest is paid each June 1 and December 1.	284,275	284,275
2017 First Series Subordinate Revenue Refunding: Issued $291,850 in May 2017 at a variable rate (based on SIFMA + .60% reset weekly, paid the 1st of each month commencing on June 1, 2017). Due in varying installments through December 1, 2041.	291,850	291,850
2017 Series B-1 Subordinate Revenue: Issued $379,115 in July 2017 at 5.00% To 5.25%. Due in varying installments through June 1, 2047. Interest paid each June 1 and December 1.	379,115	-

NOTE 7 DEBT *(continued)*

Following is a summary of debt outstanding: *(continued)*

	May 31, 2018	May 31, 2017
	(In Thousands)	
2017 Series B-2 Subordinate Revenue: Issued $371,395 in July 2017 at 4.00% to 5.00%. Due in varying installments through June 1, 2039. Interest paid each June 1 and December 1.	$ 371,395	$ -
2017 Second Series Subordinate Revenue Refunding: Issued $150,425 in November 2017 at 5.00%. Due in varying installments through December 1, 2037. Interest paid each June 1 and December 1.	150,425	-
2017 Third Series Subordinate Revenue Refunding: Issued $143,585 in December 2017 at 4.00% to 5.00%. Due in varying installments through December 1, 2040. Interest paid each June 1 and December 1.	143,585	-
Total Mainline Subordinate Revenue Debt Payable	5,156,644	4,828,392
Motor License Fund-Enhanced Subordinate Special Revenue Debt		
2010 Sub-Series A-1, A-2, A-3 Subordinate Motor License Fund-Enhanced Special Revenue: Issued $187,816 in July 2010 at 4.50% to 5.50%. Sub-Series A-1 due in varying installments through December 1, 2038. Interest paid each June 1 and December 1. Sub-Series A-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series A-3 issued as CABs. Compounded interest to be paid at maturity or earlier redemption. Sub-Series A-2 was partially refunded in October 2016 and final refunding in November 2017. Sub-Series A-1 was partially refunded in November 2017 and final refunding in December 2017.	39,157	205,684
2010 Sub-Series B-1, B-2, B-3 Subordinate Motor License Fund-Enhanced Special Revenue: Issued $105,299 in October 2010 at 3.95% to 5.125%, due in varying installments through December 1, 2040. Sub-Series B-1 interest paid each June 1 and December 1. Sub-Series B-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 issued as CABs with interest paid at maturity or earlier redemption. Sub-Series B-2 was partially refunded in October 2016 and July 2017 and final refunding in November 2017. Sub-Series B-1 was partially refunded in December 2017.	45,462	114,415
2011 Series A Subordinate Motor License Fund-Enhanced Special Revenue: Issued $102,620 in April 2011 at 5.00% to 6.00%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1. Partially refunded in October 2016 and July 2017. Final refunding in November 2017.	-	45,760
2011 Series B Subordinate Motor License Fund-Enhanced Special Revenue: Issued $98,910 in October 2011 at 3.00% to 5.00%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1. Partially refunded in July 2017, November 2017 and December 2017.	30,635	96,855
2012 Series A Subordinate Motor License Fund-Enhanced Special Revenue: Issued $94,935 in April 2012 at 2.00% to 5.00%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1. Partially refunded in July 2017, November 2017 and December 2017.	37,085	93,570
2012 Series B Subordinate Motor License Fund-Enhanced Special Revenue: Issued $92,780 in October 2012 at 3.00% to 5.00%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1. Partially refunded in July 2017 and December 2017	70,370	91,440
2013 Series A Subordinate Motor License Fund-Enhanced Special Revenue: Issued $92,465 in April 2013 at 3.00% to 5.00%, due in varying installments through December 1, 2043. Interest paid each June 1 and December 1. Partially refunded in July 2017, November 2017 and December 2017.	69,105	92,465
2013 Sub-Series B-1, B-2, B-3 Subordinate Motor License Fund-Enhanced Special Revenue: Issued $101,731 in October 2013 at 2.00% to 5.875%, due in varying installments through December 1, 2043. Sub-Series B-1 interest paid each June 1 and December 1. Sub-Series B-2 issued as convertible CABs. Interest to be compounded semi-annually until December 1, 2028, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 interest paid each June 1 and December 1. Partially refunded in July 2017, November 2017 and December 2017.	83,045	105,779
2014 Series A Subordinate Motor License Fund-Enhanced Special Revenue: Issued $59,740 in April 2014 at 4.50% to 4.90%, due in varying installments through December 1, 2044. Series A were issued as convertible CABs. Interest to be compounded semi-annually until December 1, 2021, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption.	72,212	68,940
2016 First Series Subordinate Motor License Fund-Enhanced Special Revenue Refunding: Issued $79,865 in October 2016 at 5.00% due in varying installments through December 1, 2036. Interest is paid each June 1 and December 1.	79,865	79,865
2017 First Series Subordinate Motor License Fund-Enhanced Special Revenue Refunding: Issued $45,390 in July 2017 at 5.00%, due in varying installments through June 1, 2028. Interest due each June 1 and December 1.	45,390	-

NOTE 7 DEBT *(continued)*

Following is a summary of debt outstanding: *(continued)*

	May 31, 2018	May 31, 2017
	(In Thousands)	
2017 Second Series Subordinate Motor License Fund-Enhanced Special Revenue Refunding: Issued $243,675 in November 2017 at 5.00%, due in varying installments through December 1, 2041. Interest due each June 1 and December 1.	$ 243,675	$ -
2017 Third Series Subordinate Motor License Fund-Enhanced Special Revenue Refunding: Issued $164,240 in December 2017 at 4.00% to 5.00%, due in varying installments through December 1, 2040. Interest due each June 1 and December 1.	164,240	-
Total Motor License Fund-Enhanced Subordinate Special Revenue Debt	980,241	994,773
Total Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt)	6,136,885	5,823,165
Total Mainline Senior and Subordinate Debt Payable	11,284,780	10,719,015
Oil Company Franchise Tax Senior Debt		
2009 Series A, B, C Oil Company Franchise Tax Revenue: Issued $164,181 in October 2009. Series A issued at 2.00% to 5.85%, due in varying installments through December 1, 2023. Series B (Build America Bonds, Issuer Subsidy, Federally Taxable) issued at 5.85%, due in varying installments through December 1, 2037. Interest paid each June 1 and December 1. Series C issued as CABs at 5.30%. Interest on the CABs is deferred until maturity on December 1, 2039. Sub-Series A-2 partially refunded in September 2016.	159,654	159,901
2013 Series A Oil Company Franchise Tax Revenue Refunding: Issued $27,785 in October 2013 at 2.50% to 5.00%, due in varying installments through December 1, 2024. Interest paid each June 1 and December 1.	23,120	23,120
2016 Series A Oil Company Franchise Tax Revenue Refunding: Issued $198,595 in September 2016 at 4.00% to 5.00% due in varying installments through December 1, 2032. Interest paid each June 1 and December 1.	189,800	198,595
Total Oil Company Franchise Tax Senior Debt Payable	372,574	381,616
Oil Company Franchise Tax Subordinate Debt		
2009 Series D, E Subordinate Oil Company Franchise Tax Revenue: Issued $134,065 in October 2009. Series D issued at 2.00% to 5.00%, due in varying installments through December 1, 2027. Series E (Build America Bonds, Issuer Subsidy, Federally Taxable) issued at 6.378%, due in varying installments through December 1, 2037. Sub-Series D-2 partially refunded in September 2016.	125,075	126,035
2013 Series B Subordinate Oil Company Franchise Tax Revenue: Issued $32,035 in October 2013 at 2.00% and 5.00%, due in varying installments through December 1, 2025. Interest paid each June 1 and December 1.	24,215	24,215
2016 Series B Subordinate Oil Company Franchise Tax Revenue Refunding: Issued $115,395 in September 2016 at 4.00% to 5.00% due in varying installments through December 1, 2032. Interest paid each June 1 and December 1.	109,190	115,395
Total Oil Company Franchise Tax Subordinate Debt Payable	258,480	265,645
Total Oil Company Franchise Tax Senior and Subordinate Debt Payable	631,054	647,261
Motor License Registration Fee Debt		
2005 Series A: Issued $234,135 in August 2005 at 3.25% to 5.25%, due in varying installments through July 15, 2030. Interest paid each January 15 and July 15.	155,085	163,270
2005 Series B, C, D: Issued $231,425 in August 2005 and remarketed in October 2015 with a direct placement at a variable rate (based on 70% of 1-month LIBOR + .85%, reset monthly, paid the 15th of each month), due in varying installments through July 15, 2041.	231,425	231,425
Total Motor License Registration Fee Debt Payable	386,510	394,695
Total Debt Payable	12,302,344	11,760,971
Unamortized premium/discount	1,009,927	808,031
Total debt, net of unamortized premium/discount	13,312,271	12,569,002
Less: Current portion	356,030	391,375
Debt, noncurrent portion	$ 12,956,241	$ 12,177,627

SIFMA was 1.06% on May 31, 2018
1-month LIBOR was 2.00070% on May 31, 2018

SIFMA was 0.76% on May 31, 2017
1-month LIBOR was 1.06033% on May 31, 2017

NOTE 7 DEBT *(continued)*

Changes in debt are as follows:

	Balance at June 1, 2017	Additions	Reductions	Balance at May 31, 2018	Due Within One Year
			(In Thousands)		
Mainline debt	$ 10,719,015	$ 2,316,200	$ 1,750,435	$ 11,284,780	$ 329,245
Oil Company Franchise Tax debt	647,261	1,238	17,445	631,054	18,170
Motor License Registration Fee debt	394,695	-	8,185	386,510	8,615
	11,760,971	2,317,438	1,776,065	12,302,344	356,030
Premium (discount), net	808,031	285,565	83,669	1,009,927	-
Totals	$ 12,569,002	$ 2,603,003	$ 1,859,734	$ 13,312,271	$ 356,030

	Balance at June 1, 2016	Additions	Reductions	Balance at May 31, 2017	Due Within One Year
			(In Thousands)		
Mainline debt	$ 10,059,052	$ 2,259,308	$ 1,599,345	$ 10,719,015	$ 365,745
Oil Company Franchise Tax debt	718,631	315,165	386,535	647,261	17,445
Motor License Registration Fee debt	402,470	-	7,775	394,695	8,185
	11,180,153	2,574,473	1,993,655	11,760,971	391,375
Premium (discount), net	514,396	339,637	46,002	808,031	-
Totals	$ 11,694,549	$ 2,914,110	$ 2,039,657	$ 12,569,002	$ 391,375

Debt service requirements subsequent to May 31, 2018 related to all sections of debt are as follows:

Year Ending May 31	Principal Maturities	Interest	Total
		(In Thousands)	
2019	$ 356,030	$ 545,360	$ 901,390
2020	325,205	538,193	863,398
2021	632,370	527,315	1,159,685
2022	586,435	507,524	1,093,959
2023	295,290	496,595	791,885
2024-2028	1,427,173	2,310,315	3,737,488
2029-2033	1,847,406	1,970,059	3,817,465
2034-2038	2,803,603	1,408,445	4,212,048
2039-2043	2,652,300	843,736	3,496,036
2044-2048	1,238,657	204,603	1,443,260
2049-2053	137,875	11,570	149,445
	$ 12,302,344	$ 9,363,715	$ 21,666,059

NOTE 7 DEBT *(continued)*

The Commission's purpose for issuing debt is as follows:

- Mainline Senior Debt is issued for the purpose of financing the costs of various capital projects in the Commission's Ten-Year Capital Plan and for refunding outstanding Mainline Senior Debt.

- Mainline Subordinate Debt is issued for the purpose of financing a portion of the costs of making payments to the Pennsylvania Department of Transportation in accordance with Act 44 and Act 89 and for refunding outstanding Subordinate Debt. See Note 9 for additional information regarding Act 44 and Act 89.

- Oil Company Franchise Tax Debt and Motor License Registration Fee Debt are issued for the purpose of financing the costs of capital expenditures related to the Mon/Fayette and Southern Beltway expansion projects and to refund outstanding Oil Company Franchise Tax Debt and Motor License Registration Fee Debt.

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

Mainline Debt Requirements and Recent Activity

The Amended and Restated Trust Indenture of 2001 requires that tolls be adequate to provide funds to cover current expenses and (1) provide funds in an amount not less than the greater of 130% of the maximum principal and interest requirements for the succeeding year, or (2) 100% of the maximum principal and interest payments for the next fiscal year plus the amount required for maintenance of the Turnpike System as determined by the Commission's Consulting Engineer. If any deficiencies occur, the Commission is obligated to raise tolls accordingly.

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

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In fiscal year 2013, the Commission entered into a loan agreement to borrow up to $200 million in four tranches of up to $50 million each through the Immigrant Investor Program (known as the EB-5 visa program) administered by the U.S. Citizenship and Immigration Services. The Commission is borrowing this money to fund a portion of the I-95 Interchange Project. Such debt is issued under the Senior Indenture on parity with the Turnpike Revenue Bonds. As of May 31, 2018, and 2017, the Commission has borrowed all $200 million under the agreement.

In fiscal year 2017, the Commission entered into a second loan agreement to borrow, over a possible eight-year period, up to $800 million in 16 tranches of up to $50 million each through the EB-5 visa program. The Commission is borrowing this money to fund a portion of the costs of certain capital projects included in the Commission's current Ten-Year Capital Plan. Such debt, if borrowed, would be issued under the Senior Indenture on parity with the Turnpike Revenue Bonds. As of May 31, 2018, the Commission has borrowed $50 million under the $800 million loan agreement.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

Under the Commonwealth of Pennsylvania's Act 44 of 2007 (Act 44), the Commission may issue up to $5 billion of Special Revenue Bonds guaranteed by the Commonwealth of Pennsylvania's Motor License Fund. The Special Revenue Bonds authorized by Act 44 are subject to various limitations, including, among others, the following: the aggregate amount of such Special Revenue Bonds is limited to $5 billion; no more than $600 million of Special Revenue Bonds may be issued in any calendar year; debt service on the Special Revenue Bonds shall be payable from any available funds of the Commission, but are additionally secured by amounts payable from the Commonwealth of Pennsylvania's Motor License Fund which is required to pay any debt service shortfall. All Special Revenue Bond debt service payments are subordinate obligations of the Commission payable solely from certain money in, or periodically released from, the General Reserve Fund after meeting all other Commission requirements pursuant to any financial documents, financial covenants, insurance policies, liquidity policies or agreements in effect at the Commission. Pursuant to the Commonwealth of Pennsylvania's Act 89 of 2013, Special Revenue Bonds may not be issued by the Commission to fund any portion of its annual payments obligation to PennDOT after July 1, 2014, although Special Revenue Refunding Bonds may be issued. The outstanding principal related to these Special Revenue Bonds was $980.2 million and $994.8 million at May 31, 2018 and 2017, respectively. The commitment of the Commonwealth of Pennsylvania's Motor License Fund to provide additional security to pay any Special Revenue Bond debt service shortfall shall continue until the retirement or defeasance of any Special Revenue Bonds or until October 13, 2057, whichever is sooner. To date, the Commission has made all required Special Revenue Bond debt service payments. No funds have been drawn or requested from the Commonwealth's Motor License Fund for Special Revenue Bond debt service during the current reporting period or any prior reporting periods. In the event that the Commonwealth's Motor License Fund would be required to make a Special Revenue Bond debt service payment, a provision of the Amended Lease and Funding Agreement, executed between the Commission and PennDOT, requires the Commission to reimburse the Motor License Fund for any Special Revenue Bond debt service payments plus interest accruing to the date of the Commission's failure to pay the debt service. The obligation of the Commission to reimburse the Motor License Fund for any Special Revenue Bond debt service payment is a subordinate obligation of the Commission and is payable only from amounts, if any, in the Commission's General Reserve Fund as permitted by any Commission financing documents, financial covenants, insurance policies, liquidity policies or agreements in effect at the Commission.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In June 2016, the Commission issued $447,850,000 2016 Series A-1 Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2046. The 2016 Series A-1 Senior Revenue Bonds were issued primarily to provide funds for various capital expenditures set forth in the Commission's current or any prior Ten--Year Capital Plan, including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking or certain bridges and the rehabilitation of certain interchanges. The bonds were also issued for payment of the costs of issuance for the 2016 Series A-1 Senior Revenue Bonds.

In June 2016, the Commission issued $140,590,000 2016 Series A-2 Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2018. The 2016 Series A-2 Senior Revenue Bonds were issued primarily for the current refunding of existing variable rate debt which included the Commission's 2012 Series B Variable Rate Revenue Bonds ($70,060,000), the Commission's 2014 Series B-1 Variable Rate Revenue Bonds ($35,050,000) and the Commission's 2014 Series B-2 Variable Rate Revenue Bonds ($34,950,000). The bonds were also issued for payment of the costs of issuance for the 2016 Series A-2 Senior Revenue Bonds.

In June 2016, the Commission issued $649,545,000 2016 Second Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of June 1, 2039. The 2016 Second Series Subordinate Revenue Refunding Bonds were issued to provide funds for the advance refunding of a portion of the Commission's 2008 Series A-1 Subordinate Revenue Bonds ($105,065,000), 2008 Series B-1 Subordinate Revenue Bonds ($50,665,000), 2009 Series A Subordinate Revenue Bonds ($43,355,000), 2009 Series B Subordinate Revenue Bonds ($288,185,000), 2009 Series D Subordinate Revenue Bonds ($16,575,000), 2010 Series B-1 Subordinate Revenue Bonds ($11,850,000), 2010 Series B-2 Subordinate Revenue Bonds ($87,475,000), 2010 Series C-2 Subordinate Revenue Bonds ($17,670,000), 2011 Series A Subordinate Revenue Bonds ($53,375,000), and for paying the cost of issuing the 2016 Second Series Subordinate Revenue Refunding Bonds. The advance refunding of the 2008 Series A-1 Subordinate Revenue Bonds, 2008 Series B-1 Subordinate Revenue Bonds, 2009 Series A Subordinate Revenue Bonds, 2009 Series B Subordinate Revenue Bonds, 2009 Series D Subordinate Revenue Bonds, 2010 Series B-1 Subordinate Revenue Bonds, 2010 Series B-2 Subordinate Revenue Bonds, 2010 Series C-2 Subordinate Revenue Bonds, and 2011 Series A Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $113.5 million. The transaction resulted in an economic gain of approximately $74.4 million.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In October 2016, the Commission issued $255,455,000 2016 Third Series Sub-Series A Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2041. The 2016 Third Series Sub-Series A Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2009 Series A Subordinate Revenue Bonds ($20,990,000), 2009 Series B Subordinate Revenue Bonds ($112,560,000), 2009 Series D Subordinate Revenue Bonds ($75,700,000), 2010 Series B-2 Subordinate Revenue Bonds ($35,545,000), 2011 Series A Subordinate Revenue Bonds ($7,925,000), and for paying the cost of issuing the 2016 Third Series Sub-Series A Subordinate Revenue Refunding Bonds. The advance refunding of the 2009 Series A Subordinate Revenue Bonds, 2009 Series B Subordinate Revenue Bonds, 2009 Series D Subordinate Revenue Bonds, 2010 Series B-2 Subordinate Revenue Bonds, and 2011 Series A Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $43.6 million. The transaction resulted in an economic gain of approximately $30.4 million.

In October 2016, the Commission issued $75,755,000 2016 Third Series Sub-Series B Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2025. The 2016 Third Series Sub-Series B Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2008 Series A-2 Subordinate Revenue Bonds ($18,905,000), 2008 Series B-2 Subordinate Revenue Bonds ($47,785,000) and for paying the cost of issuing the 2016 Third Series Sub-Series B Subordinate Revenue Refunding Bonds. The advance refunding of the 2008 Series A-2 Subordinate Revenue Bonds and 2008 Series B-2 Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $8.7 million. The transaction resulted in an economic gain of approximately $8.0 million.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In October 2016, the Commission issued $79,865,000 2016 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2036. The 2016 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2010 Series A-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($16,520,000), 2010 Series B-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($9,705,000), 2011 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($56,860,000) and for paying the cost of issuing 2016 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds. The advanced refunding of the 2010 Series A-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2010 Series B-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds and 2011 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds allowed the Commission to reduce its debt service by approximately $13.0 million. The transaction resulted in an economic gain of approximately $9.5 million.

In January 2017, the Commission issued $284,275,000 2017 Series A Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2046. The 2017 Series A Subordinate Revenue Bonds were issued primarily to provide funds to finance the costs of making payments to PennDOT in accordance with Act 44 and Act 89, including reimbursing the Commission for certain payments previously made by the Commission to PennDOT and for paying the cost of issuing the 2017 Series A Subordinate Revenue Bonds.

In May 2017, the Commission issued $291,850,000 2017 First Series Subordinate Revenue Refunding Bonds at a variable rate with a maturity date of December 1, 2041. The 2017 First Series Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2009 Series A Subordinate Revenue Bonds ($71,475,000) and 2009 Series D Subordinate Revenue Bonds ($215,130,000) and for paying the cost of issuing the 2017 First Series Subordinate Revenue Refunding Bonds. The advance refunding of the 2009 Series A Subordinate Revenue Bonds and 2009 Series D Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $125.6 million. The transaction resulted in an economic gain of approximately $66.5 million.

In July 2017, the Commission issued $379,115,000 2017 Series B-1 Subordinate Revenue Bonds at a fixed rate with a maturity date of June 1, 2047. The 2017 Series B-1 Subordinate Revenue Bonds were issued primarily to finance a portion of the cost of making payments to PennDOT in accordance with Act 44 and Act 89 and paying the cost of issuing the 2017 Series B-1 Subordinate Revenue Bonds.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In July 2017, the Commission issued $371,395,000 2017 Series B-2 Subordinate Revenue Bonds at a fixed rate with a maturity date of June 1, 2039. The 2017 Series B-2 Subordinate Revenue Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2008 Series A-1 Subordinate Revenue Bonds ($2,820,000), 2009 Series A Subordinate Revenue Bonds ($62,675,000), 2009 Series B Subordinate Revenue Bonds ($138,605,000), 2010 Series B-2 Subordinate Revenue Bonds ($106,615,000), 2010 Series C-2 Subordinate Revenue Bonds ($19,575,000), 2011 Series A Subordinate Revenue Bonds ($18,190,000), 2012 Series A Subordinate Revenue Bonds ($9,310,000), 2015 Series B Subordinate Revenue Bonds ($12,940,000) and for paying the cost of issuing the 2017 Series B-2 Subordinate Revenue Bonds. The advanced refunding of 2008 Series A-1 Subordinate Revenue Bonds, 2009 Series A Subordinate Revenue Bonds, 2009 Series B Subordinate Revenue Bonds, 2010 Series B-2 Subordinate Revenue Bonds, 2010 Series C-2 Subordinate Revenue Bonds, 2011 Series A Subordinate Revenue Bonds, 2012 Series A Subordinate Revenue Bonds and 2015 Series B Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $58.8 million. The transaction resulted in an economic gain of $38.6 million.

In July 2017, the Commission issued $45,390,000 2017 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds at a fixed rate with a maturity date of June 1, 2028. The 2017 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2010 Series B-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds, ($5,220,000), 2011 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($4,015,000), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($12,560,000), 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($9,845,000), 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($6,430,000), 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($6,080,000), 2013 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($3,410,000) and for paying the cost of issuing the 2017 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds. The advanced refunding of 2010 Series B-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2011 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2013 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds allowed the Commission to reduce its debt service by approximately $4.4 million. The transaction resulted in an economic gain of $3.2 million.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In October 2017, the Commission issued $365,895,000 2017 Series A-1 Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2047. The 2017 Series A-1 Senior Revenue Bonds were issued to finance the cost of various capital expenditures set forth in the Commission's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and paying the costs of issuing the 2017 Series A-1 Senior Revenue Bonds.

In October 2017, the Commission issued $133,060,000 2017 Series A-2 Senior Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2030. The 2017 Series A-2 Senior Revenue Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2014 Series C Senior Revenue Bonds ($7,015,000), 2014 Series A Senior Revenue Bonds ($4,145,000), 2013 Series C Senior Revenue Bonds ($18,240,000), 2012 Series A Senior Revenue Bonds ($26,970,000), 2011 Series E Senior Revenue Bonds ($84,295,000), and paying the costs of issuing the 2017 Series A-2 Senior Revenue Bonds. The advanced refunding of 2014 Series C Senior Revenue Bonds, 2014 Series A Senior Revenue Bonds, 2013 Series C Senior Revenue Bonds, 2012 Series A Senior Revenue Bonds, and 2011 Series E Senior Revenue Bonds allowed the Commission to reduce its debt service by approximately $11.6 million. The transaction resulted in an economic gain of $9.1 million.

In October 2017, the Commission issued $40,000,000 2017 Series B-1 Senior Revenue Bonds at a variable rate with a maturity of December 1, 2020. The 2017 Series B-1 Senior Revenue Bonds were issued primarily for the current refunding of the December 1, 2017 maturity of the Commission's 2014 Series B-1 Variable Rate Senior Revenue Bonds ($40,000,000).

In October 2017, the Commission issued $100,320,000 2017 Series B-2 Senior Revenue Bonds at a variable rate with a maturity of December 1, 2021. The 2017 Series B-2 Senior Revenue Bonds were issued primarily for the current refunding of the December 1, 2017 maturity of the Commission's 2016 Series A-2 Variable Rate Senior Revenue Bonds ($100,000,000) and for paying the cost of issuing the 2017 Series B-1 Senior Revenue Bonds and the 2017 Series B-2 Senior Revenue Bonds.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In November 2017, the Commission issued $150,425,000 2017 Second Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity of December 1, 2037. The 2017 Second Series Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2010 Series B-1 Subordinate Revenue Bonds ($81,350,000), 2010 Series C-2 Subordinate Revenue Bonds ($54,775,000), 2011 Series A Subordinate Revenue Bonds ($6,135,000), 2015 Series B Subordinate Revenue Bonds ($18,245,000) and for paying the costs of issuing the 2017 Second Series Subordinate Revenue Refunding Bonds. The advanced refunding of 2010 Series B-1 Subordinate Revenue Bonds, 2010 Series C-2 Subordinate Revenue Bonds, 2011 Series A Subordinate Revenue Bond and 2015 Series B Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $22.3 million. The transaction resulted in an economic gain of $13.7 million.

In November 2017, the Commission issued $243,675,000 2017 Second Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2041. The 2017 Second Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2010 Series A-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($66,495,000), 2010 Series A-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($75,670,000), 2010 Series B-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($44,695,000), 2011 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($41,745,000), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($6,815,000), 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($6,010,000), 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($4,270,000), 2013 Series B-3 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($12,835,000) and for paying the cost of issuing the 2017 Second Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds. The advanced refunding of 2010 Series A-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2010 Series A-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2010 Series B-2 Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2011 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2013 Series B-3 Motor License Fund-Enhanced Subordinate Special Revenue Bonds allowed the Commission to reduce its debt service by approximately $40.1 million. The transaction resulted in an economic gain of $26.5 million.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In December 2017, the Commission issued $103,330,000 2017 Series C Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2021. The 2017 Series C Senior Revenue Bonds were issued to provide funds for the advanced refunding of a portion of the Commission's 2011 Series E Senior Revenue Bonds ($25,785,000), 2012 Series A Senior Revenue Bonds ($26,985,000), 2013 Series C Senior Revenue Bonds ($38,385,000) and to pay the cost of issuing the 2017 Series C Senior Revenue Bonds. The refunding of 2011 Series E Senior Revenue Bonds, 2012 Series A Senior Revenue Bonds and 2013 Series C Senior Revenue Bonds allowed the Commission to reduce its debt service by approximately $39.5 million. The transaction resulted in an economic gain of $12.8 million.

In December 2017, the Commission issued $143,585,000 2017 Third Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2040. The 2017 Third Series Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding a portion of the Commission's 2010 Series C-1 Subordinate Revenue Bonds ($51,595,0000), 2011 Series B Subordinate Revenue Bonds ($39,605,000), 2012 Series A Subordinate Revenue Bonds ($21,610,000), 2012 Series B Subordinate Revenue Bonds ($1,055,000), 2013 Series B-3 Subordinate Revenue Bonds ($5,375,000), 2015 Series B Subordinate Revenue Bonds ($29,870,000) and for paying the cost of issuing the 2017 Third Series Subordinate Revenue Refunding Bonds. The advanced refunding of 2010 Series C-1 Subordinate Revenue Bonds, 2011 Series B Subordinate Revenue Bonds, 2012 Series A Subordinate Revenue Bonds, 2012 Series B Subordinate Revenue Bonds, 2013 Series B-3 Subordinate Revenue Bonds and 2015 Series B Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $22.1 million. The transaction resulted in an economic gain of $10.8 million.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In December 2017, the Commission issued $164,240,000 2017 Third Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2040. The 2017 Third Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for the advanced refunding a portion of the Commission's 2010 Series A-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($26,360,000), 2010 Series B-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($20,000,000), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($45,930,000), 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($39,960,000), 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($13,915,000), 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($13,010,000), 2013 Series B-3 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($7,255,000) and for paying the cost of issuing the 2017 Third Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds. The advanced refunding of 2010 Series A-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2010 Series B-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2013 Series B-3 Motor License Fund-Enhanced Subordinate Special Revenue Bonds allowed the Commission to reduce its debt service by approximately $15.9 million. The transaction resulted in an economic gain of $11.3 million.

In February 2018, the Commission issued $50,000,000 EB-5 Loan (First Tranche) at a fixed rate with a maturity of February 21, 2023. The Commission is borrowing this money to fund a portion of the costs of certain capital projects included in the Commission's current Ten-Year Capital Plan and for paying the cost of issuing the EB-5 Loan.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

Debt service requirements subsequent to May 31, 2018 related to the Mainline debt are as follows:

Year Ending May 31	Principal Maturities	Interest	Total
		(In Thousands)	
2019	$ 329,245	$ 498,775	$ 828,020
2020	297,155	492,855	790,010
2021	604,105	483,398	1,087,503
2022	556,720	465,025	1,021,745
2023	262,735	455,600	718,335
2024-2028	1,235,458	2,132,508	3,367,966
2029-2033	1,603,266	1,845,867	3,449,133
2034-2038	2,476,783	1,355,932	3,832,715
2039-2043	2,542,781	793,565	3,336,346
2044-2048	1,238,657	204,603	1,443,260
2049-2053	137,875	11,570	149,445
	$ 11,284,780	$ 8,739,698	$ 20,024,478

Oil Company Franchise Tax Debt Requirements and Recent Activity

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

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

NOTE 7 DEBT *(continued)*

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

In September 2016, the Commission issued $198,595,000 2016 Series A Oil Franchise Tax Senior Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2032. The 2016 Series A Oil Franchise Tax Senior Revenue Refunding Bonds were issued to provide funds for the advanced refunding of the Commission's 2003 Series C Oil Franchise Tax Senior Revenue Bonds ($160,000,000), the advance refunding of a portion of 2009 Series A-2 Oil Franchise Tax Senior Revenue Bonds ($2,120,000), the current refunding of 2006 Series A Oil Franchise Tax Senior Revenue Bonds ($66,025,000) and for paying the cost of issuing the 2016 Series A Oil Franchise Tax Senior Revenue Refunding Bonds. The advanced refunding of the 2003 Series C Oil Franchise Tax Senior Revenue Bonds, 2009 Series A-2 Oil Franchise Tax Senior Revenue Bonds, and the current refunding of 2006 Series A Oil Franchise Tax Senior Bonds allowed the Commission to reduce its debt service by approximately $44.4 million. The transaction resulted in an economic gain of approximately $37.6 million.

In September 2016, the Commission issued $115,395,000 2016 Series B Oil Franchise Tax Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2032. The 2016 Series B Oil Franchise Tax Subordinate Revenue Refunding Bonds were issued to provide funds for the advanced refunding of a portion of the 2009 D-2 Oil Franchise Tax Subordinate Revenue Bonds ($860,000), the current refunding of the 2006 Series B Oil Franchise Tax Subordinate Revenue Bonds ($122,205,000), the current refunding of 2003 Series B Oil Franchise Tax Subordinate Revenue Bonds ($16,440,000) and for paying the cost of issuing the 2016 Series B Oil Franchise Tax Subordinate Revenue Refunding Bonds. The advanced refunding of the 2009 Series D-2 Oil Franchise Tax Subordinate Bonds, the current refunding of the 2006 Series B Oil Franchise Tax Subordinate Revenue Bonds and 2003 Series B Oil Franchise Tax Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $31.3 million. The transaction resulted in an economic gain of approximately $24.6 million.

NOTE 7 DEBT *(continued)*

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

Debt service requirements subsequent to May 31, 2018 related to Oil Company Franchise Tax are as follows:

Year Ending May 31	Principal Maturities	Interest	Total
		(In Thousands)	
2019	$ 18,170	$ 32,490	$ 50,660
2020	18,980	31,697	50,677
2021	18,720	30,786	49,506
2022	19,670	29,871	49,541
2023	21,980	28,909	50,889
2024-2028	129,910	126,532	256,442
2029-2033	164,445	90,857	255,302
2034-2038	226,880	33,518	260,398
2039-2043	12,299	45,701	58,000
	$ 631,054	$ 450,361	$ 1,081,415

Motor License Registration Fee Debt Requirements and Recent Activity

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

NOTE 7 DEBT *(continued)*

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

Debt service requirements subsequent to May 31, 2018 related to Motor License Registration Fee debt are as follows:

Year Ending May 31	Principal Maturities	Interest	Total
		(In Thousands)	
2019	$ 8,615	$ 14,095	$ 22,710
2020	9,070	13,641	22,711
2021	9,545	13,131	22,676
2022	10,045	12,628	22,673
2023	10,575	12,086	22,661
2024-2028	61,805	51,275	113,080
2029-2033	79,695	33,335	113,030
2034-2038	99,940	18,995	118,935
2039-2043	97,220	4,470	101,690
	$ 386,510	$ 173,656	$ 560,166

Defeased Bonds

In both the current and prior years, the Commission defeased certain revenue bonds by placing funds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds were not included in the Commission's financial statements. At May 31, 2018 and 2017, the Commission had $3,713.1 million and $2,345.4 million, respectively, of defeased bonds outstanding.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt debt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The arbitrage liability recorded as other noncurrent liabilities is $0.5 million and $0.3 million for the fiscal years ended May 31, 2018 and 2017, respectively.

NOTE 7 DEBT *(continued)*

Swap Payments and Associated Debt

Net swap payments and related debt service requirements related to all sections subsequent to May 31, 2018, assuming current interest rates remain the same for the term of the agreements, are as follows:

Year Ending May 31	Principal Maturities	Interest	Hedging Derivative	Total
		(In Thousands)		
2019	$ 65,000	$ 24,104	$ 26,057	$ 115,161
2020	139,150	22,152	26,031	187,333
2021	200,000	18,502	26,069	244,571
2022	250,320	13,716	26,057	290,093
2023	-	11,024	26,057	37,081
2024-2028	-	55,137	124,834	179,971
2029-2033	34,265	53,892	95,047	183,204
2034-2038	137,230	42,295	54,875	234,400
2039-2043	351,780	14,469	11,163	377,412
	$ 1,177,745	$ 255,291	$ 416,190	$ 1,849,226

Mainline net swap payments and related debt service requirements for the 2013 Series B Senior, 2014 Series B-1 Senior, 2017 Series B-2 Senior and 2017 First Series Subordinate Revenue Refunding bond issues are as follows:

Year Ending May 31	Principal Maturities	Interest	Hedging Derivative	Total
		(In Thousands)		
2019	$ 65,000	$ 17,925	$ 18,787	$ 101,712
2020	139,150	15,962	18,765	173,877
2021	200,000	12,334	18,795	231,129
2022	250,320	7,537	18,787	276,644
2023	-	4,845	18,787	23,632
2024-2028	-	24,231	88,487	112,718
2029-2033	-	24,216	60,116	84,332
2034-2038	37,290	23,300	32,529	93,119
2039-2043	254,560	10,000	5,907	270,467
	$ 946,320	$ 140,350	$ 280,960	$ 1,367,630

NOTE 7 DEBT *(continued)*

Swap Payments and Associated Debt *(continued)*

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

Year Ending May 31	Principal Maturities	Interest	Hedging Derivative	Total
		(In Thousands)		
2019	$ -	$ 6,179	$ 7,270	$ 13,449
2020	-	6,190	7,266	13,456
2021	-	6,168	7,274	13,442
2022	-	6,179	7,270	13,449
2023	-	6,179	7,270	13,449
2024-2028	-	30,906	36,347	67,253
2029-2033	34,265	29,676	34,931	98,872
2034-2038	99,940	18,995	22,346	141,281
2039-2043	97,220	4,469	5,256	106,945
	$ 231,425	$ 114,941	$ 135,230	$ 481,596

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

NOTE 8 RETIREMENT BENEFITS

General Information about the Pension Plan

Plan Description

Substantially all employees of the Commission participate in the Pennsylvania State Employees' Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan established by the Commonwealth to provide pension benefits, including retirement, death, and disability benefits, for employees of state government and certain independent agencies. Membership in SERS is mandatory for most Commission (and other state) employees. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. SERS issues a publicly available financial report that can be obtained at www.sers.pa.gov.

NOTE 8 RETIREMENT BENEFITS *(continued)*

General Information about the Pension Plan *(continued)*

Benefits Provided

SERS provides retirement, death, and disability benefits. Member retirement benefits are determined by taking years of credited service multiplied by final average salary multiplied by 2% multiplied by class of service multiplier. Commission employees participate in one of the following class of service categories: Class A, Class AA, Class A-3 or Class A-4. According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Contributions

Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. However, Act 2010-120 imposed rate increase collars (limits on annual rate increases) on employer contributions. The collar for Commonwealth fiscal year 2015-2016 was 4.5%; effective July 1, 2017, the collar no longer applied. The Commission's retirement contribution, as a percentage of covered payroll, by class is as follows:

Year Ended June 30	Class A	Class AA	Class A-3	Class A-4
2018	27.55%	34.44%	23.80%	23.80%
2017	23.96%	29.95%	20.70%	20.70%
2016	19.89%	24.86%	17.18%	17.18%

Contributions to the pension plan from the Commission were $38.1 and $33.3 million for the fiscal years ended May 31, 2018 and 2017, respectively.

NOTE 8 RETIREMENT BENEFITS *(continued)*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2018, the Commission reported a liability of $329.1 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projected-contribution method. This methodology applies the most recently calculated contribution rates for Commonwealth fiscal year 2018-2019, from the December 31, 2017 funding valuation, to the expected funding payroll for the allocation of the 2017 amounts. At December 31, 2017, the Commission's proportionate share of the net pension liability was 1.90%, which was a decrease of 0.07% from its proportion measured as of December 31, 2016.

For the fiscal year ended May 31, 2018, the Commission recognized pension expense of $42.2 million. At May 31, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In Thousands)	
Differences between expected and actual experience	$ 5,565	$ 6,249
Net difference between projected and actual investment earnings on pension plan investments	-	13,085
Changes of assumptions	16,477	-
Differences between employer contributions and proportionate share of contributions	65	743
Changes in proportion	5,760	14,710
Commission contributions subsequent to measurement date	18,835	-
	$ 46,702	$ 34,787

NOTE 8 RETIREMENT BENEFITS *(continued)*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions *(continued)*

The $18.8 million reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended May 31	*(in Thousands)*
2019	$ 4,953
2020	3,010
2021	(5,259)
2022	(9,304)
2023	(320)

At May 31, 2017, the Commission reported a liability of $379.2 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projected-contribution method. This methodology applies the most recently calculated contribution rates for Commonwealth fiscal year 2017-2018, from the December 31, 2016 funding valuation, to the expected funding payroll for the allocation of the 2016 amounts. At December 31, 2016, the Commission's proportionate share of the net pension liability was 1.97%, which was an increase of .06% from its proportion measured as of December 31, 2015.

NOTE 8 RETIREMENT BENEFITS *(continued)*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions *(continued)*

For the fiscal year ended May 31, 2017, the Commission recognized pension expense of $53.5 million. At May 31, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In Thousands)	
Differences between expected and actual experience	$ 5,473	$ 8,484
Net difference between projected and actual investment earnings on pension plan investments	31,866	-
Changes of assumptions	23,161	-
Differences between employer contributions and proportionate share of contributions	-	1,054
Changes in proportion	7,560	8,751
Commission contributions subsequent to measurement date	16,299	-
	$ 84,359	$ 18,289

Actuarial Method and Assumptions

Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The *18th Investigation of Actuarial Experience* study for the period 2011 – 2015 was released in March 2016. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost and some decreased projected cost, but the overall result was a slight increase to the net pension liability.

The board adopted the actuarial assumptions set forth in the *18th Investigation of Actuarial Experience* at its March 2016 meeting. The study can be viewed at www.SERS.pa.gov.

NOTE 8 RETIREMENT BENEFITS *(continued)*

Actuarial Methods and Assumptions *(continued)*

In addition to the five-year experience study, SERS reviews its investment return assumption in light of economic conditions every year. The most recent review occurred in July 2018; SERS will continue to use 7.25% for its 2018 annual valuation. During the prior year, SERS actuary recommended, and SERS Board adopted at the April 2017 meeting, a reduction in the targeted investment return rate assumption to 7.25% for the 2016 actuarial valuation from 7.5% used for the 2015 actuarial valuation based on the experience study. In addition, SERS actuary recommended, and SERS Board adopted, a reduction in the inflation rate to 2.6% for the 2016 valuation from 2.75% used for the 2015 actuarial valuation based on the experience study. The change in inflation rate also impacted the general salary growth rate, which was lowered to 2.9% for the 2016 valuation from 3.05% used for the 2015 valuation based on the experience study.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2017 and 2016 measurement dates (except as noted in the previous paragraph):

Actuarial cost method	Entry age
Amortization method	Straight-line amortization of investments over five years and amortization of assumption changes and non-investment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.25% net of manager fees including inflation
Projected salary increases	Average of 5.60% with range of 3.70% - 8.90%, including inflation
Asset valuation method	Fair (market) value
Inflation	2.60%
Mortality rate	Projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Cost-of-living adjustments (COLA)	Ad hoc

NOTE 8 RETIREMENT BENEFITS *(continued)*

Actuarial Methods and Assumptions *(continued)*

The long-term expected real rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's current and target asset allocation as of December 31, 2017 and 2016 are summarized in the following tables:

As of December 31, 2017:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Private Equity	16.00%	8.00%
Global Public Equity	43.00%	5.30%
Real Estate	12.00%	5.44%
Multi-Strategy	12.00%	5.10%
Fixed Income	14.00%	1.63%
Cash	3.00%	(0.25)%
Total	100.00%	

As of December 31, 2016:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Private Equity	16.00%	8.00%
Global Public Equity	43.00%	5.30%
Real Estate	12.00%	5.44%
Hedge Funds	12.00%	4.75%
Fixed Income	14.00%	1.63%
Cash	3.00%	(0.25)%
Total	100.00%	

NOTE 8 RETIREMENT BENEFITS *(continued)*

Actuarial Methods and Assumptions *(continued)*

The information on the previous page is based on a 7.5% assumed investment rate of return, which was in place during calendar years 2017 and 2016. At its April 2017 meeting, SERS Board approved a reduction in the assumed investment rate of return to 7.25%. As a result of a portfolio examination, several changes were made to the asset allocation during the fourth quarter of calendar year 2017. The portfolio was restructured to add Multi-Strategy as a new asset class. Targets will be updated to reflect the new assumed investment rate of return and asset classes in the *2018-2019 Investment Plan*.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of both December 31, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on the assumptions, SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Change in the Discount Rate

The following schedule presents the Commission's proportionate share of the 2017 and 2016 net pension liability calculated using the discount rate of 7.25%. It also shows what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease to 6.25%	Current Discount Rate of 7.25%	1% Increase to 8.25%
Commission's share of the net pension liability as of the 12/31/17 measurement date	$ 417,745	$ 329,112	$ 253,187
Commission's share of the net pension liability as of the 12/31/16 measurement date	$ 469,244	$ 379,173	$ 302,040

NOTE 8 RETIREMENT BENEFITS *(continued)*

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued SERS financial report.

Payables to the Pension Plan

As of May 31, 2018 and 2017, the Commission reported a $7.9 million and $16.3 million liability, respectively, within accounts payable and accrued liabilities on the Statement of Net Position for the Commission's share of contributions that had not yet been paid to SERS.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Litigation

On March 15, 2018, several individuals, entities and associations involved in or related to the commercial trucking industry (the Trucking Plaintiffs) filed a class action lawsuit against the Commission, several individuals in their individual capacity and in their official capacity related to the Commission, an individual in her individual capacity and in her official capacity as Chair of the Commission and as Secretary of Transportation, and Governor Wolf, in both his individual and official capacity. The litigation is captioned Owner Operator Independent Drivers Association, Inc. et al. v. Pennsylvania Turnpike Commission et al., No. 1:18-cv-00608-SHR (United States District Court for the Middle District of Pennsylvania). The Trucking Plaintiffs allege that Act 44, as amended by Act 89 (Act 44/89), violates the Commerce Clause and the right to travel under the U.S. Constitution, either facially or as applied, because the Commission improperly imposes Turnpike tolls beyond that which is necessary for the operation and maintenance of the Turnpike System and that the Commission expends toll revenues for purposes other than the operation and maintenance of the Turnpike System.

The lawsuit seeks, among other things, the following injunctive remedies: (1) a permanent injunction enjoining the Commission from issuing any further bonds or incurring any additional debt for the purpose of making Act 44/89 payments; and (2) a permanent injunction prohibiting the Commission from using toll revenues to make payments on outstanding bonds issued to meeting Act 44/89 obligations. Moreover, the lawsuit seeks certain monetary damages including a refund of a portion of certain tolls allegedly imposed up on the Trucking Plaintiffs' use of the Turnpike System in excess of what was reasonably necessary to pay for the cost of operating and maintaining the Turnpike System, together with any legally applicable interest and other compensation.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Litigation *(continued)*

The Commission along with all of the Commonwealth parties are vigorously defending Act 44/89 and the propriety of its use of the Turnpike toll revenues in court. All defendants have filed motions to dismiss the complaint. In addition, the Commission has filed an alternative motion for summary judgement. The Commission's motions assert that Act 44/89, the amount of the tolls and the use of the toll revenues violate neither the Commerce Clause nor the Constitutional right to travel. The Commission also asserts that the uses of toll revenues fall with in Congressional authorization. As of May 31, 2018, no specific liability has been recorded for this lawsuit.

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

Act 44 and Act 89

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

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

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Act 44 and Act 89 *(continued)*

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

On November 25, 2013, Act 89 was enacted providing substantial revisions to the Commission's transportation funding obligations under Act 44 and authorized the Commission and PennDOT to immediately amend the Funding Agreement to reflect the statutory provisions of Act 89. On April 4, 2014, the Commission and PennDOT executed Amendment Number One to the Lease and Funding Agreement (the *Act 89 Amendment* and together with the Act 44 Funding Agreement, the *Amended Funding Agreement*). The Amended Funding Agreement terminates on October 14, 2057.

In accordance with Act 89 and the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT for fiscal year 2014 through fiscal year 2022 is $450 million and, in accordance with Act 89, the Commission must pay at least $30 million of such amount from current revenues with the remainder expected to be funded by bonds issued under the Subordinate Revenue Indenture. Since 2017 and continuing through 2022, by policy the Commission has been providing and anticipates it will continue to provide $50 million from current revenues to fund a portion of its annual payment to PennDOT. Commencing in fiscal year 2023 through the term of the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT is $50 million, which amount shall be paid from then current revenues of the Commission.

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

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

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Act 44 and Act 89 *(continued)*

Due to the significance of the quarterly payments under Act 44 and Act 89, the Commission currently does not have excess cash from operations to fully fund its required payments to PennDOT from current revenues. Therefore, the Commission plans to continue to increase toll rates annually and to issue debt through fiscal year 2022 to finance the majority of these payments. There can be no assurance that the Commission will be able to continue to issue debt on terms that are acceptable, or at all, to finance these obligations. The sole and exclusive remedy for the failure to make the required payments to PennDOT under the Amended Funding Agreement is that all actions of the Commission taken by a vote of the Commissioners thereafter must be approved by a unanimous vote of all Commissioners until such time as the payment is made. However, a unanimous vote is not required if it would prevent the Commission from complying with covenants with "current bondholders, debt holders or creditors having such status as of the Effective Date," which under the Amended Funding Agreement is defined as October 14, 2007. These voting procedures have not become effective as the Commission has not missed any payments under the Amended Funding Agreement. See Note 15 (Subsequent Events) regarding an additional Amendment to this agreement.

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

Open Purchase Order Commitments

The Commission had open purchase order commitments of approximately $1,125.1 million and $969.9 million at May 31, 2018 and 2017, respectively.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps

The fair value and notional amounts of derivative instruments outstanding at May 31, 2018 and May 31, 2017, classified by type and the changes in fair value of such derivative instruments for the years then ended as reported in the fiscal year 2018 and fiscal year 2017 financial statements are as follows:

		Changes in Fair Value		Fair Value at May 31, 2018		
	May 31, 2017	Classification	Amount	Classification	Amount	Notional
			(In Thousands)		*(In Thousands)*	
Cash flow hedges						
Pay-fixed interest rate swap	$ (104,125)	Deferred (outflows)/inflows	$ 37,695	Noncurrent liabilities	$ (66,430)	$ 977,305
Investment derivative instruments						
Basis swaps	9,820	Investment earnings/(losses)	1,752	Long-term investments	11,572	924,806
Total PTC	$ (94,305)		$ 39,447		$ (54,858)	

		Changes in Fair Value		Fair Value at May 31, 2017		
	May 31, 2016	Classification	Amount	Classification	Amount	Notional
			(In Thousands)		*(In Thousands)*	
Cash flow hedges						
Pay-fixed interest rate swap	$ (133,791)	Deferred (outflows)/inflows	$ 29,666	Noncurrent liabilities	$ (104,125)	$ 977,305
Investment derivative instruments						
Basis swaps	13,923	Investment earnings/(losses)	(4,103)	Long-term investments	9,820	924,806
Total PTC	$ (119,868)		$ 25,563		$ (94,305)	

Fair Values

At May 31, 2018 and 2017, the fair values of the Commission's derivative instruments were estimated beginning with the mid-market valuation. The mid-market valuation of the Commission's derivative instruments was estimated using the zero-coupon discounting method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bonds due on the date of each future net settlement payments on the swaps.

The fair value under GASB 72 is then incorporated into the above described mid-market valuation: 1) the credit risk of either the Commission or its counterparty (for a liability position or asset position, respectively) i.e. nonperformance risk; and 2) the bid/offer spread that would be charged to the Commission in order to transact. As the valuations are based on discounting future net cash flows to a single current amount, the approach being utilized is the income approach. The fair values rely primarily on Level 2 Inputs (observable inputs) – such as LIBOR rates to build the yield curve.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

Recent Activity

On June 21, 2016, the Commission issued 2016 Series A-2 Senior Revenue Bonds primarily to refund various maturing variable rate bonds. The 2016 Series A-2 Senior Revenue Bonds specifically included refunding the December 1, 2016 maturities of the 2012 Series B Variable Rate Revenue Bonds and the 2014 Series B-2 Variable Rate Revenue Bonds. As a result, the $86.3 million of the Commission's Mainline LIBOR Fixed Payer swaps associated with those bonds were deemed terminated and are now associated with the 2016 Series A-2 Senior Revenue Bonds. The fair values at the time of deemed termination were a negative $2.7 million with respect to the JP Morgan swap, a negative $1.3 million with respect to the Bank of America swap, and a negative $2.5 million with respect to the Bank of New York Mellon swap. These amounts are being amortized until December 1, 2030 which is the final maturity of the swaps.

On September 7, 2016, the Commission issued 2016 Series A Senior Oil Franchise Tax Revenue Refunding Bonds to provide funds for the advance refunding of its 2003 Series C Senior Oil Franchise Tax Revenue Bonds. The Commission's Oil Franchise Tax investment derivatives with a total notional amount of $400.0 million are now associated with the 2009 Series B and 2016 Series A Senior Oil Franchise Tax Revenue Bonds.

On April 26, 2017, the Commission entered into a Cancellable LIBOR Fixed Payer swap with Royal Bank of Canada. The swap was executed in order to hedge the interest rate on the Commission's 2017 First Series Subordinate Revenue Refunding Bonds. The Commission purchased an option to terminate the trade at par beginning on June 1, 2022 and semiannually on each December 1st and June 1st thereafter. Under the terms of the transaction, the Commission pays a fixed rate of 2.5125% and receives 70% of 3-month LIBOR. The initial notional amount of this swap was $291.9 million.

On October 12, 2017, a portion of the Commission's 2016 Series A-2 Variable Rate Senior Revenue Bonds were refunded. The Commission's 2016 Series A-2 Variable Rate Senior Revenue Bond related swaps were deemed terminated and are now associated with portions of the 2017 Series B-2 Senior Revenue Bonds. The fair values at the time of the deemed termination were $1,739,156 with respect to the JP Morgan swap, $870,135 with respect to the Bank of America swap, and $870,161 with respect to the Bank of New York Mellon swap. These amounts are being amortized until December 1, 2030 which is the final maturity of the swaps.

On May 15, 2018, the partial reversal of the Royal Bank of Canada LIBOR/CMS Basis Swap expired. As a result, the ongoing cash flows under the transaction have resumed. The notional amount on that investment derivative is $80 million.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

Following is a summary of the hedging derivatives in place as of May 31, 2018 and 2017. All items are fixed interest rate swap types. These hedging derivatives contain risks and collateral requirements as described below (in thousands).

As of May 31, 2018:

Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty	Moody's/ S&P/Fitch	Book Fair Value
1. Hedge of changes of cash	$ 100,000	5/20/2014	12/1/2038		Goldman Sachs MMDP	Aa2/AA-/NR	$ (6,452)
flows of 2014 Series B-1 Bonds	100,000	5/20/2014	12/1/2038	Pay 4.887%,	Merrill Lynch CS*	A3/A-/A	(6,463)
(formerly 2008 Series B-1 &	100,000	5/20/2014	12/1/2038	receive SIFMA	Morgan Stanley CS	A3/BBB+/A	(6,448)
2011 Series C Bonds)	300,000						(19,363)
2. Hedge of changes of cash				Pay 4.403%,			
flows of 2017 Series B-2 Bonds	21,576	10/12/2017	12/1/2030	receive 67.00%	Bank of America*	Aa3/A+/A+	643
(formerly 2016 Series A-2, 2014	21,576	10/12/2017	12/1/2030	of 1-month	Bank of New York Mellon	Aa2/AA-/AA	643
Series B-2 & 2012 Series B	43,125	10/12/2017	12/1/2030	LIBOR	JPMorgan Chase Bank	Aa3/A+/AA-	1,269
Bonds)	86,277						2,555
3. Hedge of changes of cash	16,944	7/23/2013	12/1/2030	Pay 4.403%,	Bank of America*	Aa3/A+/A+	(126)
flows of 2013 Series B Bonds	33,865	7/23/2013	12/1/2030	receive 67.00%	JPMorgan Chase Bank	Aa3/A+/AA-	(256)
(formerly 2009 Series C & 2011	16,944	7/23/2013	12/1/2030	of 1-month	Bank of New York Mellon	Aa2/AA-/AA	(126)
Series D Bonds)	67,753			LIBOR			(508)
4. Hedge of changes of cash	57,860	12/30/2013	7/15/2041		Bank of New York Mellon	Aa2/AA-/AA	(8,055)
flows on the 2005 Series B, C,	57,845	8/17/2005	7/15/2041	Pay 4.2015%,	JPMorgan Chase Bank	Aa3/A+/AA-	(14,357)
D, Bonds	57,860	8/17/2005	7/15/2041	receive SIFMA	Merrill Lynch CS*	A3/A-/A	(14,360)
	57,860	8/17/2005	7/15/2041		Morgan Stanley CS	A3/BBB+/A	(14,360)
	231,425						(51,132)
5. Hedge of changes of cash				Pay 2.5125%,			
flows on the 2017 Series A				receive 70.00%			
Subordinate Bonds				of 3-month			
	291,850	5/2/2017	12/1/2041	LIBOR	Royal Bank of Canada	A1/AA-/AA	2,018
Total	$ 977,305						$ (66,430)

1-month LIBOR was 2.00070% at May 31, 2018
3-month LIBOR was 2.32125% at May 31, 2018
SIFMA was 1.06% at May 31, 2018

* On November 15, 2012, the Commission executed an amendment to the swap agreements to include Merrill Lynch Derivative Products as guarantor. Merrill Lynch Derivative Products credit ratings were Aa3/AA/NR (Moody's/S&P/Fitch) as of May 31, 2018.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

As of May 31, 2017:

Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty	Moody's/ S&P/Fitch	Book Fair Value
Hedge of changes of cash	$ 100,000	5/20/2014	12/1/2038		Goldman Sachs MMDP	Aa2/AA-/NR	$ (10,975)
flows of 2014 Series B-1 Bonds	100,000	5/20/2014	12/1/2038	Pay 4.887%,	Merrill Lynch CS*	Baa1/BBB+/A	(10,983)
(formerly 2008 Series B-1 &	100,000	5/20/2014	12/1/2038	receive SIFMA	Morgan Stanley CS	A3/BBB+/A	(10,971)
2011 Series C Bonds)	300,000						(32,929)
Hedge of changes of cash	21,576	6/2/2014	12/1/2030	Pay 4.403%,	Bank of America*	A1/A+/A+	681
flows of 2016 Series A-2 Bonds	21,576	6/2/2014	12/1/2030	receive 67.00%	Bank of New York Mellon	Aa2/AA-/AA	682
(formerly 2014B-2 & 2012B	43,125	6/2/2014	12/1/2030	of 1-month	JPMorgan Chase Bank	Aa3/A+/AA-	1,337
Bonds)	86,277			LIBOR			2,700
Hedge of changes of cash	16,944	7/23/2013	12/1/2030	Pay 4.403%,	Bank of America*	A1/A+/A+	(837)
flows of 2013 Series B Bonds	33,865	7/23/2013	12/1/2030	receive 67.00%	JPMorgan Chase Bank	Aa3/A+/AA-	(1,675)
(formerly 2009 Series C & 2011	16,944	7/23/2013	12/1/2030	of 1-month	Bank of New York Mellon	Aa2/AA-/AA	(837)
Series D Bonds)	67,753			LIBOR			(3,349)
Hedge of changes of cash	57,860	12/30/2013	7/15/2041		Bank of New York Mellon	Aa2/AA-/AA	(10,731)
flows on the 2005 Series B, C,	57,845	8/17/2005	7/15/2041	Pay 4.2015%,	JPMorgan Chase Bank	Aa3/A+/AA-	(17,057)
D, Bonds	57,860	8/17/2005	7/15/2041	receive SIFMA	Merrill Lynch CS*	Baa1/BBB+/A	(17,058)
	57,860	8/17/2005	7/15/2041		Morgan Stanley CS	A3/BBB+/A	(17,058)
	231,425						(61,904)
Hedge of changes of cash flows on the 2017 Series A Subordinate Bonds	291,850	5/2/2017	12/1/2041	Pay 2.5125%, receive 70.00% of 3-month LIBOR	Royal Bank of Canada	A1/AA-/AA	(8,643)
Total	$ 977,305						$ (104,125)

1-month LIBOR was 1.06033% at May 31, 2017
3-month LIBOR was 1.21000% at May 31, 2017
SIFMA was 0.76% at May 31, 2017

* On November 15, 2012, the Commission executed an amendment to the swap agreements to include Merrill Lynch Derivative Products as guarantor. Merrill Lynch Derivative Products credit ratings were Aa3/AA/NR (Moody's/S&P/Fitch) as of May 31, 2017.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

- ***Credit Risk*** – The Commission is at risk that a counterparty will not fulfill their obligations under the agreement. Specifically, the Commission is exposed to credit risk for hedging derivatives that have positive full values from the counterparty and investment derivatives (see Note 4) that have positive fair values. At May 31, 2018, the Commission is exposed to credit risk with respect to the (A), (C), (E) and (F) investment derivatives listed in Note 4 as well as hedging derivatives 2 and 5. However, should interest rates change and the fair values of the other swaps become positive, the Commission would have additional credit risk exposure.

  To mitigate the exposure to credit risk, the swap agreements include collateral provisions in the event of downgrades to the swap counterparties' credit ratings along with the fair values of the swaps exceeding certain thresholds specified in the swap agreement. The Commission's derivative agreements contain netting provisions, under which transactions executed with a single counterparty within a credit are netted to determine collateral amounts. Collateral would be posted with a third-party custodian and would be in the form of cash, U.S. Treasury Obligations, or U.S. Government Agency Securities. At May 31, 2018, the Commission had net credit risk exposure to four counterparties pursuant to the provisions of the respective derivative agreements. One counterparty has posted collateral in the amount of $8.4 million. The other three counterparties were not required to post collateral as their values at year end were below the collateral threshold levels.

- ***Interest Rate Risk*** – The Commission will be exposed to variable interest rates if the swap provider for a variable-to-fixed swap agreement defaults or if a variable-to-fixed swap is terminated.

- ***Market-access Risk*** – The Commission will be exposed to market-access risk for the hedging derivatives 1, 2 and 3 in the summary of hedging derivatives table because the maturity date of these derivatives is longer than the maturity date of the related debt.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

- ***Basis Risk*** – The Commission is exposed to basis risk on its basis swaps because the variable-rate payments received by the Commission on these derivative instruments are based on rates other than the interest rates the Commission pays on these derivative instruments. See the investment derivative schedule in Note 4 for the terms of the interest rate swap agreements. The Commission's exposure to basis risk for the swaps listed in Note 4 is as follows:

  (A) – To the extent 67% of 1-month LIBOR exceeds 60.08% of the 10-year maturity of the USD-ISDA Swap Rate

  (B) – To the extent SIFMA exceeds 63% of 1-month LIBOR + 20 basis points

  (C) – To the extent 67% of 1-month LIBOR exceeds 60.15% of the 10-year maturity of the USD-ISDA Swap Rate

  (D) – To the extent 60.15% of the 10-year maturity of the USD-ISDA Swap Rate exceeds 67% of 1-month LIBOR

  (E) – To the extent SIFMA exceeds 99.68% of 3-month LIBOR

  (F) – To the extent SIFMA exceeds 99.80% of 3-month LIBOR

- ***Termination Risk*** – The swap agreements may be terminated due to a number of circumstances and the Commission retains the option to terminate the swaps at any time. If a swap agreement is terminated (by either party), the respective variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if at the time of termination, the swap had a negative fair value, the Commission would be liable to the swap counterparty for a liability equal to the swap's full value. It is generally the Commission's intent at the time of swap execution to maintain the swap transactions for the life of the financing.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

- ***Collateral Requirements*** – The Commission's derivative instruments related to its Mainline Turnpike Revenue Bonds require the Commission to post collateral in the form of eligible securities or cash if its senior credit rating falls below specified thresholds. These thresholds vary from agreement to agreement, with most in the "A3" (Moody's Investors Service) and "A-" (Standard & Poor's and Fitch Rating Service) levels. The Commission's Mainline senior bond rating was "A1" from Moody's, "A+" from Standard & Poor's and "A+" from Fitch at May 31, 2018. The Commission's Mainline subordinate bond rating was "A3" from Moody's, "A" from Standard & Poor's and "A-" from Fitch at May 31, 2018. Based on May 31, 2018 full values, the Commission could be required to post $123.2 million in collateral for its derivate instruments if its ratings fall below the agreement thresholds.

  The Commission's derivative instruments related to its Oil Company Franchise Tax Revenue Bonds require the Commission to post collateral in the form of eligible securities or cash if its credit rating falls below specifies thresholds. These thresholds vary from agreement to agreement, with most in the "A3" (Moody's Investors Service) and "A-" (Standard & Poor's and Fitch Rating Service) levels. The Commission's Oil Company Franchise Tax senior bond rating is currently "Aa3" from Moody's and "AA" from Standard & Poor's. Based on May 31, 2018 full values, the Commission could be required to post $3.9 million in collateral for its derivative instruments if its ratings fall below the agreements thresholds.

  The Commission's derivative instruments related to its Motor Vehicle Registration Fee Revenue Bonds require the Commission to post collateral in the form of eligible securities or cash if its credit rating falls below specified thresholds and/or in the event of certain uncured insurer events of default. These thresholds vary from agreement to agreement. The Commission's Motor Vehicle Registration Fee Revenue bond rating was "Aa3" from Moody's, "A+" from Standard & Poor's and "AA-" from Fitch at May 31, 2018. Based on May 31, 2018 full values, the Commission could be required to post $62.2 million in collateral for its derivative instruments if its ratings fall below the agreement thresholds.

NOTE 10 RELATED-PARTY TRANSACTIONS

The Commission incurred charges of $51.9 million and $49.7 million for the fiscal years ended May 31, 2018 and 2017, respectively, primarily related to its use of the Commonwealth's State Police in patrolling the Turnpike System.

In fiscal year 2018, $1.1 million was received from the Commonwealth of Pennsylvania for reimbursement of a portion of the costs of construction of the Amos K. Hutchinson Bypass. No construction reimbursements were received from the Commonwealth during fiscal year 2017.

NOTE 11 POSTEMPLOYMENT BENEFITS

Plan Description

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

The Trust is administered by the Trustees. PNC Bank serves as custodian of the assets of the Trust. Payments from the Trust are made by the custodian at the direction of the Trustees. The Trust's financial statements are not included in the financial statements of a public employee retirement system. The Trust issues a stand-alone financial report, which can be obtained by contacting the Commission's Accounting & Financial Reporting Department.

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

Management and Supervisory Union Employees/Retirees

The benefits funded by the Trust include certain post-employment medical, prescription drug, dental and vision benefits to management and supervisory union employees based upon their date of hire and years of service. Eligibility categories include:

- Employees hired before March 1, 2016, who have reached 20 years of service and are under age 60; benefit eligibility changes from 20 to 10 years for retirees 60 years of age or older. The last five years of service must be with the Commission.

NOTE 11 POSTEMPLOYMENT BENEFITS *(continued)*

Plan Description *(continued)*

Management and Supervisory Union Employees/Retirees (continued)

- Employees hired on or after March 1, 2016, who have reached 30 years of service and are under age 60; benefit eligibility changes from 30 to 25 years for retirees 60 years of age or older. The last 10 years of service must be with the Commission. (Some current and previous Commonwealth employees hired on or after this date would be grandfathered under the first eligibility category.)

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

Non-Supervisory Union Employees/Retirees

The benefits also include certain post-employment medical and prescription drug benefits to non-supervisory union employees who had satisfied the age and/or Credited Service eligibility requirements in the applicable collective bargaining agreement. Credited Service (Credited Service) is defined as one year of service earned when an employee works 1,650 hours or more in a calendar year.

- For Local 30 professionals who were hired prior to January 1, 2011 and Local 250 and 77 employees who were hired prior to January 27, 2016, the earlier of completion of 20 years of Credited Service or the later of attainment of age 60 and completion of 10 years of Credited Service. The last five years of Credited Service must be with the Commission.

- For Local 30 professionals who were hired on or after January 1, 2011 and Local 250 and 77 employees who were hired on or after January 27, 2016, the earlier of completion of 30 years of Credited Service or the later of attainment of age 60 and completion of 25 years of Credited Service. The last 10 years of Credited Service must be with the Commission.

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

NOTE 11 POSTEMPLOYMENT BENEFITS *(continued)*

Funding Policy

The Commission has adopted a Retiree Medical Trust Funding Policy, effective September 17, 2008, whereby the Commission anticipates approving an annual contribution to the Trust in the amount of the Annual Required Contribution (ARC) as determined by the Commission's actuary during the approval of its annual operating budget.

Annual OPEB Cost and Net OPEB Asset

The following table summarizes the components of the Commission's annual OPEB cost, actual contributions, percentage of annual OPEB cost contributed, increase in the net OPEB asset and the net OPEB asset at the end of the fiscal year.

	Year ended May 31		
	2018	**2017**	**2016**
	(Dollar Amounts in Thousands)		
Normal cost	$ 11,026	$ 10,501	$ 10,975
Trust expense assumption	175	150	150
Amortization	(3,287)	(153)	(394)
Interest	470	623	637
Annual required contribution (ARC)	8,384	11,121	11,368
Interest on net OPEB asset	(7,965)	(7,405)	(6,820)
Adjustment to ARC	17,046	15,848	14,596
Annual OPEB cost	17,465	19,564	19,144
Employer contributions	28,171	28,176	28,143
Increase in net OPEB asset	10,706	8,612	8,999
Net OPEB asset - beginning of year	122,542	113,930	104,931
Net OPEB asset - end of year	$ 133,248	$ 122,542	$ 113,930
Percentage of annual OPEB cost contributed	161.3%	144.0%	147.0%

The ARC and its components (normal cost, trust expense assumption, Unfunded Actuarial Accrued Liability (UAAL) [or Funding Excess] amortization, and mid-year contribution interest) in the table presented above were obtained from the actuarial valuations, prepared by an independent actuary. The fiscal year 2018 ARC and Annual OPEB cost amounts were obtained from a January 1, 2017 interim valuation. The fiscal year 2017 ARC and Annual OPEB cost amounts were obtained from a January 1, 2016 full valuation. The fiscal year 2016 ARC and Annual OPEB cost amounts were obtained from a January 1, 2015 interim valuation.

NOTE 11 POSTEMPLOYMENT BENEFITS *(continued)*

Annual OPEB Cost and Net OPEB Asset *(continued)*

Retiree and spouse contribution rates at May 31, 2018 are as follows:

- Management and supervisory union employees and union employees who retired prior to July 1, 1998 and October 1, 1997, respectively – the retiree/spouse contributes the full cost of coverage less the Commission's monthly subsidy of $19.28 once the retiree turns 65.
- Union employees who retired on October 1, 1997 or later – the retiree/spouse contributes the full cost of coverage less the Commission's monthly subsidy of $73.50 when the retiree or spouse reach age 65.
- Management and supervisory union employees who retire on or after March 1, 2016, and Local 250 and 77 employees who retire after February 1, 2016, as well as Local 30 professionals who retire after January 1, 2014, must participate in a wellness program or contribute 5% of the premium if less than age 65.
- Surviving spouses and domestic partners are paying 100% of the premiums, except for surviving spouses of Management and supervisory union employees who retired after March 1, 2001.

Funding Status and Funding Progress

The funding status of the plan, by actuarial valuation date, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (Funding Excess)	Funded Ratio	Covered Payroll	Unfunded AAL (Funding Excess) as a Percentage of Covered Payroll
		(Dollar Amounts in Thousands)				
January 1, 2016	$ 331,568	$ 330,395	$ (1,173)	100.4%	$ 124,458	(0.9)%
January 1, 2014	271,265	283,133	11,868	95.8%	126,699	9.4%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information depicting the change in the actuarial value of Plan assets over time relative to the actuarial accrued liability for benefits.

NOTE 11 POSTEMPLOYMENT BENEFITS *(continued)*

Actuarial Methods and Assumptions

The valuation measurements in the charts presented previously are, in part, the result of estimates of the value of reported amounts and assumptions about the probability of events in the long term. Such actuarially determined estimates are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Also, the valuation measurements are based, in part, on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the Commission and the Plan members through the respective valuation dates. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of the actuarial methods and assumptions used in the January 1, 2016 valuation is as follows:

Actuarial cost method	Projected-unit credit
Discount rate	6.5%
Rate of return on assets	6.5%
Inflation rate	2.5%
Amortization method	Level dollar
Amortization period:	
▪ UAAL as of March 1, 2012	10 years (closed)
▪ Subsequent changes	10 years (open)
Asset valuation method	Fair value
Benefit assumption – increases/decreases	No changes

NOTE 11 POSTEMPLOYMENT BENEFITS *(continued)*

Actuarial Methods and Assumptions *(continued)*

Health Cost Trend: The healthcare trend assumption is based on the Society of Actuaries-Getzen Model version 2014 utilizing the baseline assumptions included in the model, except real GDP of 1.8% and inflation of 2.5% for medical and prescription drug benefits. Further adjustments apply based on percentage of costs associated with administrative expenses, aging factors, potential excise taxes due to healthcare reform, and other healthcare reform provisions. The health cost trend assumption for medical and prescription benefits at sample years is as follows:

Valuation Year	Pre-65 Trend	Post-65 Trend
2016	6.2%	7.9%
2017	5.9%	6.6%
2018	5.2%	5.2%
2019	5.2%	5.2%
2020	5.2%	5.2%
2025	5.2%	5.2%
2030	5.6%	5.3%
2035	6.1%	5.3%
2040	5.7%	5.1%
2050	5.5%	5.0%
2060	5.4%	5.2%
2070	4.6%	4.9%

The health cost trend assumption for dental and vision benefits and premiums are assumed to be 4.0% per year.

Salary increases were not considered as OPEB benefits are not based upon pay.

NOTE 12 SELF-INSURANCE

The Commission is exposed to various risks of losses such as theft of, damage to, and destruction of assets, errors and omissions, torts, injuries to employees and natural disasters. The Commission has purchased commercial all risk property insurance and stop loss insurance for employee medical and prescription benefits coverage. The Commission remains self-insured for dental and vision benefits, torts and injuries to employees as well as medical and prescription benefits up to stop loss coverages. No settlements exceeded insurance coverage for each of the past three years.

NOTE 12 SELF-INSURANCE *(continued)*

The Commission recorded a liability of $39.5 million and $44.3 million for loss and loss adjustment expenses on claims relating to self-insurance that have been incurred but not reported as of May 31, 2018 and 2017, respectively. The self-insurance liabilities recorded as accounts payable and accrued liabilities are $4.3 million and $4.4 million for the fiscal years ended May 31, 2018 and 2017, respectively. The self-insurance liabilities recorded as other noncurrent liabilities are $35.2 million and $39.9 million for the fiscal years ended May 31, 2018 and 2017, respectively. This liability is based on GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be recorded if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is calculated based on the Commission's past loss experience. The liability for vehicle and general tort was not discounted. The liability for workers' compensation was discounted using a rate of 2.50% for the fiscal years ended May 31, 2018 and 2017. The liability includes amounts for claims adjustment expense and is net of any salvage and subrogation. Salvage and subrogation were not material for the years ended May 31, 2018 and 2017. The Commission believes the liability established is reasonable and appropriate to provide for settlement of losses and related loss adjustment expenses.

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

NOTE 12 SELF-INSURANCE *(continued)*

The following summaries provide aggregated information on self-insurance liabilities:

	June 1, 2017 Liability	Effects of Discount as of June 1, 2017	Incurred Claims: Current Year	Incurred Claims: Prior Years	Paid Claims: Current Year	Paid Claims: Prior Years	Effects of Discount as of May 31, 2018	May 31, 2018 Liability
Year ended May 31, 2018				*(In Thousands)*				
Workers' compensation	$ 9,690	$ 993	$ 1,768	$ 1,922	$ (729)	$ (3,082)	$ (1,098)	$ 9,464
Motor vehicle/general tort	34,564	-	81	(4,437)	(33)	(177)	-	29,998
	$ 44,254	$ 993	$ 1,849	$ (2,515)	$ (762)	$ (3,259)	$ (1,098)	$ 39,462

	June 1, 2016 Liability	Effects of Discount as of June 1, 2016	Incurred Claims: Current Year	Incurred Claims: Prior Years	Paid Claims: Current Year	Paid Claims: Prior Years	Effects of Discount as of May 31, 2017	May 31, 2017 Liability
Year ended May 31, 2017				*(In Thousands)*				
Workers' compensation	$ 10,705	$ 1,142	$ 868	$ 2,331	$ (311)	$ (4,052)	$ (993)	$ 9,690
Motor vehicle/general tort	29,435	-	48	5,581	(31)	(469)	-	34,564
	$ 40,140	$ 1,142	$ 916	$ 7,912	$ (342)	$ (4,521)	$ (993)	$ 44,254

The foregoing reflects an adjustment for a decrease of $2.5 million and an increase of $7.9 million for the fiscal years ended May 31, 2018 and 2017, respectively, in the provision for events of prior fiscal years (Incurred Claims – Prior Years) that resulted from a change in estimate as more information became available.

NOTE 13 COMPENSATED ABSENCES

Sick leave is earned at a rate of 3.08 hours every two weeks, or 10 days per year. Unused sick leave may be carried over from year to year, up to a maximum of 18 days. In November of each year, employees are reimbursed for all accumulated unused sick leave above the maximum. Sick leave payouts were $1.7 and $1.8 million in November 2017 and 2016, respectively.

Vacation leave is earned at varying rates, depending on years of service. Management and supervisory union employees earn between 4.62 and 8.93 hours every two weeks. Non-supervisory union employees earn between 3.08 and 8.93 hours every two weeks.

Upon termination of employment, all unused sick and vacation leave is paid to the employee. The compensated absences liabilities were $15.9 million for both of the fiscal years ended May 31, 2018 and 2017, respectively. The compensated absences liabilities recorded as accounts payable and accrued liabilities were $8.7 million for both of the fiscal years ended May 31, 2018 and 2017, respectively. The compensated absences liabilities recorded as other noncurrent liabilities were $7.2 million for both of the fiscal years ended May 31, 2018 and 2017, respectively.

NOTE 13 COMPENSATED ABSENCES *(continued)*

A summary of changes to compensated absences for the years ended May 31, 2018 and 2017 is as follows:

Fiscal Year Ended May 31	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
			(In Thousands)		
2018	$ 15,861	$ 12,340	$ 12,327	$ 15,874	$ 8,731
2017	15,970	12,256	12,365	15,861	8,723

NOTE 14 LETTERS OF CREDIT

The Commission has outstanding letters of credit with several banks as described below:

Pennsylvania insurance law requires a letter of credit, surety bond, or escrow from entities that self-insure their Workers' Compensation. As of May 31, 2018, the Commission has two (2) standby letters of credit to satisfy the PA Turnpike's collateral requirement under the expired Owner Controlled Insurance Program (OCIP) with Zurich American Insurance; there have been no draws against these letters of credit. The Letters of Credit are as follows:

- $159,000 letter of credit with PNC Bank, N.A. for beneficiary Zurich American Insurance for the Uniontown to Brownsville Phase I OCIP.

- $470,000 letter of credit with Wells Fargo Bank, N.A. for beneficiary Zurich American Insurance for the Uniontown to Brownsville Phase II OCIP.

In May 2017, in lieu of a letter of credit, the Commission placed $2.0 million into an escrow account with Wells Fargo (naming Liberty Mutual as beneficiary) for the new OCIP on the U.S. 22 to I-79 portion of the Southern Beltway currently under construction.

NOTE 15 SUBSEQUENT EVENTS

On June 5, 2018, the Commission issued $231,385,000 2018 Series A Oil Franchise Tax Senior Revenue Bonds and $210,480,000 2018 Series B Oil Franchise Tax Subordinate Revenue Bonds. The 2018 Series A Oil Franchise Tax Senior Revenue Bonds were issued to finance the costs of various capital expenditures for the Turnpike System as set forth in the Commission's current or any prior Independently Funded Capital Plan, including but not limited to, the funding of capital expenditures related to the Southern Beltway or the Mon-Fayette Expressway (2018 Construction Project) and for paying the costs of issuing the 2018 Series A Oil Franchise Tax Senior Revenue Bonds. The 2018 Series B Oil Franchise Tax Subordinate Revenue Bonds were issued to provide funds to finance the costs of the 2018 Construction Project, funding necessary reserves or similar funds to the extent required for such financing and for paying the costs of issuing the 2018 Series B Oil Franchise Tax Subordinate Revenue Bonds.

On June 28, 2018, the Commission issued $182,455,000 2018 Series A-1 Variable Rate Senior Revenue Bonds and $307,935,000 2018 Series A-2 Senior Revenue Bonds. The 2018 Series A-1 Variable Rate Senior Revenue Bonds were issued to finance the current refunding of the Commission's outstanding 2013 Series A Variable Rate Senior Revenue Bonds maturing December 1, 2018, the current refunding of the Commission's 2014 Series B-1 Variable Rate Senior Revenue Bonds maturing December 1, 2018, the current refunding of all of the Commission's outstanding 2016 Series A-2 Variable Rate Senior Revenue Bonds maturing December 1, 2018 and for the costs of issuing the 2018 Series A-1 Variable Rate Senior Revenue Bonds. The 2018 Series A-2 Senior Revenue Bonds were issued for financing various capital expenditures set forth in the Commission's current or any prior Ten-Year Capital Plan, to deposit to the Debt Service Reserve Fund and capitalized interest on the 2018 Series A-2 Senior Revenue Bonds and the costs of issuing the 2018 Series A-2 Senior Revenue Bonds.

On July 19, 2018, the Commission executed the First Amendment to Continuing Covenant Agreement and Supplemental Trust Indenture No. 3 relating to modifications of the 2005 Series B, C and D Registration Fee Revenue Refunding Bonds. These amendments extended the bonds to July 19, 2023 and modified other various terms of the agreement.

NOTE 15 SUBSEQUENT EVENTS *(continued)*

On July 31, 2018, the Commission executed Amendment No. 2 to the Lease and Funding Agreement with PennDOT. The Amendment allowed for (i) the due date for the July 2018 payment to be extended to the last business day of October 2018 or other such later date, no later than June 30, 2019 as may be agreed to by the Commission and PennDOT and (ii) the due date for any subsequent payment in the fiscal year ending June 30, 2019 may be extended to any later date, no later than June 30, 2019 as may be agreed to by the Commission and PennDOT. In addition, the Amendment replaced the reference therein to “bondholder, debt holders, or creditors having such status as of the Effective Date” with “current bondholders, debt holders or creditors”. Other various terms of the agreement were modified as well.

On August 21, 2018, the Commission authorized the issuance of the Pennsylvania Turnpike Commission’s variable and/or fixed rate Turnpike Revenue Refunding Bonds in an aggregate principal amount not to exceed $250,000,000 (based on par amount). Based on current market conditions, a public offering of the bonds is more advantageous to the Commission. The amendment specifically authorizes certain documents and actions related to a public sale of the bonds.

On August 21, 2018, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission’s variable and/or fixed rate Turnpike Revenue Refunding Bonds in an aggregate principal amount not to exceed $300,000,000 (based on par amount) in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the refunding of all or a portion of certain outstanding Turnpike Revenue Bonds, including the funding of necessary reserves.

On August 21, 2018, the Commission authorized certain amendments to and terminations of the Commission’s 2009 interest rate swap with Goldman Sachs and the 2010 interest rate swap with Deutsche Bank and authorized certain offsetting swap agreements.

On August 21, 2018, the Commission authorized an amendment to the 2016 EB-5 Loan Agreement between the Commission and Delaware Valley Regional Center (DVRC) to include, but not limited to, modification of the amount of the various trances to be an amount mutually agreed to by the parties and other terms and conditions as may be recommended by counsel.

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REQUIRED SUPPLEMENTARY INFORMATION

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Schedule of Commission's Proportionate Share of the Net Pension Liability –
Pennsylvania State Employees' Retirement System

Last 10 Fiscal Years*
(Dollar Amounts in Thousands)

	2018	2017	2016	2015
Commission's proportion of the net pension liability	1.90329134%	1.96867410%	1.90799267%	1.99409814%
Commission's proportionate share of the net pension liability	$ 329,112	$ 379,173	$ 346,946	$ 296,271
Commission's covered payroll	120,641	123,365	121,085	121,579
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	272.80%	307.36%	286.53%	243.69%
Plan fiduciary net position as a percentage of the total pension liability	63.0%	57.8%	58.9%	64.8%

* The amounts presented for each fiscal year were determined as of the measurement date (12/31) that occurred within the Commission's fiscal year. The Commission adopted GASB 68 on a prospective basis in fiscal year 2015; therefore, only the available years are presented in the above schedule.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Schedule of Commission's Contributions –
Pennsylvania State Employees' Retirement System

Last 10 Fiscal Years*
(Dollar Amounts in Thousands)

	2018	2017	2016	2015
Contractually required contribution	$ 38,073	$ 33,303	$ 27,864	$ 22,588
Contributions in relation to the contractually required contribution	(38,073)	(33,303)	(27,864)	(22,588)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Commission's covered payroll	$ 122,654	$ 121,778	$ 121,060	$ 121,009
Contributions as a percentage of covered payroll	31.04%	27.35%	23.02%	18.67%

* The Commission adopted GASB 68 on a prospective basis in fiscal year 2015; therefore, only the available years are presented in the above schedule.

Schedule of Funding Progress – Postemployment Healthcare Benefits
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (Funding Excess)	Funded Ratio	Covered Payroll	Unfunded AAL (Funding Excess) as a Percentage of Covered Payroll
January 1, 2016	$ 331,568	$ 330,395	$ (1,173)	100.4%	$ 124,458	(0.9)%
January 1, 2014	271,265	283,133	11,868	95.8%	126,699	9.4%
March 1, 2012	152,341	250,750	98,409	60.8%	124,241	79.2%

The following is a listing of changes in assumptions used in the January 1, 2016 valuation compared with previous valuations. See Note 11 for additional information.

- The eligibility conditions for Local 250 and 77 union employees hired on or after February 1, 2016 and management and supervisory union employees hired on or after March 1, 2016 was modified to the earlier of completion of 30 years of Credited Service or the later of attainment of age 60 and completion of 25 years of Credited Service. The last 10 years of Credited Service must be with the Commission.

- Local 30 Professionals who retire on or after January 1, 2014 and all other union, management and supervisory union employees who retire on or after February 1, 2016, must participate in the wellness program if less than age 65, including spouses under age 65 and other dependents age 19 to 26 or contribute 5% of the monthly premium based on the selected coverage level.

- Per capita claims costs were updated based on recent experience of Commission retirees and the healthcare trend rate was updated to use the Society of Actuaries-Getzen Model version 2014.

- The discount rate was reduced from 7% to 6.5% per annum.

Following is a listing of changes in assumptions used in the January 1, 2014 valuation compared with previous valuations.

- Per capita claims costs were updated based on recent experience of Commission retirees and the healthcare trend was updated.

- Assumed health plan elections for members attaining age 65 were modified from 2/3rd electing Signature 65 and 1/3rd electing Freedom Blue (without Rx) to 60% electing Signature 65 and 40% electing Freedom Blue (without Rx).

- The assumed percentage of eligible female members covering a spouse decreased from 50% to 40%.

OTHER SUPPLEMENTARY INFORMATION

For accounting purposes, the Commission maintains its records in three sections: Mainline, Oil Franchise, and Motor License. These sections are based on the types of revenues and the associated bond issues.

The Mainline section consists of income and expenses directly associated with the operations of the Turnpike System. In addition, all bonds pledged against this revenue source are included in this section.

The Oil Company Franchise section consists of revenues received from the Commission's allocation of the Commonwealth's Oil Company Franchise Tax. This revenue is pledged against the Oil Company Franchise Tax Debt as listed in Note 7.

The Motor License section consists of an annual income of $28.0 million, which has been provided to the Commission pursuant to Section 20 of Act 3 of the Commonwealth of Pennsylvania. This income is pledged against the Motor License Registration Fee Debt as listed in Note 7.

Schedule of Net Position

	May 31, 2018			
	Mainline	**Oil Franchise**	**Motor License**	**Total**
		(In Thousands)		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and cash equivalents	$ 211,437	$ -	$ -	$ 211,437
Short-term investments	91,361	-	-	91,361
Accounts receivable	68,246	-	-	68,246
Accrued interest receivable	1,331	-	-	1,331
Inventories	17,396	-	-	17,396
Restricted current assets				
Cash and cash equivalents	765,865	112,074	26,631	904,570
Short-term investments	153,104	24,798	10,241	188,143
Accounts receivable	6,418	10,798	-	17,216
Accrued interest receivable	2,299	739	136	3,174
Total current assets	1,317,457	148,409	37,008	1,502,874
Noncurrent assets				
Long-term investments				
Long-term investments unrestricted	221,063	-	-	221,063
Long-term investments restricted	371,449	92,329	23,463	487,241
Total long-term investments	592,512	92,329	23,463	708,304
Capital assets not being depreciated				
Land and intangibles	380,837	-	-	380,837
Assets under construction	1,517,692	-	-	1,517,692
Capital assets being depreciated				
Buildings	980,744	-	-	980,744
Improvements other than buildings	124,960	-	-	124,960
Equipment	621,430	-	-	621,430
Infrastructure	8,809,493	-	-	8,809,493
Total capital assets before accumulated depreciation	12,435,156	-	-	12,435,156
Less: Accumulated depreciation	6,418,160	-	-	6,418,160
Total capital assets after accumulated depreciation	6,016,996	-	-	6,016,996
Other assets				
Prepaid bond insurance costs	3,386	29	1,406	4,821
OPEB asset	133,248	-	-	133,248
Other assets	30,198	-	-	30,198
Total other assets	166,832	29	1,406	168,267
Total noncurrent assets	6,776,340	92,358	24,869	6,893,567
Total assets	8,093,797	240,767	61,877	8,396,441
Deferred outflows of resources from hedging derivates	19,871	-	51,132	71,003
Deferred outflows of resources from refunding bonds	384,853	12,558	18,362	415,773
Deferred outflows of resources from pensions	46,702	-	-	46,702
Total deferred outflows of resources	451,426	12,558	69,494	533,478
Total assets and deferred outflows of resources	$ 8,545,223	$ 253,325	$ 131,371	$ 8,929,919

	May 31, 2018			
	Mainline	Oil Franchise	Motor License	Total
	(In Thousands)			
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities				
Accounts payable and accrued liabilities	$ 460,136	$ 27,364	$ 3,614	$ 491,114
Current portion of debt	329,245	18,170	8,615	356,030
Unearned income	74,292	335	-	74,627
Total current liabilities	863,673	45,869	12,229	921,771
Noncurrent liabilities				
Debt, less current portion, net of unamortized premium	11,880,845	680,836	394,560	12,956,241
Net pension liability	329,112	-	-	329,112
Other noncurrent liabilities	139,451	-	58,176	197,627
Total noncurrent liabilities	12,349,408	680,836	452,736	13,482,980
Total liabilities	13,213,081	726,705	464,965	14,404,751
Deferred inflows of resources from hedging derivatives	4,573	-	-	4,573
Deferred inflows of resources from service concession arrangements	121,674	-	-	121,674
Deferred inflows of resources from refunding bonds	156	2,740	-	2,896
Deferred inflows of resources from pensions	34,787	-	-	34,787
Total deferred inflows of resources	161,190	2,740	-	163,930
Total liabilities and deferred inflows of resources	13,374,271	729,445	464,965	14,568,681
NET POSITION				
Net investment in capital assets	829,246	(688,907)	(390,451)	(250,112)
Restricted for construction purposes	-	203,667	56,857	260,524
Restricted for debt service	34,834	9,120	-	43,954
Unrestricted	(5,693,128)	-	-	(5,693,128)
Total net position	$ (4,829,048)	$ (476,120)	$ (333,594)	$ (5,638,762)

Schedule of Revenues, Expenses, and Changes in Net Position

	May 31, 2018			
	Mainline	**Oil Franchise**	**Motor License**	**Total**
		(In Thousands)		
Operating revenues				
Net fares	$ 1,196,606	$ -	$ -	$ 1,196,606
Other	4,668	-	-	4,668
Total operating revenues	1,201,274	-	-	1,201,274
Operating expenses				
Cost of services	492,184	2,558	-	494,742
Depreciation	379,401	-	-	379,401
Total operating expenses	871,585	2,558	-	874,143
Operating income (loss)	329,689	(2,558)	-	327,131
Nonoperating revenues (expenses)				
Investment earnings	18,431	375	3	18,809
Other nonoperating revenues	17,735	4,568	-	22,303
Act 44 and Act 89 payments to PennDOT	(450,000)	-	-	(450,000)
Capital assets transferred to PennDOT	-	-	-	-
Interest and bond expense	(519,539)	(27,989)	(18,609)	(566,137)
Nonoperating expenses, net	(933,373)	(23,046)	(18,606)	(975,025)
Loss before capital contributions	(603,684)	(25,604)	(18,606)	(647,894)
Capital contributions	37,842	141,962	28,000	207,804
(Decrease) increase in net position	(565,842)	116,358	9,394	(440,090)
Net position at beginning of year	(4,433,858)	(423,345)	(341,469)	(5,198,672)
Intersection transfers	170,652	(169,133)	(1,519)	-
Net position at end of year	$ (4,829,048)	$ (476,120)	$ (333,594)	$ (5,638,762)

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Cash Flows

	May 31, 2018			
	Mainline	Oil Franchise	Motor License	Total
		(In Thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customer tolls and deposits	$ 1,189,955	$ -	$ -	$ 1,189,955
Cash payments for goods and services	(320,258)	(908)	-	(321,166)
Cash payments to employees	(180,667)	(1,635)	-	(182,302)
Cash received from other operating activities	12,846	-	-	12,846
Net cash provided by (used in) operating activities	701,876	(2,543)	-	699,333
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	3,669,859	510,384	77,936	4,258,179
Interest received on investments	16,285	4,846	849	21,980
Purchases of investments	(3,545,475)	(417,993)	(67,101)	(4,030,569)
Net cash provided by investing activities	140,669	97,237	11,684	249,590
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants received from other governments	31,273	-	-	31,273
Proceeds from Motor License Registration fees	-	-	28,000	28,000
Proceeds from Oil Company Franchise Tax	-	142,794	-	142,794
Construction and acquisition of capital assets	(462,173)	(166,571)	-	(628,744)
Proceeds from sale of capital assets	1,449	-	-	1,449
Payments for bond and swap expenses	(3,009)	(40)	-	(3,049)
Payments for debt refundings	(407,296)	-	-	(407,296)
Payments for debt maturities	(168,740)	(17,445)	(8,185)	(194,370)
Interest paid on debt	(227,976)	(33,179)	(20,268)	(281,423)
Interest subsidy from Build America Bonds	16,341	4,568	-	20,909
Proceeds from debt issuances	880,543	-	-	880,543
Net cash used in capital and related financing activities	(339,588)	(69,873)	(453)	(409,914)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash payments to PennDOT	(450,000)	-	-	(450,000)
Payments for bond and swap expenses	(8,207)	-	-	(8,207)
Payments for debt refundings	(1,283,282)	-	-	(1,283,282)
Payments for debt maturities	(57,005)	-	-	(57,005)
Interest paid on debt	(237,750)	-	-	(237,750)
Proceeds from debt issuances	1,695,452	-	-	1,695,452
Net cash used in noncapital financing activities	(340,792)	-	-	(340,792)
Increase in cash and cash equivalents	162,165	24,821	11,231	198,217
Cash and cash equivalents at beginning of year	815,137	87,253	15,400	917,790
Cash and cash equivalents at end of year	$ 977,302	$ 112,074	$ 26,631	$ 1,116,007

	May 31, 2018			
	Mainline	**Oil Franchise**	**Motor License**	**Total**
	(In Thousands)			
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 329,689	$ (2,558)	$ -	$ 327,131
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	379,401	-	-	379,401
Change in operating assets and liabilities				
Accounts receivable	677	-	-	677
Inventories	1,577	-	-	1,577
Other assets	(10,724)	-	-	(10,724)
Deferred outflows of resources from pensions	37,657	-	-	37,657
Accounts payable and accrued liabilities	1,939	15	-	1,954
Net pension liability	(50,061)	-	-	(50,061)
Other noncurrent liabilities	(4,777)	-	-	(4,777)
Deferred inflows of resources from pensions	16,498	-	-	16,498
Net cash provided by (used in) operating activities	$ 701,876	$ (2,543)	$ -	$ 699,333
Reconciliation of cash and cash equivalents to the statements of net position				
Cash and cash equivalents	$ 211,437	$ -	$ -	$ 211,437
Restricted cash and cash equivalents	765,865	112,074	26,631	904,570
Total cash and cash equivalents	$ 977,302	$ 112,074	$ 26,631	$ 1,116,007

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities

The Commission recorded a net increase of $6.8 million in the fair value of its investments not reported as cash equivalents for the year ended May 31, 2018. Increases by section were: Mainline, $2.1 million; Oil Franchise, $4.0 million and Motor License $0.7 million.

The Commission recorded $44.6 million for the amortization of bond premium for the year ended May 31, 2018. Amortization by section was: Mainline, $38.9 million; Oil Franchise, $5.0 million and Motor License, $0.7 million.

As indicated in Note 7 (Debt), the Commission refunded various Mainline bonds in fiscal year 2018. The fiscal year 2018 Mainline refundings resulted in a $32.8 million reclassification from bond premiums (discounts) to deferred outflows of resources from refunding bonds and a $6.2 million reclassification from bond premiums (discounts) to deferred inflows of resources from refundings. Additionally, the Commission recorded $33.5 million for the amortization of deferred outflows/inflows of resources from refunding bonds for the year ended May 31, 2018. Amortization by section was: Mainline, $32.2 million; Oil Franchise, $0.5 million and Motor License, $0.8 million.

The Commission recorded $0.5 million for the amortization of prepaid bond insurance costs for the year ended May 31, 2018. Amortization by section was: Mainline, $0.4 million and Motor License, $0.1 million.

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities *(continued)*

The Commission recorded an interest expense reduction of $3.0 million in the Mainline section and $0.2 million in the Motor License section for the year ended May 31, 2018 related to GASB 53 entries.

The Commission recognized total capital contributions of $207.8 million for fiscal year ended May 31, 2018. Cash received of $202.1 million for fiscal year ended May 31, 2018 is reported in the capital and related financing activities of this schedule. The $5.7 million difference between capital contributions and cash received is the result of a $0.3 million net increase (Mainline section $1.1 million increase; Oil Franchise section $0.8 million decrease) in receivables related to these capital contributions and a $5.4 million Mainline noncash capital contribution related to capital assets provided by service plaza operators. The Commission entered into agreements with a food and fuel provider to totally reconstruct the service plazas; the service plaza operators provide the capital for the reconstruction in exchange for lower rental rates. See Note 2 for further discussion on capital contributions and Note 6 for further discussion on the service plazas.

The Commission records intersection activity related to revenue, expense, asset and liability transfers between its sections. Some of the intersection entries are related to cash transfers; others are noncash transfers as required. Net intersection transfers for the year ended May 31, 2018 were: to Mainline, $170.6 million; from Oil Franchise, $169.1 million; and from Motor License, $1.5 million.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Net Position

	May 31, 2017			
	Mainline	Oil Franchise	Motor License	Total
	(In Thousands)			
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets				
Cash and cash equivalents	$ 215,949	$ -	$ -	$ 215,949
Short-term investments	67,764	-	-	67,764
Accounts receivable	69,181	-	-	69,181
Accrued interest receivable	1,268	-	-	1,268
Inventories	18,973	-	-	18,973
Restricted current assets				
Cash and cash equivalents	599,188	87,253	15,400	701,841
Short-term investments	260,856	40,567	1,998	303,421
Accounts receivable	5,057	11,629	-	16,686
Accrued interest receivable	2,329	1,001	183	3,513
Total current assets	1,240,565	140,450	17,581	1,398,596
Noncurrent assets				
Long-term investments				
Long-term investments unrestricted	278,202	-	-	278,202
Long-term investments restricted	348,086	173,988	43,340	565,414
Total long-term investments	626,288	173,988	43,340	843,616
Capital assets not being depreciated				
Land and intangibles	359,210	-	-	359,210
Assets under construction	1,356,951	-	-	1,356,951
Capital assets being depreciated				
Buildings	978,186	-	-	978,186
Improvements other than buildings	121,137	-	-	121,137
Equipment	638,300	-	-	638,300
Infrastructure	8,380,745	-	-	8,380,745
Total capital assets before accumulated depreciation	11,834,529	-	-	11,834,529
Less: Accumulated depreciation	6,105,647	-	-	6,105,647
Total capital assets after accumulated depreciation	5,728,882	-	-	5,728,882
Other assets				
Prepaid bond insurance costs	3,877	34	1,466	5,377
OPEB asset	122,542	-	-	122,542
Other assets	31,747	-	-	31,747
Total other assets	158,166	34	1,466	159,666
Total noncurrent assets	6,513,336	174,022	44,806	6,732,164
Total assets	7,753,901	314,472	62,387	8,130,760
Deferred outflows of resources from hedging derivates	44,921	-	61,904	106,825
Deferred outflows of resources from refunding bonds	310,684	13,481	19,155	343,320
Deferred outflows of resources from pensions	84,359	-	-	84,359
Total deferred outflows of resources	439,964	13,481	81,059	534,504
Total assets and deferred outflows of resources	$ 8,193,865	$ 327,953	$ 143,446	$ 8,665,264

	May 31, 2017			
	Mainline	Oil Franchise	Motor License	Total
	(In Thousands)			
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities				
Accounts payable and accrued liabilities	$ 418,830	$ 26,779	$ 3,692	$ 449,301
Current portion of debt	365,745	17,445	8,185	391,375
Unearned income	71,942	732	-	72,674
Total current liabilities	856,517	44,956	11,877	913,350
Noncurrent liabilities				
Debt, less current portion, net of unamortized premium	11,070,932	702,800	403,895	12,177,627
Net pension liability	379,173	-	-	379,173
Other noncurrent liabilities	177,418	335	69,143	246,896
Total noncurrent liabilities	11,627,523	703,135	473,038	12,803,696
Total liabilities	12,484,040	748,091	484,915	13,717,046
Deferred inflows of resources from hedging derivatives	2,700	-	-	2,700
Deferred inflows of resources from service concession arrangements	122,694	-	-	122,694
Deferred inflows of resources from refunding bonds	-	3,207	-	3,207
Deferred inflows of resources from pensions	18,289	-	-	18,289
Total deferred inflows of resources	143,683	3,207	-	146,890
Total liabilities and deferred inflows of resources	12,627,723	751,298	484,915	13,863,936
NET POSITION				
Net investment in capital assets	849,221	(708,561)	(398,698)	(258,038)
Restricted for construction purposes	-	272,819	57,229	330,048
Restricted for debt service	32,330	12,397	-	44,727
Unrestricted	(5,315,409)	-	-	(5,315,409)
Total net position	$ (4,433,858)	$ (423,345)	$ (341,469)	$ (5,198,672)

Schedule of Revenues, Expenses, and Changes in Net Position

	May 31, 2017			
	Mainline	**Oil Franchise**	**Motor License**	**Total**
	(In Thousands)			
Operating revenues				
Net fares	$ 1,111,061	$ -	$ -	$ 1,111,061
Other	23,335	-	-	23,335
Total operating revenues	1,134,396	-	-	1,134,396
Operating expenses				
Cost of services	514,310	2,793	-	517,103
Depreciation	354,343	-	-	354,343
Total operating expenses	868,653	2,793	-	871,446
Operating income (loss)	265,743	(2,793)	-	262,950
Nonoperating revenues (expenses)				
Investment earnings (loss)	13,971	(313)	567	14,225
Other nonoperating revenues	16,978	4,554	-	21,532
Act 44 and Act 89 payments to PennDOT	(450,000)	-	-	(450,000)
Capital assets transferred to PennDOT	(54,724)	-	-	(54,724)
Interest and bond expense	(524,730)	(17,732)	(18,198)	(560,660)
Nonoperating expenses, net	(998,505)	(13,491)	(17,631)	(1,029,627)
Loss before capital contributions	(732,762)	(16,284)	(17,631)	(766,677)
Capital contributions	62,967	123,697	28,000	214,664
(Decrease) increase in net position	(669,795)	107,413	10,369	(552,013)
Net position at beginning of year	(3,868,714)	(427,785)	(350,160)	(4,646,659)
Intersection transfers	104,651	(102,973)	(1,678)	-
Net position at end of year	$ (4,433,858)	$ (423,345)	$ (341,469)	$ (5,198,672)

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Cash Flows

	May 31, 2017			
	Mainline	Oil Franchise	Motor License	Total
		(In Thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customer tolls and deposits	$ 1,117,714	$ -	$ -	$ 1,117,714
Cash payments for goods and services	(327,191)	(1,331)	-	(328,522)
Cash payments to employees	(156,679)	(1,455)	-	(158,134)
Cash received from other operating activities	8,926	-	-	8,926
Net cash provided by (used in) operating activities	642,770	(2,786)	-	639,984
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	4,585,619	218,855	36,593	4,841,067
Interest received on investments	17,425	4,320	510	22,255
Purchases of investments	(4,661,446)	(209,521)	(39,924)	(4,910,891)
Net cash (used in) provided by investing activities	(58,402)	13,654	(2,821)	(47,569)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants received from other governments	55,265	-	-	55,265
Proceeds from Motor License Registration fees	-	-	28,000	28,000
Proceeds from Oil Company Franchise Tax	-	120,754	-	120,754
Construction and acquisition of capital assets	(522,966)	(76,117)	-	(599,083)
Proceeds from sale of capital assets	993	-	-	993
Payments for bond and swap expenses	(2,690)	(1,643)	(4)	(4,337)
Payments for debt refundings	(140,060)	(385,359)	-	(525,419)
Payments for debt maturities	(41,540)	(18,885)	(7,775)	(68,200)
Interest paid on debt	(213,989)	(36,000)	(20,081)	(270,070)
Interest subsidy from Build America Bonds	16,289	4,554	-	20,843
Proceeds from debt issuances	670,726	384,992	-	1,055,718
Net cash (used in) provided by capital and related financing activities	(177,972)	(7,704)	140	(185,536)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash payments to PennDOT	(450,000)	-	-	(450,000)
Payments for bond and swap expenses	(8,128)	-	-	(8,128)
Payments for debt refundings	(1,549,690)	-	-	(1,549,690)
Payments for debt maturities	(54,430)	-	-	(54,430)
Interest paid on debt	(224,231)	-	-	(224,231)
Proceeds from debt issuances	1,823,095	-	-	1,823,095
Net cash used in noncapital financing activities	(463,384)	-	-	(463,384)
(Decrease) increase in cash and cash equivalents	(56,988)	3,164	(2,681)	(56,505)
Cash and cash equivalents at beginning of year	872,125	84,089	18,081	974,295
Cash and cash equivalents at end of year	$ 815,137	$ 87,253	$ 15,400	$ 917,790

	May 31, 2017			
	Mainline	Oil Franchise	Motor License	Total
	(In Thousands)			
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 265,743	$ (2,793)	$ -	$ 262,950
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	354,343	-	-	354,343
Change in operating assets and liabilities				
Accounts receivable	(11,924)	-	-	(11,924)
Inventories	1,520	-	-	1,520
Other assets	(8,606)	-	-	(8,606)
Deferred outflows of resources from pensions	(18,078)	-	-	(18,078)
Accounts payable and accrued liabilities	17,035	7	-	17,042
Net pension liability	32,227	-	-	32,227
Other noncurrent liabilities	4,414	-	-	4,414
Deferred inflows of resources from pensions	6,096	-	-	6,096
Net cash provided by (used in) operating activities	$ 642,770	$ (2,786)	$ -	$ 639,984
Reconciliation of cash and cash equivalents to the statements of net position				
Cash and cash equivalents	$ 215,949	$ -	$ -	$ 215,949
Restricted cash and cash equivalents	599,188	87,253	15,400	701,841
Total cash and cash equivalents	$ 815,137	$ 87,253	$ 15,400	$ 917,790

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities

The Commission recorded a net increase of $9.5 million in the fair value of its investments not reported as cash equivalents for the year ended May 31, 2017. Increases by section were: Mainline, $3.9 million; and Oil Franchise, $5.6 million.

The Commission recorded $34.8 million for the amortization of bond premium for the year ended May 31, 2017. Amortization by section was: Mainline, $29.8 million; Oil Franchise, $4.3 million and Motor License, $0.7 million.

As indicated in Note 7 (Debt), the Commission refunded various bonds in fiscal year 2017. The fiscal year 2017 refundings resulted in an $8.1 million reclassification (Mainline, $2.2 million; and Oil Franchise, $5.9 million) from bond premiums (discounts) to deferred outflows of resources from refunding bonds and a $3.1 million reclassification from bond premiums (discounts) to deferred inflows of resources from Oil Franchise refundings. Additionally, the Commission recorded $36.4 million for the amortization of deferred outflows/inflows of resources from refunding bonds for the year ended May 31, 2017. Amortization by section was: Mainline, $35.0 million; Oil Franchise, $0.6 million and Motor License, $0.8 million.

The Commission recorded $4.6 million for the amortization of prepaid bond insurance costs for the year ended May 31, 2017. Amortization by section was: Mainline, $3.3 million; Oil Franchise, $1.2 million and Motor License, $0.1 million.

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities *(continued)*

The Commission recorded an interest expense reduction of $2.9 million in the Mainline section and $0.2 million in the Motor License section for the year ended May 31, 2017 related to GASB 53 entries.

The Commission recognized total capital contributions of $214.7 million for fiscal year ended May 31, 2017. Cash received of $204.0 million for fiscal year ended May 31, 2017 is reported in the Capital and related financing activities of this schedule. The $10.7 million difference between capital contributions and cash received is the result of a $5.5 million (Mainline section $2.5 million; Oil Franchise section $3.0 million) increase in receivables related to these capital contributions and a $5.2 million Mainline noncash capital contribution related to capital assets provided by service plaza operators. The Commission entered into agreements with a food and fuel provider to totally reconstruct the service plazas; the service plaza operators provide the capital for the reconstruction in exchange for lower rental rates. See Note 2 for further discussion on capital contributions and Note 6 for further discussion on the service plazas.

The Commission and PennDOT entered into an agreement regarding ownership of overhead bridges that carry state roads. Per the agreement, once the Commission replaces these overhead bridges, and after final inspections and supplemental agreements are signed by both parties, ownership and maintenance responsibilities of the bridges are transferred from the Commission to PennDOT. The Commission transferred assets with a net book value of $54.7 million from its Mainline section to PennDOT during the fiscal year ended May 31, 2017.

The Commission records intersection activity related to revenue, expense, asset and liability transfers between its sections. Some of the intersection entries are related to cash transfers; others are noncash transfers as required. Net intersection transfers for the year ended May 31, 2017 were: to Mainline, $104.7 million; from Oil Franchise, $103.0 million; and from Motor License, $1.7 million.

The following tables provide additional detail for the costs of services reported in the statements of revenues, expenses, and changes in net position.

Fiscal Year Ended May 31, 2018

	Mainline Operating	Mainline Capital	Total Mainline	Oil Franchise	Motor License	Total
General and administrative	$ 42,548	$ 89,897	$ 132,445	$ 1,454	$ -	$ 133,899
Traffic engineering and operations	3,244	2,083	5,327	-	-	5,327
Service centers	35,556	-	35,556	-	-	35,556
Employee benefits	98,515	12,483	110,998	1,104	-	112,102
Toll collection	59,669	1,149	60,818	-	-	60,818
Maintenance	73,429	1,462	74,891	-	-	74,891
Facilities and energy mgmt. operations	12,080	11,262	23,342	-	-	23,342
Turnpike patrol	48,807	-	48,807	-	-	48,807
Total cost of services	$ 373,848	$ 118,336	$ 492,184	$ 2,558	$ -	$ 494,742

Fiscal Year Ended May 31, 2017

	Mainline Operating	Mainline Capital	Total Mainline	Oil Franchise	Motor License	Total
General and administrative	$ 47,861	$ 100,813	$ 148,674	$ 1,827	$ -	$ 150,501
Traffic engineering and operations	3,813	1,743	5,556	-	-	5,556
Service centers	32,304	-	32,304	-	-	32,304
Employee benefits	113,986	11,569	125,555	966	-	126,521
Toll collection	60,112	1,665	61,777	-	-	61,777
Maintenance	66,191	2,219	68,410	-	-	68,410
Facilities and energy mgmt. operations	11,266	13,545	24,811	-	-	24,811
Turnpike patrol	47,223	-	47,223	-	-	47,223
Total cost of services	$ 382,756	$ 131,554	$ 514,310	$ 2,793	$ -	$ 517,103

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE

The following sets forth the definitions of certain terms used in the Senior Indenture and a summary of certain provisions of the Senior Indenture. Certain other provisions of the Senior Indenture relating to the 2019 Bonds are summarized in the Official Statement under the sections captioned "DESCRIPTION OF THE 2019 BONDS" and "SECURITY FOR THE 2019 BONDS." Reference should be made to the Senior Indenture for a complete statement of all of these provisions and other provisions which are not summarized in this Official Statement. A copy of the Senior Indenture may be obtained from the Trustee.

DEFINITIONS OF CERTAIN TERMS

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

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

"Alternate Construction Fund" - a fund as described under "The Senior Indenture-Alternate Construction Fund" in this Appendix C.

"Annual Capital Budget" - the budget adopted by the Commission pursuant to the provisions described under the heading "The Senior Indenture-Covenants of Commission-Annual Operating Budget; Capital Budget" in this Appendix C.

"Annual Debt Service" - (i) the amount of principal and interest paid or payable with respect to Bonds in a Fiscal Year plus (ii) Reimbursement Obligations paid or payable by the Commission in such Fiscal Year (but only to the extent they are not duplicative of such principal and interest), plus (iii) the amounts, if any, paid or payable by the Commission in such Fiscal Year with respect to Approved Swap Agreements, minus (iv) the amounts, if any, paid or payable to the Commission in such Fiscal Year with respect to Approved Swap Agreements, provided that the difference between the amounts described in clauses (iii) and (iv) shall be included only to the extent that such difference would not be recognized as a result of the application of the assumptions set forth below. The following assumptions shall be used to determine the Annual Debt Service becoming due in any Fiscal Year: (a) in determining the principal amount paid or payable with respect to Bonds or Reimbursement Obligations in each Fiscal Year, payment shall be assumed to be made in accordance with any amortization schedule established for such Indebtedness, including amounts paid or payable pursuant to any mandatory redemption schedule for such Indebtedness; (b) if any of the Indebtedness or proposed Indebtedness constitutes Balloon Indebtedness, then such amounts thereof as constitute Balloon Indebtedness shall be treated as if such Indebtedness is to be amortized in substantially equal annual installments of principal and interest over a term of 25 years from the date of issuance of such Indebtedness; anything to the contrary in the Senior Indenture notwithstanding, during the year preceding the final maturity date of such Indebtedness, all of the principal thereof shall be considered to be due on such maturity date unless the Commission provides to the Trustee a certificate of a Financial Consultant certifying that, in its judgment, the Commission will be able to refinance such Balloon Indebtedness, in which event the Balloon Indebtedness shall be amortized over the term of such refinancing and shall bear the interest rate specified in the certificate of the Financial Consultant; (c) if any of the Indebtedness or proposed Indebtedness constitutes Variable Rate Indebtedness, then interest in future periods shall be based on the Assumed Variable Rate; (d) termination or similar payments under an Approved Swap Agreement shall not be taken into account in any calculation of Annual Debt Service; and (e) if any cash subsidy payments (the "Subsidy Payments") from the United States Treasury pursuant to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009 (Pub.L. 111-5) pertaining to "Build America Bonds") are scheduled to be received by the Commission with respect to any Bonds which are eligible for such Subsidy Payments, each of the Subsidy Payments may be deducted from the interest payable on such Bonds in the period in which such Subsidy Payment is scheduled to be received.

"Annual Operating Budget" - the budget adopted by the Commission pursuant to the provisions described under the heading "The Senior Indenture-Annual Operating Budget; Capital Budget" in this Appendix C.

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

"Approved Swap Agreement" - shall have the meaning set forth below under the heading "The Senior Indenture-Approved and Parity Swap Obligations" in this Appendix C.

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

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

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

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

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

“Bond” or “Bonds” - Bonds outstanding under the Prior Senior Indenture and indebtedness of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, issued as Additional Bonds under the applicable provisions of the Senior Indenture, other than Additional Bonds issued as Subordinated Indebtedness.

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

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

“Bond Documents” - means the Supplemental Indenture, the 2019 Bond, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing.

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

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

“Bond Register” - the register maintained pursuant to the applicable provisions of the Senior Indenture.

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

“Book-Entry-Only System” - a system similar to the system described in the Senior Indenture and in the forepart of this Official Statement under “DESCRIPTION OF THE 2019 BONDS - Book-Entry Only System” pursuant to which Bonds are registered in book-entry form.

"Business Day" - a day other than: (i) a Saturday, Sunday, legal holiday or day on which banking institutions in the city in which the Trustee has its Principal Office are authorized or required by law or executive order to close; or (ii) a day on which the New York Stock Exchange is closed.

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

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

"Commonwealth" - the Commonwealth of Pennsylvania.

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

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

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

"Cost" - all or any part of: (a) the cost of construction, reconstruction, restoration, repair and rehabilitation of a Project or portion thereof (including, but not limited to, indemnity and surety bonds, permits, taxes or other municipal or governmental charges lawfully levied or assessed during construction); (b) the cost of acquisition of all real or personal property, rights, rights-of-way, franchises, easements and interests acquired or used for such Project or portion thereof; (c) the cost of demolishing or removing any structures on land so acquired, including the cost of acquiring any land to which the structures may be removed; (d) any cost of borings and other preliminary investigations necessary or incident to determining the feasibility or practicability of constructing such Project and any cost necessary or desirable to satisfy conditions associated with the issuance of any permit for the construction thereof (including the costs of environmental mitigation required in connection therewith); (e) the cost of all machinery and equipment, vehicles, materials and rolling stock; (f) Issuance Costs; (g) interest on Bonds and on any Reimbursement Obligation for the period prior to, during and for a period of up to one year after completion of construction as determined by the Commission, provisions for working capital, reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations and improvements; (h) the cost of architectural, engineering, environmental feasibility, financial and legal services; (i) plans, specifications, estimates and administrative and other expenses which are necessary or incidental to the determination of the feasibility of constructing such Project or portion thereof or incidental to the obtaining of construction contracts or to the construction (including construction administration and inspection), acquisition or financing thereof and which constitute capital costs; (j) Current

Expenses, provided that, if applicable, the Trustee has received an opinion of Bond Counsel (which opinion may address either specific Current Expenses or categories of Current Expenses) to the effect that the treatment of such Current Expenses as a Cost will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; (k) the repayment of any loan or advance for any of the foregoing; and (1) with respect to the use of Bond proceeds, such other costs and expenses as are permitted by the Enabling Acts at the time such Bonds are issued.

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

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

"Current Expenses" - the Commission's reasonable and necessary current expenses of maintenance, repair and operation of the System, including, without limiting the generality of the foregoing, all premiums for insurance and payments into any self-insurance reserve fund, all administrative and engineering expenses relating to maintenance, repair and operation of the System, fees and expenses of the Trustee and of the Paying Agents, Policy Costs, legal expenses and any other expenses required to be paid by the Commission as shown in the Annual Operating Budget for the System.

"Debt Service Fund" - the fund created by the Senior Indenture and described under "The Senior Indenture-Debt Service Fund" in this Appendix C.

"Debt Service Reserve Fund" - the fund created by the Senior Indenture and described under "The Senior Indenture-Debt Service Reserve Fund" in this Appendix C.

"Debt Service Reserve Fund Bonds" - shall mean the Long-Term Indebtedness specified by the Commission that is secured by the Debt Service Reserve Fund as described under "The Senior Indenture-Debt Service Reserve Fund" in this Appendix C.

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

"Defeasance Securities" - Cash, Government Obligations, Government Obligations which have been stripped by the U.S. Treasury and CATS, TIGRS and similar securities, Resolution Funding Corp. strips which have been stripped by the Federal Reserve Bank of New York, pre-refunded obligations of a state or municipality rated in the highest rating category by the Rating Agency, and Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: Farmers Home Administration (Certificates of beneficial ownership), Federal Financing Bank, General Services Administration (Participation certificates), U.S. Maritime

Administration (Guaranteed Title XI financing), U.S. Department of Housing and Urban Development (Project Notes, Local Authority Bonds and New Communities Debentures - U.S. government guaranteed debentures) and U.S. Public Housing Notes and Bonds (U.S. government guaranteed public housing notes and bonds).

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

"DSRF Security" - shall have the meaning set forth under "The Senior Indenture-Debt Service Reserve Fund" in this Appendix C.

"DTC" - The Depository Trust Company, New York, New York.

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

"Event of Default" - those events specified under "The Senior Indenture - Events of Default" in this Appendix C and such other events specified in any Supplemental Indenture.

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

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

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

"General Reserve Fund" - the fund created by the Senior Indenture and described under "The Senior Indenture-General Reserve Fund" in this Appendix C.

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

America or any state thereof in the capacity of custodian, (d) stripped obligations of interest issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), the interest on which, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to FIRREA, and (e) obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that cash, obligations described in clause (a), (b), (c) or (d) above, or a combination thereof have been irrevocably pledged to and deposited into a segregated escrow account for the payment when due of the principal or redemption price of and interest on such obligations, and provided further that, at the time of purchase, such obligations are rated by the Rating Service in its highest rating category.

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

"Historical Pro Forma Debt Service Coverage Ratio" - for any period of time, the ratio determined by dividing Net Revenues for such period by the Maximum Annual Debt Service for all Applicable Long-Term Indebtedness then Outstanding and the Applicable Long-Term Indebtedness proposed to be issued pursuant to the Senior Indenture pursuant to the provisions described under the section in the forepart of this Official Statement captioned "SECURITY FOR THE 2019 BONDS -Additional Bonds Test."

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

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

"Interest Payment Date" - for the 2019 Bonds is described in the forepart of this Official Statement. If the Interest Payment Date is not a Business Day then the Interest Payment Date shall be the Business Day next succeeding the date specified above.

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

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

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

“Maximum Annual Debt Service” - at any point in time the maximum amount of Annual Debt Service on all Applicable Long-Term Indebtedness, as required by the context (e.g., whether relating to all such Applicable Long-Term Indebtedness or only specified Applicable Long-Term Indebtedness) paid or payable in the then current or any future Fiscal Year.

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

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

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

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

“Outstanding” or “outstanding” in connection with Bonds - all Bonds which have been authenticated and delivered under the Senior Indenture, except: (a) Bonds theretofore cancelled or delivered to the Trustee for cancellation under the Senior Indenture; (b) Bonds which are deemed to be no longer Outstanding in accordance with the provisions described under “The Senior Indenture-Defeasance” in this Appendix C; and (c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Senior Indenture. In determining whether the owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Senior Indenture, Bonds which are held by or on behalf of the Commission (unless all of the Outstanding Bonds are then owned by the Commission) shall be disregarded for the purpose of any such determination.

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

“Parity Swap Agreement” - shall have the meaning set forth under the heading “The Senior Indenture-Approved and Parity Swap Obligations” in this Appendix C.

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

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

“Permitted Investments” - (to the extent permitted by law): (a) Government Obligations; (b) obligations issued or guaranteed as to full and timely payment of principal and interest by any agency or Person controlled or supervised by and acting as an instrumentality of the U.S., pursuant to authority granted by the U.S. Congress; (c) obligations of the Governmental National Mortgage Association, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, Maritime Administration and Public Housing Authorities, provided that the full and timely payment of the principal and interest on such obligations shall be unconditionally guaranteed by the U.S.; (d) obligations of the Federal Intermediate Credit Corporation and of the Federal National Mortgage Association; (e) obligations of the Federal Banks for Cooperation; (f) obligations of Federal Land Banks; (g) obligations of Federal Home Loan Banks; provided that the obligations described in clauses (c) through (g) above shall constitute Permitted Investments only to the extent that the Rating Agency has assigned a rating to such obligations which is not lower than the highest rating assigned by such Rating Agency to any series of comparable Bonds then Outstanding; (h) certificates of deposit of any bank, savings and loan or trust company organized under the laws of the U.S. or any state thereof, including the Trustee or any holder of the Bonds, provided that such certificates of deposit shall be fully collateralized (with a prior perfected security interest), to the extent they are not insured by the Federal Deposit Insurance Corporation, by Permitted Investments described in (a), (b), (c), (d), (e), (f) or (g) above having a market value at all times equal to the uninsured amount of such deposit; (i) money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, including funds for which the Trustee, its parent, its affiliates or its subsidiaries provide investment advisory or other management services, and which are rated by S&P, Moody's and Fitch in one of their two highest rating categories; (j) investment agreements (which term, for purposes of this clause, shall not include repurchase agreements) with a Qualified Financial Institution; (k) repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York (“Repurchasers”), including but not limited to the Trustee and any of its affiliates, provided that each such repurchase agreement results in transfer to the Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified Permitted Investments described in (a), (b), (c), (d), (e), (f) or (g) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the Repurchaser) as the agent solely of, or in trust solely for the benefit of, the Trustee, provided that Government Obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such Government Obligations or the repurchase price thereof set forth in the applicable repurchase agreement; (1) bonds or notes issued by any state or municipality which are rated by S&P, Moody's and Fitch in one of their two highest rating categories; (m) commercial paper rated in the highest short-term, note or commercial paper Rating Category by S&P, Moody's and Fitch; (n) any auction rate certificates which are rated by S&P, Moody's and Fitch in one of their two highest rating categories; (o) corporate bonds and medium term notes rated at least “AA-” by Moody's and S&P; (p) asset-backed securities rated in the highest rating category by Moody's and S&P; and (q) any other investment approved by the Commission for which confirmation is received from the Rating Agency that such investment will not adversely affect such Rating Agency's rating on such Bonds.

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

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

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

"Prior Senior Indenture" - the Original Senior Indenture as supplemented and amended.

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

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

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

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

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

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

"Rate Covenant" - the requirement to establish and maintain a schedule of Tolls sufficient to provide the funds required pursuant to the Senior Indenture provisions described under "The Senior Indenture-Rate Covenant" in this Appendix C.

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

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

"Rebate Fund" - the fund created by the Senior Indenture and described under "The Senior Indenture-Rebate Fund" in this Appendix C.

"Rebate Regulations" - the Treasury Regulations issued under Section 148(f) of the Code. "Record Date" - for the 2019 Bonds is described in the forepart of this Official Statement.

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

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

"Reserve Maintenance Fund" - the fund created by the Senior Indenture and described under "The Senior Indenture-Reserve Maintenance Fund" in this Appendix C.

"Reserve Maintenance Fund Requirement" - the amount to be deposited to the credit of the Reserve Maintenance Fund from the Revenues of the Commission pursuant to the provisions described under "The Senior Indenture - Reserve Maintenance Fund" in this Appendix C.

"Revenue Fund" - the fund created by the Senior Indenture and described under "The Senior Indenture-Revenue Fund; Agreements with Other Turnpikes" in this Appendix C.

"Revenues" - (a) all Tolls received by or on behalf of the Commission from the System, (b) any other sources of revenues or funds of the Commission which the Commission chooses to include in the Trust Estate pursuant to a Supplemental Indenture, and (c) the interest and income earned on any fund or account where said interest or income is required to be credited to the Revenue Fund pursuant to the Senior Indenture. As more fully provided by the provisions described below under "The Senior Indenture-Revenue Fund; Agreements with Other Turnpikes," in the event the Commission receives advances or prepayments or otherwise operates or participates in a system in which funds are collected prior to the actual usage of the System, such funds shall not be deemed to be Revenues until the usage occurs or the funds are earned pursuant to the agreement under which the Commission receives such funds.

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

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

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

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

"Series Issue Date" means, with respect to the 2019 Bonds, the date of original issuance and delivery of the 2019 Bonds.

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

"Special Record Date" - for the 2019 Bonds is described under "The Senior Indenture - Defaulted Interest" in this Appendix C.

"Subordinated Indebtedness" - Indebtedness incurred pursuant to paragraph (c) of the section in the forepart of this Official Statement captioned "SECURITY FOR THE 2019 BONDS - Additional Bonds Test".

"Supplemental Indenture" - any Supplemental Indenture to (a) the Senior Indenture, now or hereafter duly authorized and entered into in accordance with the provisions of the Senior Indenture and (b) the Prior Senior Indenture, including any Supplemental Indenture pursuant to which (and only for so long as) Bonds are outstanding thereunder.

"Swap Agreement" - shall have the meaning set forth under the heading "The Senior Indenture-Approved and Parity Swap Obligations" in this Appendix C.

"System" - is described in the forepart of this Official Statement under "PENNSYLVANIA TURNPIKE SYSTEM."

"Tender Indebtedness" - any Indebtedness or portion thereof: (a) the terms of which include (i) an option or an obligation on the part of the Secured Owner to tender all or a portion of such Indebtedness to the Commission, the Trustee, the Paying Agent or another fiduciary or agent for payment or purchase and (ii) a requirement on the part of the Commission to purchase or cause to be purchased such Indebtedness or portion thereof if properly presented; and (b) which is rated in either (i) one of the two highest long-term Rating Categories by the Rating Agency or (ii) the highest short-term, note or commercial paper Rating Category by the Rating Agency.

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

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

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

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

"Variable Rate Indebtedness" - any Indebtedness the interest rate on which fluctuates from time to time subsequent to the time of incurrence. Variable Rate Indebtedness may include, without limitation, (a) "auction rate" Indebtedness, (b) Tender Indebtedness, (c) commercial paper Indebtedness which is intended to be reissued and refinanced periodically, or (d) other forms of Indebtedness on which the interest fluctuates or is subject to being set or reset from time to time.

THE SENIOR INDENTURE

LIMITED OBLIGATIONS

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

ADDITIONAL BONDS

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

(a) A copy certified by a Commission Official of the resolution or resolutions of the Commission authorizing (1) the execution and delivery of a Supplemental Indenture providing for, among other things, the date, rate or rates of interest on, interest payment dates, maturity dates and redemption provisions of such Additional Bonds, and (2) the issuance, sale, execution and delivery of the Additional Bonds;

(b) An original executed counterpart of the Supplemental Indenture;

(c) An opinion or opinions of Bond Counsel, addressed to the Commission and the Trustee, to the effect that (1) issuance of the Additional Bonds is permitted under the Senior Indenture, (2) each of the Supplemental Indenture and the Additional Bonds has been duly authorized, executed and delivered and is a valid, binding and enforceable obligation of the Commission, subject to bankruptcy, equitable principles and other standard legal opinion exceptions and (3) subject to the paragraph below, interest on the Additional Bonds is not included in gross income for federal income tax purposes under the Code;

(d) A request and authorization of the Commission, signed by a Commission Official, to the Trustee to authenticate and deliver the Additional Bonds to such Person or persons named therein after confirmation of payment to the Trustee for the account of the Commission of a specified sum (which may include directions as to the disposition of such sum);

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

(f) A certificate of the Commission, signed by a Commission Official, identifying the Additional Bonds as Short-Term Indebtedness, Long-Term Indebtedness or Subordinated Indebtedness and demonstrating with reasonable detail that the applicable Senior Indenture provisions described in the section in the forepart of this Official Statement captioned "SECURITY FOR THE 2019 BONDS -Additional Bonds Test" have been met for the issuance of such Additional Bonds; and

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

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

DEFAULTED INTEREST

Defaulted Interest (as defined in the forepart of this Official Statement) with respect to any 2019 Bond shall cease to be payable to the Owner of such 2019 Bond on the relevant Record Date and shall be payable to the Owner in whose name such 2019 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 2019 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 2019 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 2019 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.

APPROVED AND PARITY SWAP OBLIGATIONS

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

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

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

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

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

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

(f) Evidence that the provisions with respect to Approved Swap Agreements described in the section in the forepart of this Official Statement captioned -SECURITY FOR THE 20I7A BONDS -Additional Bonds Test" have been met; and

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

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

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

CONVERSIONS OF VARIABLE RATE INDEBTEDNESS TO FIXED RATE INDEBTEDNESS

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

CONSTRUCTION FUND

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

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

RATE COVENANT

The Senior Indenture contains the Rate Covenant which is described in the section in the forepart of this Official Statement captioned "SECURITY FOR THE 2019 BONDS-Rate Covenant."

COVENANTS AS TO TOLLS

The Commission covenants with respect to Tolls as described in the section in the forepart of this Official Statement captioned "SECURITY FOR THE 2019 BONDS-Rate Covenant."

COVENANTS OF THE COMMISSION

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

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

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

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

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

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

Limitations on Issuance of Additional Bonds and Execution of Approved Swaps. The Commission has covenanted in the Senior Indenture with respect to issuance of Additional Bonds and execution of Approved Swap Agreements as described in the section in the forepart of this Official Statement captioned "SECURITY FOR THE 2019 BONDS-Additional Bonds Test."

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

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

Construction of Projects. The Commission covenants in the Senior Indenture that it will proceed with diligence to construct any Projects in conformity with law and all requirements of all governmental authorities having jurisdiction thereover. Before entering into any construction contract it will secure the approval of the plans and specifications for such contract by a certified engineer or architect, who may be an employee of the Commission, and that it will require each Person, firm or corporation with whom it may contract in connection with the construction of any Project to furnish (1) a performance bond for 100% of the contract amount, and (2) a payment bond for 100% of the contract amount. Each of such bonds shall be executed by one or more responsible surety companies authorized to do business in the Commonwealth. Any proceeds received from such bonds first shall be applied toward the completion of the applicable Project and second shall be deposited in the General Reserve Fund. Construction contracts for labor and/or materials also shall provide that payments thereunder shall not be made by the Commission in excess of 95% of current estimates except that (i) once the work is at least 50% complete, (ii) where waiver of retainage is necessary in the opinion of the Chief Engineer, based on the advice of the Chief Counsel, to comply with or facilitate compliance with state or federal law in order to receive state or federal funds, such retainage may be reduced by the Chief Engineer or another Commission Official to the extent such officer deems such reduction to be necessary or appropriate.

The Commission shall involve the Consulting Engineer or another Consultant to assist in quality assurance matters in connection with design and/or construction of any Project or portion thereof to the extent the Commission determines necessary or appropriate. For purposes of this subsection, "quality assurance" shall be defined to mean those activities, from inception to completion of a Project, which are necessary to ensure that the processes are in place to produce a quality product.

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

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

On July 1, 2003 and every three years thereafter (except with respect to self-insurance, which shall be annually), the Commission shall cause a Consultant to certify to the Trustee that (a) it has reviewed the adequacy of the Commission's insurance, listing the types and amounts of insurance, and (b) it finds such coverage to be reasonable and customary for similar organizations. If the Consultant concludes that coverage other than that which is currently carried by the Commission should be carried, the Commission shall obtain such insurance coverage unless it determines in good faith that it is unreasonable or uneconomical to obtain such coverage and certifies the same in writing to the Trustee.

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

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

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

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

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

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

(b) The Commission will not sell or otherwise dispose of any real estate or personal property comprising a portion of the System unless the Commission determines (1) such property (i) has become obsolete or worn out or is reasonably expected to become so within one year after the date of such disposition, (ii) is no longer used or useful in the operation of the

System or in the generation of Revenues or (iii) is to be or has been replaced by other property; or (2) by resolution that such action will not materially adversely affect the Net Revenues of the Commission.

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

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

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

CREATION OF FUNDS

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

REVENUE FUND; AGREEMENTS WITH OTHER TURNPIKES

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

The Senior Indenture provides that, to the extent authorized by law, the Commission may enter into agreements with any commission, authority or other similar legal body operating a turnpike, whether or not connected to the System, (1) with respect to the establishment of combined schedules of Tolls and/or (2) for the collection and application of Tolls charged for trips over all or a portion of both turnpikes combined, which on the basis of the Revenues to be received by any such agreement will result in the receipt by the Commission of its allocable portion of such Tolls (less fees and expenses associated with such arrangement). To the extent now or hereafter authorized by law, the Commission also may enter into agreements with other

Persons with respect to the collection of Tolls or advances or prepayment of Tolls charged for trips over all or a portion of the System, which on the basis of the Revenues to be received by any such agreement will result in the receipt by the Commission of the appropriate Tolls for such trips. Unless approved by a Consultant, no agreement establishing a combined schedule of Tolls shall restrict the ability of the Commission to implement an increase in its Tolls at least annually.

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

Except as otherwise provided in the provisions described above, transfers from the Revenue Fund shall be made to the following funds and in the following order of priority: (1) Rebate Fund; (2) Operating Account; (3) Debt Service Fund; (4) Reserve Maintenance Fund; (5) Debt Service Reserve Fund; and (6) General Reserve Fund (after retaining such funds in the Revenue Fund as are identified in the certificate described below under “General Reserve Fund”).

OPERATING ACCOUNT

The Senior Indenture provides that the Commission shall establish an account known as the “Operating Account” which is described in the section in the forepart of this Official Statement captioned “SECURITY FOR THE 2019 BONDS-Operating Account.”

DEBT SERVICE FUND

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

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

The Trustee shall make deposits into the Debt Service Fund as described in the section in the forepart of this Official Statement captioned “SECURITY FOR THE 2019 BONDS-Debt Service Fund.”

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

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

With respect to any Bonds for which Subsidy Payments are scheduled to be received by the Commission, the Commission shall deposit or cause to be deposited all such Subsidy Payments, as and when received, into a separate account of the Debt Service Fund held for each such Series of Bonds, and such Subsidy Payments shall be applied to pay debt service on the corresponding Series of Bonds with respect to which such Subsidy Payments are received.

RESERVE MAINTENANCE FUND

In each Fiscal Year, after first having made the deposits to the Revenue Fund, Operating Account and Debt Service Fund provided by the provisions described above, the Trustee shall transfer from the Revenue Fund on or before the last Business Day of each month to the credit of the Reserve Maintenance Fund the amount shown in the Annual Capital Budget for the ensuing month. The provisions regarding the Reserve Maintenance Fund are further described in the section in the forepart of this Official Statement captioned "SECURITY FOR THE 2019 BONDS-Reserve Maintenance Fund."

DEBT SERVICE RESERVE FUND

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

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

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

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

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

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

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

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

GENERAL RESERVE FUND

After first having made the deposits to the Operating Account, Debt Service Fund, Reserve Maintenance Fund and Debt Service Reserve Fund described above, the Trustee shall transfer from the Revenue Fund on or before the last Business Day of each year (or more frequently if requested by a Commission Official) to the credit of the General Reserve Fund any funds which a Commission Official determines to be in excess of the amount required to be reserved therein for future transfers to the Debt Service Fund. The provisions regarding the General Reserve Fund are further described in the section in the forepart of this Official Statement captioned "SECURITY FOR THE 2019 BONDS-General Reserve Fund."

REBATE FUND

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

ALTERNATE CONSTRUCTION FUND

In connection with any Supplemental Indenture executed on or after December 18, 2014 for capital projects where the Commission expects to receive monies from the federal government for reimbursement of costs associated with such capital projects, the Commission shall create a separate Alternate Construction Fund for such Additional Bonds for deposit and disbursement of certain funds which shall not include proceeds of Bonds issued or outstanding under the Senior Indenture. Monies to be deposited in the Alternate Construction Fund shall consist of monies received and identified for deposit thereto by the Commission from the federal government for reimbursement of costs associated with the various capital expenditures to be financed by such Additional Bonds. Monies in an Alternate Construction Fund may only be requisitioned after all the proceeds of such Additional Bonds have been requisitioned from the applicable Account of the Construction Fund.

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

Such an Alternate Construction Fund has been created in connection with the issuance of the 2019 Bonds.

ADDITIONAL SECURITY; PARITY WITH OTHER PARITY OBLIGATIONS

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

DEPOSITARIES; INVESTMENT OF MONEYS

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

Moneys held in any of the funds or accounts under the Senior Indenture may be retained uninvested, if deemed necessary by the Commission, as trust funds and secured as provided above or may be invested in Permitted Investments. All investments made pursuant to the Senior Indenture shall be subject to withdrawal or shall mature or be subject to repurchase or redemption by the holder, not later than the earlier of (a) the date or dates set forth for similar investments in the applicable Supplemental Indenture or (b) the date on which the moneys may reasonably be expected to be needed for the purpose of the Senior Indenture.

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

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

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

EVENTS OF DEFAULT

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

(a) Default in the payment of any installment of principal, redemption premium, if any, interest or other amount due on any Bond when the same becomes due and payable;

(b) Default in the payment by the Commission of any other Parity Obligation;

(c) Subject to the provisions relating to notice and opportunity to cure certain defaults, default in the performance or breach of any covenant, warranty or representation of the Commission contained in the Senior Indenture (other than a default under (a) and (b) above);

(d) The occurrence of any Event of Default under any Supplemental Indenture; or

(e) (1) The occurrence of an Event of Bankruptcy of the Commission; (2) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Commission or of any substantial portion of its property, which appointment shall not have been rescinded or stayed within ninety (90) days after taking effect; or (3) the ordering of the winding up or liquidation of the affairs of the Commission.

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

REMEDIES UPON DEFAULT

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

At any time after such a declaration of acceleration has been made and before the entry of a judgment or decree for payment of the money due, the Trustee may, or the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, may by written notice to the Commission and the Trustee, and subject to the provision to the Trustee of satisfactory indemnity, direct the Trustee to rescind and annul such declaration and its consequences if: (1) there has been paid to or deposited with the Trustee by or for the account of the Commission, or provision satisfactory to the Trustee has been made for the payment of a sum sufficient to pay: (i) all overdue installments of interest on the Bonds; (ii) the principal of and redemption premium, if any, on any Bonds which have become due other than by such declaration of acceleration and interest thereon; (iii) all amounts due on other Parity Obligations; (iv) to the extent lawful, interest upon overdue installments of interest and redemption premium, if any; and (v) all sums paid or advanced by the Trustee under the Senior Indenture, together with the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel prior to the date of notice of rescission; and (2) all Events of Default, other than those described in paragraphs (a) and (b) above under "Events of Default", if any, which have occasioned such acceleration, have been cured or waived.

No such rescission and annulment shall affect any subsequent default or impair any consequent right.

ADDITIONAL REMEDIES

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

TRUSTEE MAY FILE PROOFS OF CLAIM

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding under the Bankruptcy Law relating to the Commission, any other obligor upon the Bonds or any property of the Commission, the Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the Commission for the payment of overdue principal, redemption premium, if any, and interest) shall be entitled and empowered, by intervention in such proceeding or other means: (1) to file and prove a claim for the whole amount of the principal, redemption premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding or for breach of the Senior Indenture and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the holders allowed in such proceeding; and (2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is authorized pursuant to the Senior Indenture by each holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under the Senior Indenture. No provision of the Senior Indenture empowers the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholders any plan of reorganization, arrangement, adjustment or composition affecting any of the Bonds or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any holder in any proceeding described in the preceding sentence.

PRIORITY OF PAYMENT FOLLOWING EVENT OF DEFAULT

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

(a) If the principal of all the Bonds then Outstanding and the interest accrued thereon has been declared to be due and payable immediately pursuant to the acceleration provisions described above (or, but for any legal prohibition on such declaration of acceleration, such principal and interest would have been declared to be due and payable immediately pursuant to such Section or the provisions of any applicable Reimbursement Agreement) and such declaration has not been rescinded and annulled, there shall be deposited into the Debt Service Fund moneys sufficient to pay the amounts described in clauses (i), (ii) and (iii) below, and all such moneys shall be applied, as promptly as practicable (but subject to the provisions of the last paragraph of this Section), proportionately to: (i) the payment to the persons entitled thereto of all payments of interest then due on the Bonds with interest on overdue installments, if lawful, at their respective rates from the respective dates upon which they became due, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment; (ii) the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (or which but for any legal prohibition on such declaration of acceleration would have become due) with interest on such Bonds at their respective rates from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full the Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege; and (iii) the payment of any other amounts then owing under the Senior Indenture;

and, after said deposit into the Debt Service Fund, there shall be paid the Subordinated Indebtedness issued or incurred by the Commission pursuant to the Senior Indenture.

(b) If the principal of and interest on all Bonds then Outstanding has not been declared to be due and payable immediately pursuant to the acceleration provisions described above (or deemed to be due and payable as contemplated in paragraph (a) above) or if such a declaration has been rescinded and annulled, then there shall be deposited into the Debt Service Fund moneys sufficient to pay the amounts described in clauses (i), (ii) and (iii) below, and all such moneys shall be applied, as promptly as practicable (but subject to the provisions of the last paragraph of this Section), (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at their respective rates from the respective dates upon which they became due, in the order of maturity and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment; (ii) second, to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due with interest on such Bonds at their respective rates from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full the Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege; and (iii) third, to the payment of any other amounts then owing under the Senior Indenture, and, after said deposit into the Debt Service Fund, there shall be paid the Subordinated Indebtedness issued or incurred by the Commission pursuant to the Senior Indenture.

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

BONDHOLDERS MAY DIRECT PROCEEDINGS

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

LIMITATIONS ON RIGHTS OF BONDHOLDERS

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

The provisions of the preceding paragraph are conditions precedent to the exercise by any Bondholder of any remedy under the Senior Indenture. The exercise of such rights is further subject to the provisions described under “Bondholders May Direct Proceedings” and “Delay or Omission Not Waiver” and certain other provisions of the Senior Indenture. No one or more Bondholders shall have any right in any manner whatever to enforce any right under the Senior Indenture, except in the manner provided in the Senior Indenture. All proceedings at law or in equity with respect to an Event of Default shall be instituted and maintained in the manner provided in the Senior Indenture for the equal and ratable benefit of the Bondholders of all Bonds Outstanding.

RIGHTS AND REMEDIES CUMULATIVE

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

DELAY OR OMISSION NOT WAIVER

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

WAIVER OF DEFAULTS

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

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

NOTICE OF EVENTS OF DEFAULT

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

THE TRUSTEE; QUALIFICATIONS OF TRUSTEE

The Senior Indenture contains provisions relating to the appointment and duties of the Trustee. The Trustee under the Senior Indenture shall be a corporation or banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, which has a combined capital and surplus of at least $50,000,000, or is an affiliate of, or has a contractual relationship with, a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed trustee, and which is subject to supervision or examination by federal or state banking authority. If at any time the Trustee shall cease to be eligible in accordance with the provision described above, it shall resign promptly in the manner and with the effect specified in the Senior Indenture.

RESIGNATION OR REMOVAL OF TRUSTEE; APPOINTMENT OF SUCCESSOR TRUSTEE

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to the Senior Indenture shall become effective until the acceptance of appointment by the successor Trustee under the Senior Indenture.

The Trustee may resign at any time by giving written notice to the Commission. Upon receiving such notice of resignation, the Commission shall promptly appoint a successor Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any Bondholder may petition a court of competent jurisdiction for the appointment of a successor Trustee.

Prior to the occurrence and continuance of an Event of Default under the Senior Indenture, or after the curing or waiver of any such Event of Default, the Commission or the holders of a majority in aggregate principal amount of the Outstanding Bonds, may remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default under the Senior Indenture, the holders of a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In each instance, such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the Commission or such holders, as the case may be, and delivered to the Trustee, the Commission, the holders of the Outstanding Bonds and the Successor Trustee.

If at any time: (1) the Trustee shall cease to be eligible and qualified under the Senior Indenture and shall fail or refuse to resign after written request to do so by the Commission or the holder of any Bond, or (2) the Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take charge or control of the Trustee, its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in either such case (i) the Commission may remove the Trustee and appoint a successor Trustee in accordance with the provisions of the immediately preceding paragraph; or (ii) any holder of a Bond then Outstanding may, on behalf of the holders of all Outstanding Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

The Commission shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to each holder of Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

SUPPLEMENTAL INDENTURES WITHOUT BONDHOLDERS' CONSENT

The Senior Indenture provides that the Commission and the Trustee may from time to time and at any time enter into Supplemental Indentures, without the consent of or notice to any Bondholder, to effect any one or more of the following: (a) cure any ambiguity, defect or omission or correct or supplement any provision in the Senior Indenture or in any Supplemental Indenture; (b) grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee which are not contrary to or inconsistent with the Senior Indenture as then in effect or to subject to the pledge and lien of the Senior Indenture additional revenues, properties or collateral including Defeasance Obligations; (c) add to the covenants and agreements of the Commission in the Senior Indenture other covenants and agreements thereafter to be observed by the Commission or to surrender any right or power in the Senior Indenture reserved to or conferred upon the Commission which are not contrary to or inconsistent with the Senior Indenture as then in effect; (d) permit the appointment of a co-trustee under the Senior Indenture; (e) modify, alter, supplement or amend the Senior Indenture in such manner as shall permit the qualification of the Senior Indenture, if required, under the Trust Indenture Act of 1939, the Securities Act of 1933 or any similar federal statute hereafter in effect; (f) make any other change in the Senior Indenture that is determined by the Trustee not to be materially adverse to the interests of the Bondholders; (g) implement the issuance of Additional Bonds permitted under the Senior Indenture; or (h) if all Bonds in a series are Book Entry Bonds, amend, modify, alter or replace any Letter of Representations or other provisions relating to Book Entry Bonds. The Trustee shall not be obligated to enter into any such Supplemental Indenture which adversely affects the Trustee's own rights, duties or immunities under the Senior Indenture.

SUPPLEMENTAL INDENTURES REQUIRING BONDHOLDERS' CONSENT

The Commission and the Trustee, at any time and from time to time, may execute and deliver a Supplemental Indenture for the purpose of making any modification or amendment to the Senior Indenture, but only with the written consent, given as provided in the Senior Indenture, of the holders of at least a majority in aggregate principal amount of the Bonds Outstanding at the time such consent is given, and in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the holders of at least a majority in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds so affected remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under these provisions. Notwithstanding the foregoing, no modification or amendment contained in any such Supplemental Indenture shall permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (a) a change in the terms of stated maturity or redemption of any Bond or of any installment of interest thereon; (b) a reduction in the principal amount of or redemption premium on any Bond or in the rate of interest thereon or a change in the coin or currency in which such Bond is payable; (c) the creation of a lien on or a pledge of any part of the Trust Estate which has priority over or parity with (to the extent not permitted under the Senior Indenture) the lien or pledge granted to the Bondholders under the Senior Indenture (but this provision shall not apply to the release of any part of the Trust Estate as opposed to the creation of a prior or parity lien or pledge); (d) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds, except to the extent permitted in the Senior Indenture; (e) a reduction in the aggregate principal amount of Bonds of which the consent of the Bondholders is required to effect any such modification or amendment; or (f) a change in the provisions of the Senior Indenture provisions relating to amendments and supplements. Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available under the Senior Indenture for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full. Notice of any Supplemental Indenture executed pursuant to the provisions described above shall be given to the Bondholders promptly following the execution thereof.

CONSENTS OF BONDHOLDERS AND OPINIONS

Each Supplemental Indenture executed and delivered pursuant to the provisions described under "Supplemental Indentures Requiring Bondholders' Consent" shall take effect only when and as provided below. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be sent by the Trustee to Bondholders, at the expense of the Commission, by first class mail, postage prepaid, provided that a failure to mail such request shall not affect the validity of the Supplemental Indenture when consented to as provided in the Senior Indenture. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Bondholders of the percentage of Bonds specified above under "Supplemental Indentures Requiring Bondholders' Consent" given as provided in the Senior Indenture, and (b) an opinion of counsel acceptable to the Trustee stating that (1) the execution of such Supplemental Indenture is authorized or permitted by the Senior Indenture and (2) all conditions precedent to the execution and delivery of such Supplemental Indenture have been complied with, and an opinion of Bond Counsel that the execution and performance of such Supplemental Indenture shall not, in and of itself, adversely affect the federal income tax status of any Bonds, the interest on which is not included in gross income for federal income tax purposes. Any such consent shall be binding upon the Bondholder giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Bondholder has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent holder of such Bonds by filing such revocation with the Trustee prior to the date the Trustee receives the material required in clauses (a) and (b) above.

Notwithstanding anything else in the Senior Indenture, if a Supplemental Indenture is to become effective on the same date as the date of issuance of Additional Bonds, the consents of the underwriters or purchasers of such Additional Bonds shall be counted for purposes of the Senior Indenture.

The Senior Indenture provides that Bonds which are to be disregarded under the last sentence of the definition of "Outstanding" shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article. At the time of any consent or other action taken under this Article or elsewhere in the Senior Indenture, the Commission shall furnish the Trustee a certificate of a Commission Official, upon which the Trustee may rely, describing all Bonds so to be excluded.

DISCHARGE OF BONDS

If (a) the principal of any Bonds and the interest due or to become due thereon, together with any redemption premium required by redemption of any of the Bonds prior to maturity, shall be paid, or is caused to be paid, or is provided for as described below under "Defeasance," at the times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the outstanding Bonds shall have been paid and discharged in accordance with the Senior Indenture, and (b) all of the covenants, agreements, obligations, terms and conditions of the Commission under the Senior Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Bond Registrar and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions of the Senior Indenture, then the right, title and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on request of the Commission and at the expense of the Commission, shall release the Senior Indenture and the Trust Estate and shall execute such documents to evidence such release as may be reasonably required by the Commission and shall turn over to the Commission, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds under the Senior Indenture except for amounts required to pay such Bonds or held unclaimed in respect of Bonds which have matured or been redeemed pursuant to the Senior Indenture.

If payment or provision therefor is made with respect to less than all of the 2019 Bonds of a maturity within a particular series, the particular 2019 Bonds within such maturity for which provision for payment shall have been made shall be selected as provided for a partial redemption.

DEFEASANCE

Provision for the payment of 2019 Bonds shall be deemed to have been made when the Trustee holds in the Debt Service Fund (1) cash in an amount sufficient to make all payments (including principal, premium, if any, and interest) specified above with respect to such 2019 Bonds, or (2) direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated "AAA" by S&P or "Aaa" by Moody's (or any combination of the foregoing), or (3) any combination of cash and obligations described in clause (2) above the amounts of which and interest thereon, when due, are or will be, in the aggregate, sufficient (together with any earnings thereon) to make all such payments.

Neither the moneys nor the obligations deposited with the Trustee as provided above shall be withdrawn or used for any purpose other than, and such obligations and moneys shall be segregated and held in trust for, the payment of the principal or redemption price of, premium, if any, on and interest on, the 2019 Bonds (or portions thereof) to be no longer entitled to the lien of the Senior Indenture; provided that such moneys, if not then needed for such purpose, shall, to the extent practicable, be invested and reinvested in Government Obligations maturing on or prior to the Interest Payment Date next succeeding the date of investment or reinvestment.

Whenever moneys or obligations shall be deposited with the Trustee for the payment or redemption of 2019 Bonds more than 60 days prior to the date that such 2019 Bonds are to mature or be redeemed, the Trustee shall mail a notice to the Owners of 2019 Bonds for the payment of which such moneys or obligations are being held at their registered addresses stating that such moneys or obligations have been deposited. Such notice shall also be sent by the Trustee to each Rating Agency then rating the 2019 Bonds at the request of the Commission. Notwithstanding the foregoing, no provision for payment shall be deemed to have been made with respect to any 2019 Bonds which are to be redeemed prior to their stated maturity until such 2019 Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such 2019 Bonds may be redeemed and proper notice of such redemption shall have been given or the Commission shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give proper notice of such redemption.

In the event of a deposit of moneys or obligations for the payment or redemption of the 2019 Bonds described above, the Commission shall cause to be delivered a verification report of an independent, nationally recognized certified public accountant confirming that the above-described requirements have been satisfied. If a forward supply contract is employed in connection with the advance refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or the authorizing document, if no separate escrow agreement is utilized), the terms of the escrow agreement or authorizing document, if applicable, shall be controlling.

At such times as a 2019 Bond shall be deemed to be paid under the Senior Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Senior Indenture, except for the purposes of any such payment from such money or obligations.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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[ASSUMING THAT NO CHANGE IN LAW HAS OCCURRED, SET FORTH BELOW IS THE FORM OF APPROVING OPINION TO BE DELIVERED ON THE CLOSING DATE BY BOND COUNSEL]

[DATE: CLOSING DATE]

RE: $179,815,000 PENNSYLVANIA TURNPIKE COMMISSION, TURNPIKE REVENUE REFUNDING BONDS, SERIES OF 2019 (FORWARD DELIVERY)

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as Bond Counsel in connection with the issuance and sale by the Pennsylvania Turnpike Commission (the "Commission") of $179,815,000 aggregate principal amount of its Turnpike Revenue Refunding Bonds, Series of 2019 (the "2019 Bonds"). The 2019 Bonds are issued under and pursuant to and authorized by an Act of the General Assembly of Pennsylvania approved May 18, 2007, P. L. 169, No. 44, as amended and supplemented by an Act of the General Assembly approved November 25, 2013, P. L. 974, No. 89, and various Acts of the General Assembly approved on several dates, including the Act of May 21, 1937, P. L. 774, Act 211; the Act of May 24, 1945, P. L. 972; the Act of February 26, 1947, P. L. 17; the Act of May 23, 1951, P. L. 335; the Act of August 14, 1951, P. L. 1232; and the Act of September 30, 1985, P. L. 240, No. 61 to the extent not repealed by Act 44, and the Act of November 25, 2013, P. L. 974, No. 89, pursuant to the Resolutions adopted by the Commission on August 21, 2018 and pursuant to the Amended and Restated Trust Indenture, dated as of March 1, 2001, as amended and supplemented prior to the date hereof (as so amended and supplemented, the "Existing Senior Indenture"), and as further supplemented by Supplemental Trust Indenture No. 47, dated as of October 1, 2018 ("Supplemental Indenture No. 47" and, together with the Existing Senior Indenture, the "Senior Indenture"), between the Commission and U.S. Bank National Association, as successor trustee.

In the course of the performance of our duties as Bond Counsel, we have examined such documents, opinions, records, orders, notices, certificates, statutes, resolutions, decisions, and rulings as we have deemed necessary to enable us to furnish this opinion, including, *inter alia*, the following: (i) an executed counterpart of Supplemental Indenture No. 47, (ii) the form of the 2019 Bonds, (iii) a copy, certified or otherwise identified to our satisfaction, of the Existing Senior Indenture, (iv) an executed counterpart of the Tax Certificate, (v) the opinion of Doreen A. McCall, Esquire, Chief Counsel to the Commission, on which we have relied, (vi) an executed counterpart of the Forward Delivery Purchase Agreement, and (vii) such constitutional and statutory provisions and such other resolutions, certificates, instruments and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to the matters set forth herein. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Forward Delivery Purchase Agreement.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to such opinions, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents and the representations and warranties made therein without undertaking to verify the same by independent investigation. We have also assumed that the documents referred to herein have been duly authorized by all parties thereto other than the Commission and are, where appropriate, legally binding obligations of, and enforceable in accordance with their terms against all parties, except the Commission, and that the actions required to be taken and consent required to be obtained by such parties, have been taken or obtained. We do not render any opinion with respect to the adequacy of security for the 2019 Bonds or the sources of payment in respect of the 2019 Bonds.

Based upon the foregoing, it is our opinion, under existing law and as of the date hereof, and subject to the qualifications and limitations set forth herein, that:

1. The Commission is a validly existing instrumentality of the Commonwealth of Pennsylvania and has the power to enter into the transactions contemplated by Supplemental Indenture No. 47 and to carry out its obligations thereunder.

2. Supplemental Indenture No. 47 has been duly authorized, executed and delivered by the Commission and constitutes the valid and binding obligation of the Commission, enforceable against the Commission in accordance with its terms.

3. The 2019 Bonds have been duly and validly authorized and issued by the Commission and constitute the valid and binding limited obligations of the Commission, enforceable against the Commission in accordance with their terms, payable from the sources provided therefor in the Senior Indenture.

4. Under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the 2019 Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2019 Bonds or the interest thereon. The 2019 Bonds are exempt from personal property taxes in Pennsylvania, and the interest on the 2019 Bonds is exempt from the Pennsylvania corporate net income tax and the Pennsylvania personal income tax.

5. Interest on the 2019 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence assumes that the Commission comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2019 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2019 Bonds to be so includable in gross income retroactive to the date

of issuance of the 2019 Bonds. The Commission has covenanted to comply with all such requirements.

6. Interest on the 2019 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes.

We express no opinion regarding any other federal, state or local tax consequences arising with respect to the 2019 Bonds.

The opinions set forth above as to the enforceability of the 2019 Bonds and Supplemental Indenture No. 47 are subject to applicable bankruptcy, reorganization, moratorium, insolvency or other laws affecting creditors' rights or remedies generally (including, without limitation, laws relating to fraudulent conveyances or transfers) and are subject to general principles of equity and the exercise of judicial discretion in appropriate cases (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The opinions set forth above are rendered on the basis of, and limited to, federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. We express no opinion herein as to any matter not set forth in the numbered paragraphs above. In particular, we call to your attention that the 2019 Bonds are not in any way a debt or liability of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof other than the Commission, nor do the 2019 Bonds or the Senior Indenture pledge the general credit or taxing power of the Commonwealth of Pennsylvania or any instrumentality, agency or political subdivision thereof. The Commission has no taxing power.

The opinions set forth above are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur including, but not limited to, those that may affect the tax status of interest on the 2019 Bonds.

Very truly yours,

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APPENDIX E

DEBT SERVICE REQUIREMENTS OF THE TURNPIKE SENIOR, SUBORDINATE AND SPECIAL REVENUE BONDS

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APPENDIX E

DEBT SERVICE REQUIREMENTS OF THE TURNPIKE SENIOR, SUBORDINATE AND SUBORDINATE SPECIAL REVENUE BONDS

Fiscal Year	Existing Debt Service from Senior Revenue Bonds (Excluding EB-5 Loans)[1,2,3,4,5,6,7,9]	EB-5 Loans[8]	Existing Debt Service from Senior Revenue Bonds (Including EB-5 Loans)[1,2,3,4,5,6,7,8,9]	2019 Bonds Debt Service			Total Debt Service from Senior Revenue Bonds [1,2,3,4,5,6,7,8,9]	Total Debt Service from Subordinate Revenue Bonds [1,5,6]	Total Debt Service from MLF Enhanced Subordinate Special Revenue Bonds[5,6]	Aggregate Debt Service[1,2,3,4,5,6,7,8,9]
				Principal[4,5,9]	Interest[4,5,9]	Total[4,5,9]				
2019	308,913,675	4,777,778	313,691,453				313,691,453	138,632,265	43,175,051	495,498,768
2020	443,917,564	5,000,000	448,917,564		1,673,278	1,673,278	450,590,843	311,428,368	45,529,213	807,548,423
2021	513,485,733	6,319,444	519,805,178	26,230,000	8,990,750	35,220,750	555,025,928	328,577,873	50,931,200	934,535,001
2022	663,541,208	9,780,928	673,322,136	27,460,000	7,679,250	35,139,250	708,461,386	331,584,128	51,604,650	1,091,650,164
2023	247,109,785	12,536,222	259,646,007	29,690,000	6,306,250	35,996,250	295,642,257	333,976,405	59,126,390	688,745,052
2024	368,862,772	14,191,000	383,053,772	30,600,000	4,821,750	35,421,750	418,475,522	334,934,650	59,281,940	812,692,112
2025	246,777,163	14,191,750	260,968,913	32,130,000	3,291,750	35,421,750	296,390,663	337,513,390	60,312,290	694,216,343
2026	248,963,656	14,190,250	263,153,906	33,705,000	1,685,250	35,390,250	298,544,156	340,948,772	60,571,028	700,063,956
2027	257,914,306	14,189,500	272,103,806				272,103,806	359,812,099	78,064,521	709,980,426
2028	218,051,056	14,189,000	232,240,056				232,240,056	363,145,499	79,591,046	674,976,601
2029	224,098,306	14,193,250	238,291,556				238,291,556	371,945,561	81,369,284	691,606,401
2030	220,853,431	14,191,500	235,044,931				235,044,931	371,869,000	79,744,928	686,658,859
2031	226,081,181	14,188,500	240,269,681				240,269,681	374,506,281	81,307,178	696,083,140
2032	268,758,381	14,188,750	282,947,131				282,947,131	377,814,650	83,409,828	744,171,609
2033	274,125,131	14,191,500	288,316,631				288,316,631	377,861,941	85,702,103	751,880,675
2034	284,172,431	14,191,000	298,363,431				298,363,431	381,928,554	87,958,315	768,250,301
2035	298,478,731	14,191,750	312,670,481				312,670,481	387,481,124	90,333,746	790,485,351
2036	300,116,106	14,188,000	314,304,106				314,304,106	389,726,340	95,720,396	799,750,843
2037	298,373,207	14,194,250	312,567,457				312,567,457	393,648,586	98,002,446	804,218,489
2038	289,376,982	14,194,250	303,571,232				303,571,232	395,781,504	101,080,601	800,433,337
2039	294,289,136	14,192,500	308,481,636				308,481,636	395,366,620	85,807,859	789,656,115
2040	279,661,829	14,193,250	293,855,079				293,855,079	325,298,921	60,624,705	679,778,705
2041	295,256,886	14,190,500	309,447,386				309,447,386	379,623,277	61,573,041	750,643,705
2042	275,797,896	14,193,500	289,991,396				289,991,396	373,476,463	54,562,050	718,029,908
2043	280,299,292	14,191,000	294,490,292				294,490,292	205,041,048	40,098,483	539,629,822
2044	295,533,158	14,187,250	309,720,408				309,720,408	179,804,120	25,398,093	514,922,621
2045	252,304,485	14,191,250	266,495,735				266,495,735	122,980,811	5,176,815	394,653,362
2046	194,754,337	14,191,500	208,945,837				208,945,837	104,567,396		313,513,234
2047	165,834,776	14,192,000	180,026,776				180,026,776	45,819,481		225,846,257
2048	121,489,451	14,196,500	135,685,951				135,685,951	5,249,269		140,935,220
2049	98,640,070	14,193,500	112,833,570				112,833,570			112,833,570
2050	71,453,471	14,192,000	85,645,471				85,645,471			85,645,471
2051	-	14,190,500	14,190,500				14,190,500			14,190,500
2052	-	2,877,500	2,877,500				2,877,500			2,877,500
2053	-	2,877,000	2,877,000				2,877,000			2,877,000
TOTAL	**$8,827,285,599**	**$441,528,372**	**$9,268,813,971**	**$179,815,000**	**$34,448,278**	**$214,263,278**	**$9,483,077,249**	**$9,140,344,396**	**$1,806,057,198**	**$20,429,478,843**

(1) All variable rate debt, unless subject to an interest rate swap agreement, is shown at an assumed rate of 4.0% plus the fixed spread. All variable rate debt which is swapped to a fixed rate is shown at the fixed swap rate. As only a portion of principal on the 2013B, 2014B-1, and 2018A-1 Turnpike Revenue Bonds (SIFMA Index Notes) and 2017B Turnpike Revenue Bonds (70% LIBOR Index Notes) is swapped, the interest rate is a calculated as a weighted average between a) an assumed rate of 4.0% plus the fixed spread and b) the swap rate plus the fixed spread, based on the outstanding principal amounts of unhedged and hedged bonds.

(2) Interest reflects anticipated receipt of federal subsidy with respect to Build America Bonds, subject to applying the 6.6% reduction from federal fiscal year 2019 through federal fiscal year 2024. For information regarding the effects of sequestration on the federal subsidy payable with respect to the Commission's outstanding Build America Bonds, see "CURRENT RISK FACTORS - Reductions in federal subsidy payable to the Commission for its outstanding Build America Bonds due to sequestration" in this Official Statement.

(3) Does not reflect any future refunding of 2013B, 2014B-1, or 2018A-1 Turnpike Revenue Bonds (SIFMA Index Notes) or 2017B Turnpike Revenue Bonds (70% LIBOR Index Notes) prior to their respective maturity dates. The Commission expects that it will refund such bonds prior to maturity subject to market conditions at the time. See APPENDIX A - "THE PENNSYLVANIA TURNPIKE COMMISSION - CERTAIN FINANCIAL INFORMATION - Future Financing Considerations."

(4) Interest net of capitalized interest; does not reflect any expected earnings credited against debt service.

(5) Totals may not add due to rounding.

(6) Interest amounts are inclusive of compounded interest on the Convertible Capital Appreciation Bonds and Capital Appreciation Bonds.

(7) All fixed rate debt, unless subject to an interest rate swap agreement, is shown at the actual interest rate. All fixed rate debt which is swapped to a floating rate is shown at an assumed rate of 4.0% plus the fixed spread.

(8) Includes five tranches of EB-5 Loans (3 tranches issued on March 18, 2016, the fourth tranche issued on May 11, 2016, and the fifth tranche issued on February 21, 2018). First five years of debt service is interest only. Thereafter, assumes 30 year level debt service takeout with Turnpike Revenue Bonds.

(9) Reflects the issuance of the 2019 Bonds on or about September 24, 2019. Existing Debt Service from Senior Revenue Bonds includes debt service on the Series 2009B Bonds until September 24, 2019, but does not include the debt service on the Series 2009B Bonds on and after September 24, 2019 as such Series 2009B Bonds will be defeased on or about the date thereof through the issuance of the 2019 Bonds and will no longer be outstanding.

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APPENDIX F

TRAFFIC AND REVENUE STUDY

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Pennsylvania Turnpike 2018 Traffic and Revenue Forecast Study

April 2018

PENNA TURNPIKE

Pennsylvania Turnpike Commission

CDM Smith

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Chapter 1

Introduction

This report summarizes the analyses conducted by CDM Smith in developing updated traffic and toll revenue estimates for the various toll facilities operated by the Pennsylvania Turnpike Commission (PTC). CDM Smith forecasts have been used by PTC for more than 20 years in support of the issuance of bond financing and for internal financial planning. In light of the current economic climate, it is more important than ever to have up-to-date traffic and revenue forecasts based on the most current information available.

CDM Smith last developed a detailed investment grade traffic and toll revenue study in March 2015. Since that time additional "bring down" letters have also been developed to update forecasts developed in the 2015 Study. Bring down letters were developed in March 2016 and May 2017. The purpose of a bring down letter is to update actual traffic and revenue experience since the last study and to adjust short term (2 to 5 year) forecasts based on recent trends. Detailed economic analyses are not conducted as part of a bring down letter and therefore longer-term forecasts are not adjusted from those originally developed as part of the latest investment grade study.

This current study included a comprehensive evaluation of the most currently available long term socioeconomic forecasts, and is, therefore, meant to be an update of the March 2015 investment grade study. This forecast includes updated long-term traffic and revenue forecasts through FY 2047-48. PTC's most recent assumptions regarding future toll rate increases, discount levels for the Commercial Volume Discount Program, and future committed capital improvements have been incorporated into this study. CDM Smith also developed and incorporated estimates of future year E-ZPass penetration for cars and trucks on the PTC's toll facilities.

PTC has been studying the possible implementation of all electronic tolling (AET) on its facilities. CDM Smith has been a member of the study team analyzing both the potential traffic and toll revenue impacts as well as the potential capital, and maintenance and operating (M&O) cost impacts AET may have on the Turnpike System. AET was implemented on the Delaware River Bridge (plaza 359) in January 2016, and on the Beaver Valley Expressway in May 2017. The traffic and revenue forecasts included in this study also assume the implementation of AET on the Northeast Extension barrier toll plazas, and on the Southern Beltway, both in late April 2018. Over time, all remaining toll facilities will be converted to AET, but toll rates have not yet been set. It is assumed that all future AET conversions will be net revenue neutral.

1.1 Report Structure

This report is comprised of four chapters, including the following:

Chapter 1: Introduction
Chapter 2: Turnpike Characteristics
Chapter 3: Socioeconomic Trends and Forecasts
Chapter 4: Transaction and Toll Revenue Forecasts

The following is a brief description of each chapter following this introduction.

Chapter 2 (Turnpike Characteristics) provides a review of monthly and annual transaction and toll revenue trends. Data are provided for passenger cars and commercial vehicles separately. Information is provided for the entire Turnpike System as well as for each of the individual toll facilities (Ticket System, Turnpike 43, etc.) that make up the Turnpike System. E-ZPass market share trends, historical toll rate adjustments, and changes to the Commercial Volume Discount Program are also summarized in Chapter 2.

Chapter 3 (Socioeconomic Trends and Forecasts) summarizes trends and forecasts in key socioeconomic variables, including population, employment, retail sales, and gross regional product. This data is broken down (at a county level) to reflect the actual market share for the various interchanges on the Turnpike System. Pennsylvania statewide data, as well as data for surrounding states and the United States, are also provided for each of these variables. Trends and forecasts in motor fuel prices are also covered in this chapter. The methodology used to estimate future traffic growth is described in detail. The ultimate product of Chapter 3 is a table showing the assumed normal growth rates used to develop traffic and toll revenue estimates for passenger cars and commercial vehicles for each Turnpike toll facility.

Chapter 4 (Transaction and Toll Revenue Forecasts) begins with a review of the assumed roadway improvement program for the Pennsylvania Turnpike. Planned toll rate adjustments throughout the 30-year forecast period are identified. Because of the toll differential that now exists between cash and E-ZPass, assumptions regarding future E-ZPass market share are important. All assumptions regarding E-ZPass market share throughout the forecast period are discussed in this chapter. Finally, estimates of traffic and gross toll revenue are provided through FY 2047-48. Forecasts are provided for passenger cars and commercial vehicles, for both the Ticket System and the total Barrier System, as well as for the total Turnpike System. Lastly, adjustments are made to the toll revenue forecasts to accounting for video bad debt expenses. Video bad debt expenses is the term PTC uses to describe the portion of toll by plate invoices that are not paid. This is associated with the implementation of AET on the Delaware River Bridge, the Beaver Valley Expressway, the Northeast Extension barrier toll plazas, and the Southern Beltway.

Chapter 2

Turnpike Characteristics

This chapter presents historical transaction and gross toll revenue trends on the Turnpike facilities. It also presents actual trends in the E-ZPass market share and historical toll increases. A comparison is presented between the current Turnpike per-mile toll rate on the Mainline I-76/I-276 and other toll road facilities. Lastly, the PTC's Commercial Volume Discount Program is described.

2.1 The Pennsylvania Turnpike Facilities

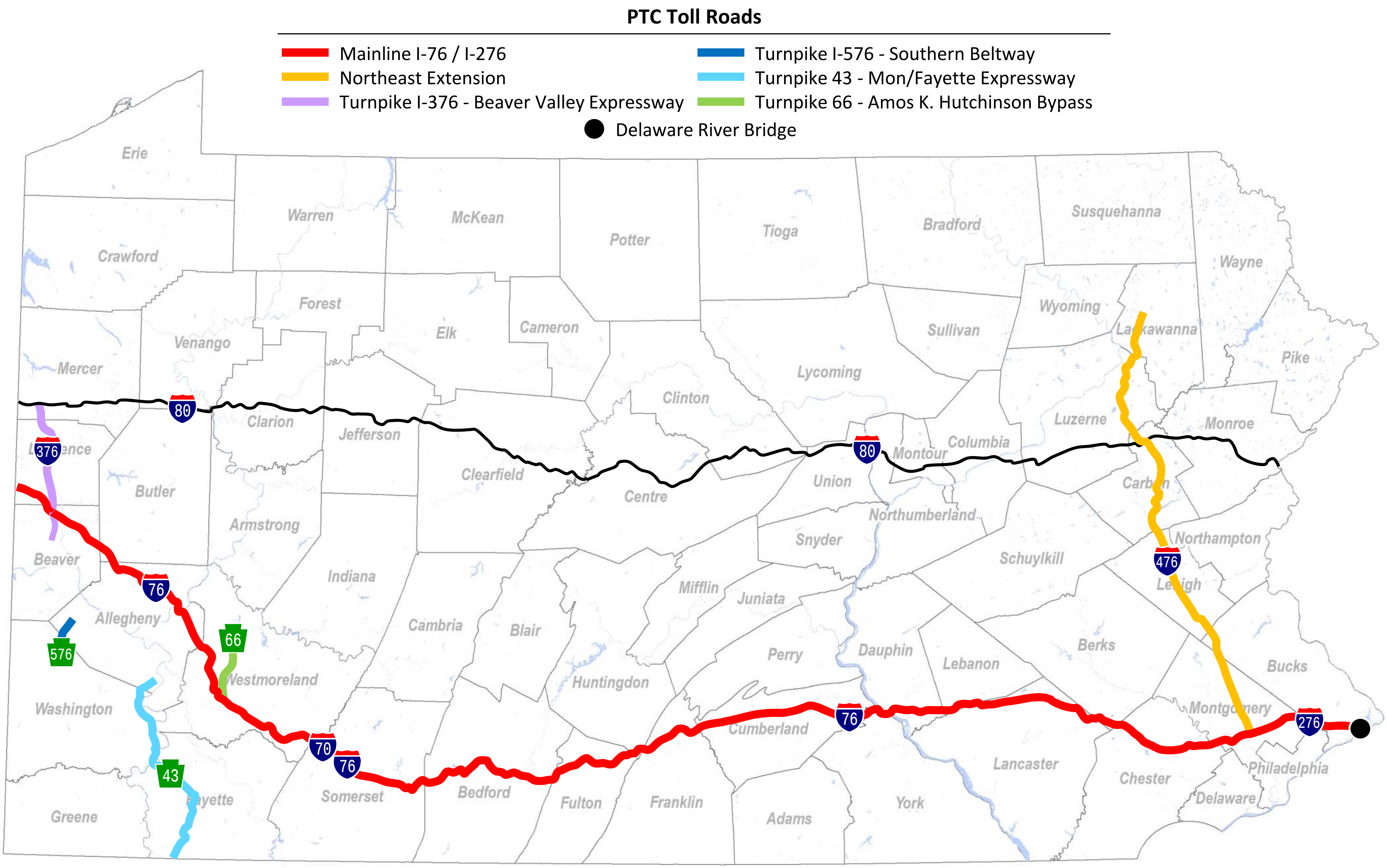
Figure 2-1 provides an overview of the Turnpike System, identifying each of its six toll facilities:

1. Mainline I-76/-276 from Ohio to New Jersey (359 miles) – This description includes the barrier plazas Gateway and Delaware River Bridge.
2. Northeast Extension I-476 (110 miles) – This includes the Clarks Summit and Keyser Avenue barrier plazas.
3. Turnpike 43 – Mon/Fayette Expressway (48 miles)
4. Turnpike 66 – Amos K. Hutchinson Bypass (13 miles)
5. Turnpike I-376 – Beaver Valley Expressway (16 miles)
6. Turnpike I-576 - Southern Beltway – Findlay Connector Section (6 miles)

There are two toll collection systems on the Turnpike System; a Ticket System, and a Barrier System. The Ticket System is comprised of the majority of Mainline I-76/I-276 (from Interchange 30, Warrendale, in western Pennsylvania to Interchange 353, Neshaminy Falls, near the New Jersey border) and the majority of the Northeast Extension (from Interchange 20, Mid-County, to Interchange 131, Wyoming Valley). On the Ticket System, the toll rate is charged by the individual movement on the toll road. The motorist picks up a ticket when entering the Ticket System and pays for the trip upon exiting the Ticket System.

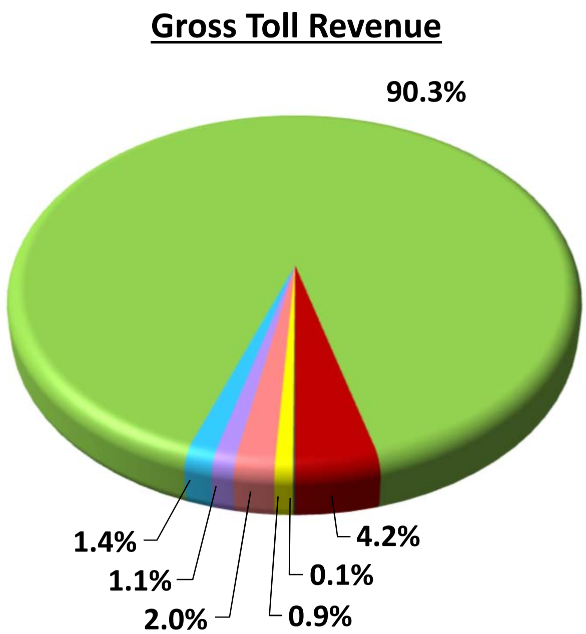
The Barrier System is comprised of Turnpikes I-376 (Beaver Valley Expressway), Turnpike 66 (Amos K. Hutchinson Bypass), Turnpike 43 (Mon/Fayette Expressway) and Turnpike I-576 (Southern Beltway). There are also two barrier plazas on the Mainline I-76/I-276; Gateway (Plaza 2) and the Delaware River Bridge (DRB) (plaza 359). Both Gateway and DRB were converted from Ticket System plazas to Barrier System plazas; DRB in January 2016, and Gateway in June 2003. At Barrier plazas, a defined toll rate is charged for each vehicle class and payment type. The toll is not dependent on a trip.

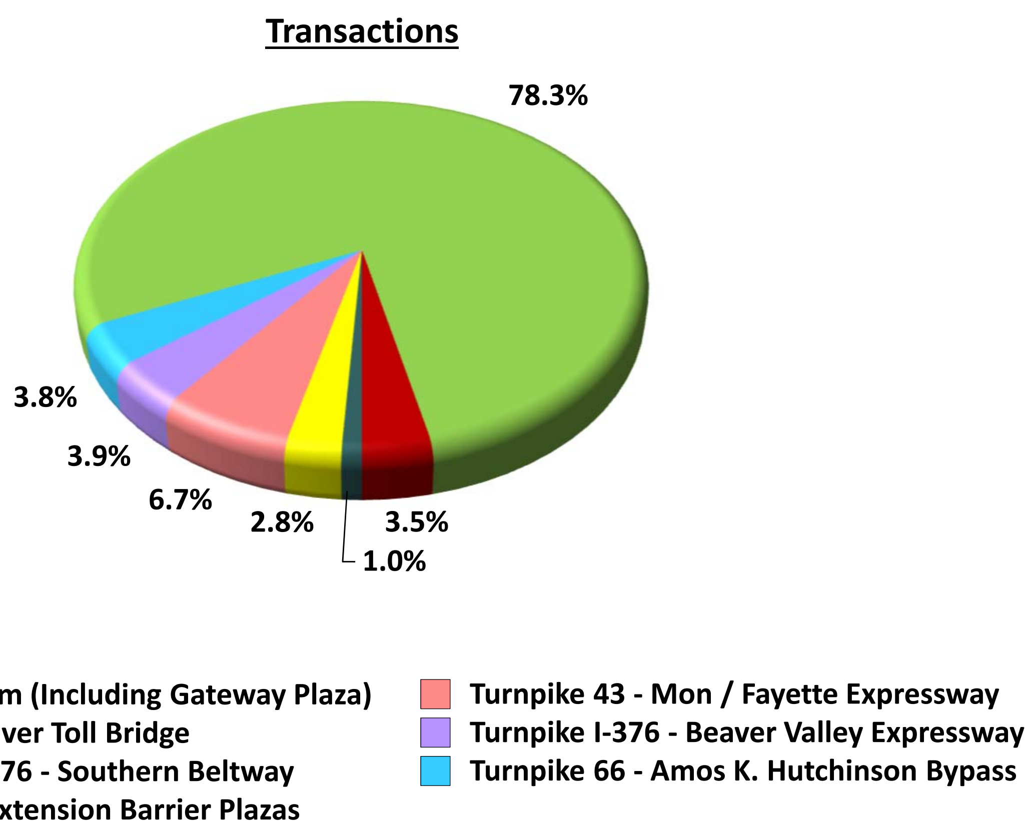
The Ticket System is by far the largest component of the Turnpike System. As seen in Figure 2-2, the Ticket System accounted for 90.3% of the Turnpike System's total gross toll revenue, and 78.3% of the total transactions in calendar year 2017. Fixed barrier locations accounted for only 9.7% of gross toll revenue and 21.7% of transactions.



PENNSYLVANIA TURNPIKE COMMISSION (PTC) TOLL ROAD FACILITIES

FIGURE 2-1





PERCENT OF CALENDAR YEAR 2017 TRANSACTIONS AND GROSS TOLL REVENUE BY FACILITY

FIGURE 2-2

2.2 Toll Rates and Commercial Volume Discount Program

2.2.1 Payment Options

Various payment options are available on the PTC's toll facilities. Most of the Turnpike System accepts payment by electronic toll collection (ETC) via an E-ZPass transponder, and by cash or credit card. A few toll plazas accept only E-ZPass transactions. A recent development, initiated in 2016, is the conversion of some facilities or plazas to All Electronic Tolling (AET). AET facilities or toll locations accept payment through E-ZPass or by a License Plate Tolling system called Toll By Plate (TBP). Traditional cash customers passing through an AET tolling location receive a Toll By Plate invoice. E-ZPass customers are be billed as usual. There are no physical toll plazas on AET facilities. Transactions are identified either by an E-ZPass transponder or by the video capture of a license plate. Toll collection equipment is located on gantries, near or over the roadway. The following toll locations or facilities were converted to AET since 2016:

- Delaware River Bridge (Plaza 359) in January 2016
- Beaver Valley Expressway in May 2017

2.2.2 Historical Toll Rate Increases and E-ZPass/Cash Toll Differential

Since 2009, the PTC has implemented annual toll rate increases on, or close to January 1. Prior to 2009, toll rates were increased at irregular intervals. Table 2-1 shows the toll rate since 1987. The rate increases were generally systemwide, with a few exceptions, as noted.

Table 2-1
Historical Toll Rate Increases
Pennsylvania Turnpike

	Percent Increase		
Date	Cash/TBP	E-ZPass	**Comment**
1/2/1987	40.0	NA	E-ZPass was not implemented until 2001
6/1/1991	32.0	NA	E-ZPass was not implemented until 2001
8/1/2004	42.5	42.5	
1/4/2009	25.0	25.0	No increase on Turnpike I-576 or Turnpike 43 between Uniontown and Brownsville
1/3/2010	3.0	3.0	No increase on Turnpike I-576
1/2/2011	10.0	3.0	No increase on Turnpike I-576
1/1/2012	10.0	0.0	No increase on Turnpike I-576
1/6/2013	10.0	2.0	
1/5/2014	12.0	2.0	No increase on Turnpike I-576
1/4/2015	5.0	5.0	No increase on Turnpike I-576
1/3/2016	6.0	6.0	No increase on Turnpike I-576
1/8/2017	6.0	6.0	No increase on Turnpike I-576 or Delaware River Bridge (Plaza 359)
1/7/2018	6.0	6.0	No increase on Turnpike I-576 or Delaware River Bridge (Plaza 359)

E-ZPass was phased in beginning in 2001. Initially, E-ZPass tolls and cash tolls were identical, but in 2011, cash tolls were increased by 10.0% over 2010, and E-ZPass tolls were increased by 3.0%, creating a toll differential between the two methods of payment. In 2011, cash tolls were about 7%

greater than E-ZPass tolls. The toll differential was increased through 2014, when the cash toll was about 40% more than the E-ZPass toll. This percent differential has been maintained through 2018. The toll rate differential between E-ZPass and cash incentivizes E-ZPass participation.

The PTC plans to continue annual toll rate increases through the forecast period, and the toll rate increases will be the same for E-ZPass and cash/TBP. The planned annual rate increases are shown in Table 4-2.

2.2.3 Per-Mile Toll Rates

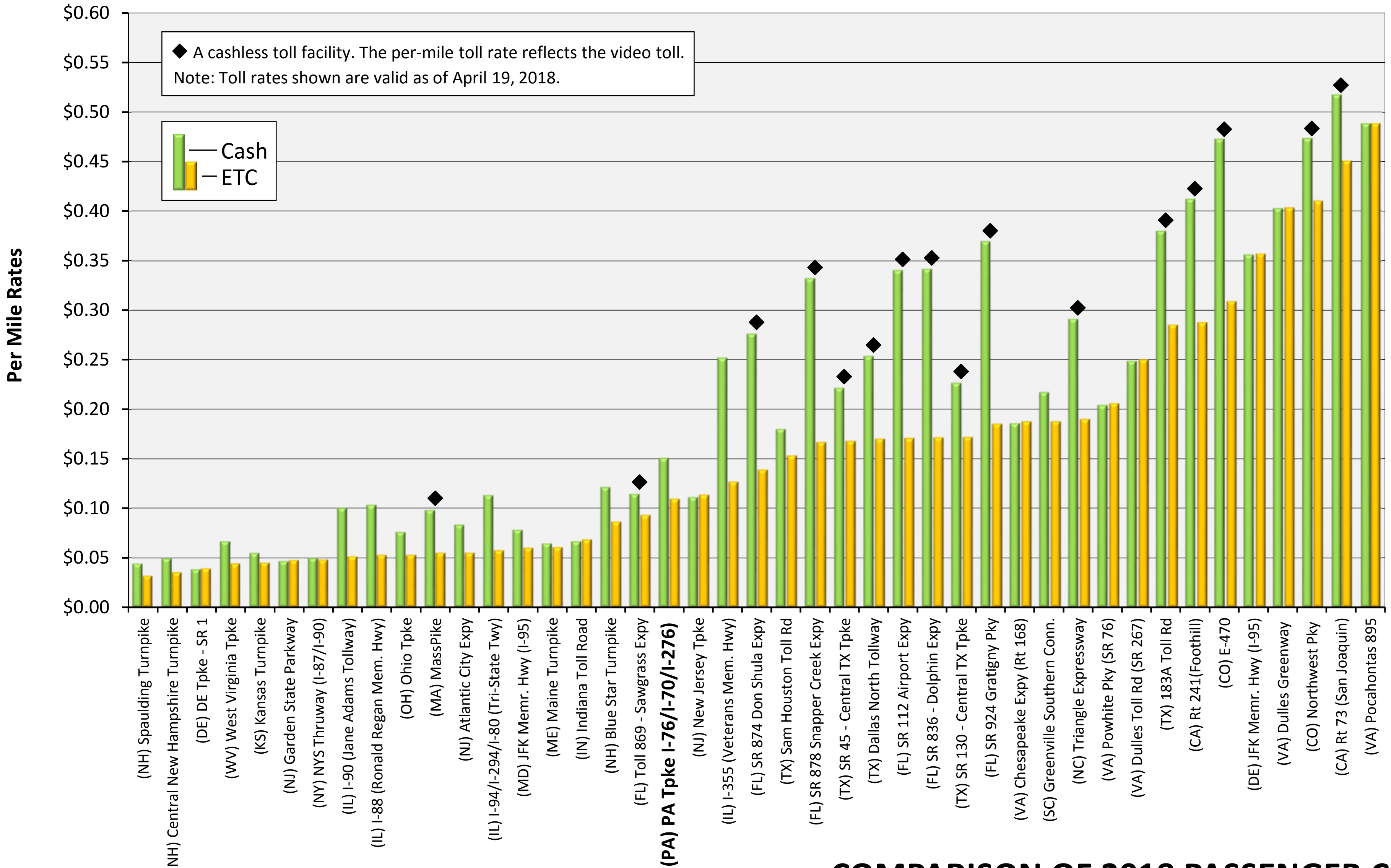
In 2018, a passenger car using cash pays $0.15 per-mile to travel the length of the Mainline, from the Delaware River Bridge through Gateway compared to $0.11 per mile for the same trip using E-Zpass. Figure 2-3 compares 2018 passenger-car per-mile toll rates for a through trip on 44 U.S. toll facilities. The Pennsylvania Turnpike is represented by a through trip on the Mainline I-76/I-276 from Delaware River Bridge through Gateway, which is shown in bold text. The per-mile rates are provided for ETC and cash payments. If the facility is AET, the license plate or video per-mile toll is represented in the cash column. The data is sorted from low to high by the ETC per-mile toll rates. A through trip on the Pennsylvania Mainline I-76/I-276 by a passenger car paying by ETC costs $0.11 per mile, which is comparable to $0.11 per mile on the New Jersey Turnpike.

Figure 2-4 presents a similar comparison of five-axle commercial-vehicle per-mile toll rates for through trips on the same 43 U.S. toll facilities. A trip on the Pennsylvania Mainline I-76/I-276 costs $0.58 per mile for E-ZPass compared to $0.41 on the New Jersey Turnpike in 2018.

Figures 2-3 and 2-4 show the 2018 per-mile rate on the PA Turnpike System falls approximately in the middle of the 43 U.S. toll facilities.

2.2.4 Commercial Volume Discount Program

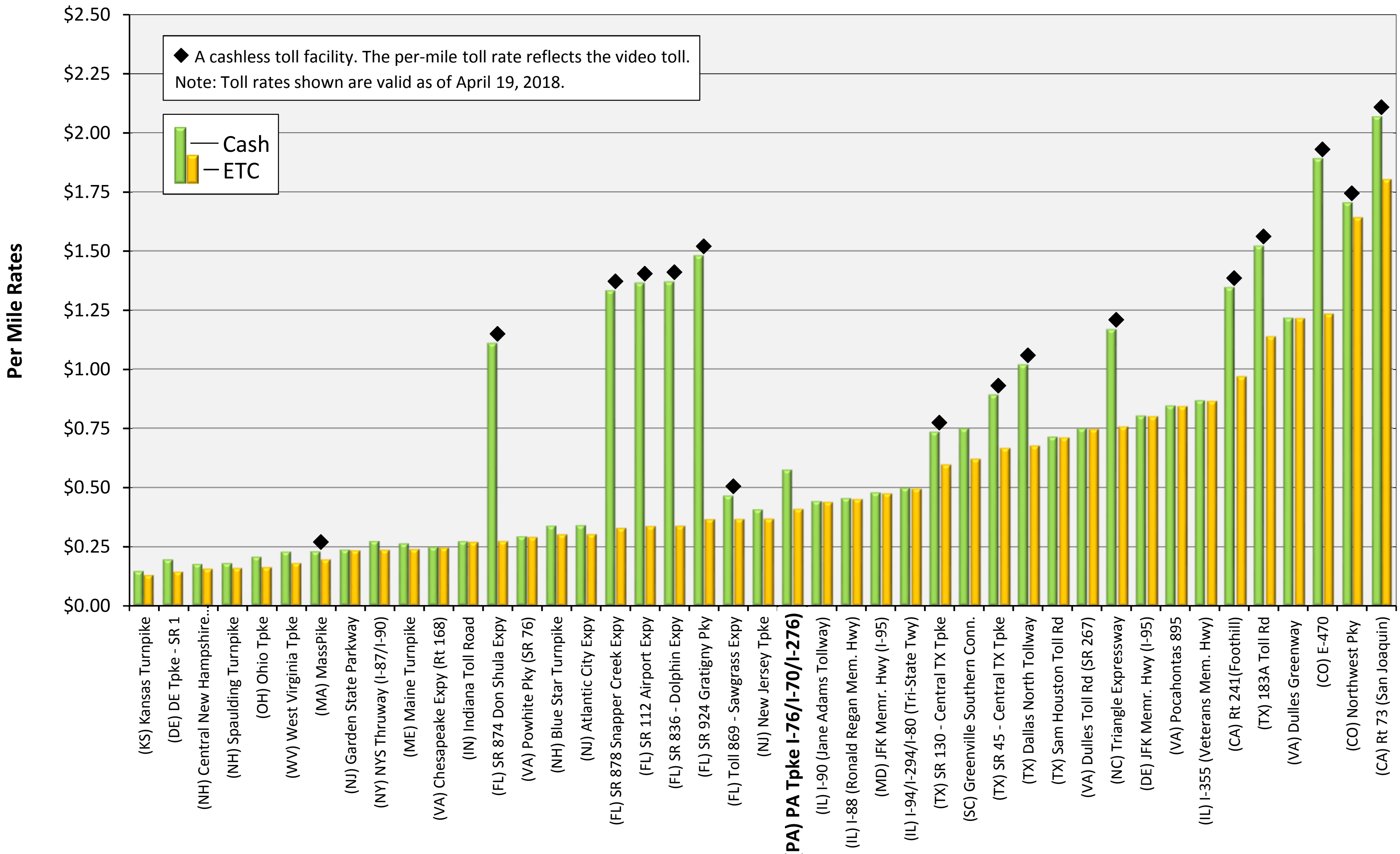
The PTC operates a Commercial Volume Discount Program. Prior to the implementation of system wide toll rates favorable to E-ZPass customers, a post-paid, commercial volume-discount program was established for high-volume, commercial E-ZPass accounts. Post-paid commercial E-ZPass customers could receive the varying levels of discounts based on the amount of their monthly tolls. With the implementation of E-ZPass and the large toll savings offered to E-ZPass customers, the Commercial Volume Discount Program was modified over the years. Currently, in 2018, commercial accounts that accrue greater than $20,000.00 per month on tolls receive a three percent discount.



COMPARISON OF 2018 PASSENGER CAR PER-MILE THROUGH TRIP TOLL RATES (DATA SORTED BY ETC TOLL RATES)

CDM Smith

FIGURE 2-3



COMPARISON OF 2018 FIVE-AXLE VEHICLE PER-MILE THROUGH TRIP TOLL RATES (DATA SORTED BY ETC TOLL RATES)

FIGURE 2-4

2.3 Annual Transaction Trends by Plaza

This section presents long-term annual transaction trends on the Ticket and Barrier Systems by toll plaza. Data is provided from 2003 through 2017 for Ticket and Barrier System toll plazas.

2.3.1 Ticket System Transaction Trends

Average annual daily transactions at the Ticket System's exiting toll plazas are shown in Tables 2-2 through 2-4 for passenger cars, commercial vehicles and total vehicles, respectively. The transactions include both revenue and non-revenue vehicles. Gateway (plaza 2) transactions are included in this table.

Some important changes occurred on the Ticket System that are reflected in the tables. In January 2016, the eastern terminus of the Ticket System was changed from the existing Delaware River Bridge (plaza 359) to the new Neshaminy Falls (plaza 353). Tolled transactions at Neshaminy Falls are collected in the eastbound direction, exiting the Ticket System, and are reported as part of the Ticket System. When Neshaminy Falls opened, the DRB was converted from the Ticket system to a barrier plaza with toll collection in the westbound direction. DRB transactions were counted under the Ticket System until January 2016, when they were reported on the Barrier System. Associated with moving the Ticket System's eastern terminus to Neshaminy Falls, toll collection was ended at Delaware Valley (plaza 358).

It should be noted that the Delaware River Bridge (plaza 359) was closed from January 20 through March 9, 2017 due to a fracture in one of the structural support beams. Although the DRB is on the Barrier System, the closure also negatively affected Ticket System traffic and revenue in January, February, and March 2017.

New access to the Ticket System is also shown in Tables 2-2 through 2-4. Since 2004, four new interchanges opened on the Ticket System; Virginia Drive (Milepost 340) in 2002, Street Road (Milepost 352) in 2010, SR 29 (Milepost 320) in 2012, and Route 903 (Milepost 87) in 2015. These were opened as E-ZPass-only interchanges. No cash is accepted.

In Tables 2-2 through 2-4, transaction trends are summarized by average annual growth rates into the following three periods:

1) The 5-year period from 2007-2012,
2) The 5-year period from 2012-2017, and
3) The 14-year period from 2003-2017.

Passenger-car transaction growth, shown in Table 2-2, averaged 0.3% annually from 2007-2012, and 0.9% annually from 2012-2017. Growth was impacted by the Great Recession which lasted from December 2007 through of June 2009, slow economic recovery, annual toll rate increases, and the closure of the DRB in 2017.

Table 2-3 shows commercial-vehicle transaction trends on the Ticket System. Commercial vehicle transactions averaged annual growth of 0.2% from 2007-2012, and 2.6% growth from 2012-2017. Total-vehicle transaction trends are shown in Table 2-4. Because passenger cars make up about 86% of total Ticket System toll transactions, the trends and growth rates for total vehicles closely mirror those for passenger cars. Total transactions averaged growth of 0.2% from 2007-2012, and 1.0% growth from 2012-2017.

Table 2-2
Passenger Cars - Average Daily Transactions on the Turnpike Ticket System At Exiting Toll Plazas
Includes Revenue and Non-Revenue Vehicles, and Gateway Barrier Plaza

Interchange	Calendar Year															Average Annual Percent Change		
(Milepost)	2003	2004(1)	2005	2006	2007	2008	2009(1)	2010(1)	2011(1)	2012(1)	2013(1)	2014(1)	2015(1)	2016(1)	2017(1)	2007-12	2012-17	2003-17
2 (2)	13,828	16,379	15,873	8,194	8,183	8,096	8,441	8,716	8,743	8,820	8,967	8,942	9,209	9,469	9,494	0.8	1.5	(2.6)
30	7,374	11,585	11,269	11,419	11,940	12,056	12,232	12,118	12,023	11,939	12,413	12,339	12,542	12,704	12,844	(0.0)	1.5	4.0
39	5,448	5,417	5,154	5,181	5,613	5,627	5,495	5,527	5,333	5,416	5,832	5,855	5,540	5,821	5,699	(0.4)	1.0	0.3
48	9,505	9,377	9,101	9,129	9,406	9,226	9,087	8,879	8,576	8,734	9,171	9,147	8,882	9,101	8,889	(0.7)	0.4	(0.5)
57	18,770	18,598	18,087	18,290	18,198	18,305	18,083	17,452	17,172	17,130	17,399	17,336	17,792	17,660	17,576	(0.6)	0.5	(0.5)
67	10,303	10,054	9,437	9,582	9,614	9,068	8,674	8,776	8,718	8,955	8,870	8,783	9,037	8,807	8,675	(0.7)	(0.6)	(1.2)
75	9,394	9,191	8,880	8,779	8,806	8,522	8,433	8,550	8,246	8,539	8,556	8,701	8,861	8,545	8,405	(0.3)	(0.3)	(0.8)
91	2,253	2,239	2,257	2,237	2,478	2,395	2,351	2,371	2,279	2,352	2,393	2,344	2,403	2,385	2,447	(0.5)	0.8	0.6
110	2,061	1,948	1,892	1,927	2,067	2,119	2,104	2,136	2,159	2,156	2,048	2,027	2,101	2,048	2,065	0.4	(0.9)	0.0
146	3,290	3,370	3,163	3,037	3,059	2,994	2,972	2,945	2,848	2,779	2,715	2,773	2,803	2,746	2,707	(1.0)	(0.5)	(1.4)
161	6,820	6,713	6,517	6,356	6,216	6,005	6,356	6,262	6,064	6,023	6,057	6,000	6,087	5,916	5,777	(0.3)	(0.8)	(1.2)
180	715	761	691	676	711	675	655	658	645	610	593	586	608	608	627	(1.5)	0.5	(0.9)
189	488	483	448	443	440	426	409	418	409	391	378	385	406	421	442	(1.2)	2.5	(0.7)
201	670	679	649	658	662	614	603	642	634	628	625	594	605	650	669	(0.5)	1.3	(0.0)
226	5,365	5,262	4,939	4,959	4,973	4,736	4,628	4,899	4,705	4,541	4,637	4,667	4,813	4,541	4,642	(0.9)	0.4	(1.0)
236	4,804	4,796	4,567	4,562	4,661	4,507	4,470	5,074	4,883	4,689	4,762	4,846	5,181	5,128	5,207	0.1	2.1	0.6
242	5,781	5,734	5,352	5,196	5,265	6,068	5,894	5,476	5,371	5,159	5,295	5,530	5,823	5,615	5,656	(0.2)	1.9	(0.2)
247	10,217	10,256	9,917	9,553	9,902	10,073	9,952	10,478	10,155	9,948	10,074	10,175	10,598	10,521	10,535	0.0	1.2	0.2
266	3,663	3,695	3,643	3,602	3,740	3,577	3,484	3,571	3,442	3,519	3,621	3,640	3,815	3,940	4,066	(0.6)	2.9	0.7
286	6,954	7,207	6,969	7,185	7,397	7,060	6,910	6,937	6,766	6,736	6,886	7,026	7,393	7,545	7,713	(0.9)	2.7	0.7
298	7,201	7,359	7,335	7,457	7,446	7,448	7,176	7,018	6,789	6,588	6,737	7,022	7,383	7,501	7,564	(1.2)	2.8	0.4
312	10,421	10,455	10,291	10,558	11,011	10,635	10,234	10,353	10,315	10,347	10,444	10,692	10,522	10,186	9,963	(0.6)	(0.8)	(0.3)
320 (3)										113	3,539	4,667	5,223	5,292	5,453	-	117.1	-
326	26,928	28,231	28,201	28,173	27,069	26,975	27,783	29,284	28,965	28,780	28,066	28,423	29,777	30,197	30,737	0.6	1.3	0.9
333	12,297	12,586	11,861	11,455	11,312	11,848	11,904	12,166	12,093	11,860	11,811	11,598	11,235	11,319	11,313	0.5	(0.9)	(0.6)
20	34,130	35,753	35,452	36,060	36,659	35,518	34,961	35,236	35,478	36,231	36,441	36,305	37,726	38,010	37,978	(0.1)	0.9	0.8
339	22,140	22,015	21,709	21,561	21,203	20,312	20,989	22,973	23,265	23,582	23,852	23,849	24,711	24,709	24,910	1.1	1.1	0.8
340 (4)	1,318	1,541	1,570	1,581	1,537	1,521	1,370	1,422	1,447	1,409	1,484	1,627	1,721	1,842	1,913	(0.9)	6.3	2.7
343	24,850	25,716	25,152	24,609	26,054	25,277	25,165	26,569	26,178	25,858	25,323	24,896	25,105	25,628	25,447	(0.1)	(0.3)	0.2
351	29,503	30,084	29,563	29,433	29,917	29,315	29,196	29,690	28,170	27,512	27,316	26,689	27,226	27,475	27,137	(0.8)	(0.3)	(0.6)
352 (5)								158	1,805	2,146	2,384	2,676	2,949	3,111	3,826	-	12.3	-
353														19,957	18,783	-	-	-
358 (6)	5,755	6,011	5,856	5,854	5,917	5,964	5,767	5,716	5,538	5,386	5,090	4,950	4,951			-	-	-
359 (7)	17,532	18,086	17,844	17,635	17,727	17,274	16,943	17,255	16,846	16,164	16,333	16,608	17,943			-	-	-
31	12,939	13,166	12,941	13,034	13,304	13,389	13,431	13,432	12,950	12,742	12,669	12,472	12,853	13,033	13,741	(0.4)	1.5	-
44	7,378	7,926	7,950	8,149	8,235	8,313	8,399	8,478	8,157	8,040	8,021	7,953	8,091	8,248	8,090	(0.2)	0.1	-
56	14,528	15,392	15,064	15,318	15,581	14,950	15,339	16,008	15,365	15,028	15,012	14,785	15,013	15,093	15,218	(0.4)	0.3	-
74	4,442	4,691	4,562	4,657	4,796	4,811	4,723	4,722	4,580	4,490	4,459	4,385	4,354	4,179	4,256	(0.7)	(1.1)	-
87 (8)													708	1,564	1,779	-	-	-
95	4,599	5,020	4,722	4,750	4,761	4,709	5,021	5,200	4,859	4,640	4,639	4,633	4,693	4,511	4,432	(0.3)	(0.9)	-
105	2,946	3,243	3,033	3,060	3,188	3,062	3,232	3,337	3,234	3,152	3,099	3,102	3,248	3,195	3,291	(0.1)	0.9	-
115	4,013	4,256	4,051	4,047	4,043	4,128	4,289	4,067	3,948	3,856	3,890	3,861	4,036	3,904	3,992	(0.5)	0.7	-
Total	370,623	385,275	375,967	368,356	373,089	367,599	367,153	374,969	369,153	366,989	371,905	372,889	383,965	383,123	383,961	0.3	0.9	0.3
Percent Change Over Prior Year		4.0	(2.4)	(2.0)	1.3	(1.5)	(0.1)	2.1	(1.6)	(0.6)	1.3	0.3	3.0	(0.2)	0.2			

(1) A toll increase occurred on or close to January 1. Refer to table 2-1 for the rate change.
(2) On 6/1/2003 Gateway was a barrier toll plaza with two-way toll collection. On 1/2/2006, toll collection changed from two-way to eastbound toll collection. This reduced the number of toll transactions.
(3) Interchange 320 (Route 29) Opened in December 2012 as an E-ZPass only interchange.
(4) Interchange 340 (Virginia Drive) opened in December 2000 as an E-ZPass only interchange.
(5) Interchange 352 (Street Road) opened in November 2010 as an eastbound only ,E-ZPass only interchange.
(6) Neshaminy Falls opened as the new eastern terminus of the East-West Mainline Ticket System in January 2016.
(7) The Delaware River Bridge mainline toll plaza became part of the Barrier System in January 2016. Toll collection changed from bi-directional to westbound only.
(8) Interchange 87 (Route 903) opened June 2015 as an E-ZPass only interchange.

Table 2-3
Commercial Vehicles - Average Daily Transactions on the Turnpike Ticket System At Exiting Toll Plazas
Includes Revenue and Non-Revenue Vehicles, and Gateway Barrier Plaza

Interchange	Calendar Year															Average Annual Percent Change		
(Milepost)	2003	2004(1)	2005	2006	2007	2008	2009(1)	2010(1)	2011(1)	2012(1)	2013(1)	2014(1)	2015(1)	2016(1)	2017(1)	2007-12	2012-17	2003-17
2 (2)	4,259	5,447	5,760	2,644	2,702	2,621	2,259	2,432	2,515	2,457	2,539	2,650	2,731	2,720	2,779	(0.9)	2.5	(3.0)
30	1,865	3,196	3,340	3,371	3,505	3,412	2,994	3,060	3,116	3,192	3,276	3,428	3,582	3,666	3,805	(0.9)	3.6	5.2
39	513	536	552	527	575	571	544	565	552	560	596	579	586	606	609	(0.3)	1.7	1.2
48	1,048	1,075	1,072	1,081	1,177	1,185	1,104	1,153	1,058	1,073	1,092	1,132	1,223	1,237	1,229	(0.9)	2.8	1.1
57	1,591	1,653	1,680	1,706	1,735	1,636	1,498	1,590	1,606	1,623	1,652	1,694	1,730	1,805	1,838	(0.7)	2.5	1.0
67	837	849	857	853	894	895	869	847	816	857	866	883	912	931	926	(0.4)	1.5	0.7
75	4,255	4,345	4,348	4,389	4,478	4,389	3,902	3,854	3,828	3,830	3,857	3,977	4,123	4,096	4,189	(1.6)	1.8	(0.1)
91	267	318	262	286	306	287	314	334	323	313	311	326	324	317	339	0.2	1.6	1.7
110	729	729	710	715	743	738	652	669	690	690	701	723	728	695	719	(0.7)	0.8	(0.1)
146	1,375	1,454	1,350	1,332	1,327	1,151	1,009	1,077	1,056	1,035	1,024	1,030	1,087	1,105	1,135	(2.4)	1.9	(1.4)
161	2,840	2,888	2,902	2,835	2,910	2,616	2,261	2,440	2,431	2,381	2,338	2,361	2,378	2,416	2,417	(2.0)	0.3	(1.1)
180	173	198	205	218	230	203	169	207	215	210	216	225	239	243	275	(0.9)	5.6	3.4
189	108	106	106	107	108	96	85	100	101	109	105	103	106	116	131	0.1	3.8	1.4
201	161	186	215	214	229	219	193	212	265	291	286	251	258	295	350	2.4	3.7	5.7
226	3,359	3,471	3,430	3,483	3,548	3,350	2,893	2,886	2,889	2,826	2,871	2,990	3,135	3,130	3,200	(2.2)	2.5	(0.3)
236	619	632	668	723	774	690	646	751	774	756	792	811	877	925	974	(0.2)	5.2	3.3
242	995	1,070	1,119	1,154	1,194	1,243	1,146	1,105	1,100	1,003	1,114	1,170	1,237	1,303	1,338	(1.7)	5.9	2.1
247	1,718	1,812	1,895	1,854	1,863	1,817	1,653	1,749	1,743	1,706	1,792	1,885	2,018	2,140	2,178	(0.9)	5.0	1.7
266	499	501	518	538	549	523	469	486	482	481	494	534	537	581	598	(1.3)	4.5	1.3
286	1,437	1,492	1,461	1,507	1,572	1,491	1,325	1,354	1,364	1,350	1,415	1,496	1,593	1,696	1,697	(1.5)	4.7	1.2
298	1,146	1,194	1,160	1,187	1,188	1,084	936	963	995	1,005	1,023	1,137	1,253	1,330	1,336	(1.7)	5.9	1.1
312	935	971	967	996	1,058	908	806	904	929	948	990	1,068	1,119	1,171	1,141	(1.1)	3.8	1.4
320 (3)										6	286	334	356	446	495	-	141.7	-
326	3,137	3,360	3,408	3,486	3,446	3,190	2,902	3,118	3,105	2,993	2,984	3,069	3,249	3,443	3,467	(1.4)	3.0	0.7
333	598	618	626	611	636	663	597	644	629	630	633	660	645	687	678	(0.1)	1.5	0.9
20	3,839	4,124	4,187	4,320	4,433	4,114	3,751	3,883	3,961	4,037	4,150	4,309	4,554	4,798	4,765	(0.9)	3.4	1.6
339	1,373	1,408	1,453	1,424	1,403	1,343	1,260	1,329	1,417	1,437	1,518	1,564	1,678	1,802	1,746	0.2	4.0	1.7
340 (4)	11	13	16	19	20	19	18	20	24	24	30	48	61	63	61	1.6	20.2	12.9
343	1,877	2,040	2,102	2,119	2,210	2,109	1,999	2,109	2,116	2,102	2,130	2,205	2,255	2,396	2,330	(0.5)	2.1	1.6
351	3,204	3,268	3,338	3,374	3,397	3,384	3,111	3,178	3,151	3,105	3,146	3,174	3,323	3,457	3,601	(0.9)	3.0	0.8
352 (5)								4	54	68	84	117	130	143	174	-	20.7	-
353														3,743	3,489			
358 (6)	1,624	1,737	1,807	1,810	1,812	1,529	1,410	1,654	1,571	1,442	1,458	1,514	1,553	0	0	-	-	-
359 (7)	3,296	3,613	3,754	3,790	3,949	4,137	3,768	3,474	3,389	3,231	3,330	3,491	3,740	0	0	-	-	-
31	1,319	1,387	1,409	1,429	1,505	1,495	1,453	1,498	1,450	1,431	1,436	1,562	1,672	1,742	1,660	(0.5)	3.0	-
44	842	869	897	951	990	958	929	965	943	958	998	1,048	1,094	1,120	1,129	(0.3)	3.3	-
56	2,592	2,833	2,909	3,051	3,139	3,118	3,039	3,147	3,114	3,136	3,211	3,309	3,496	3,647	3,644	(0.0)	3.1	-
74	465	496	526	546	596	484	480	527	536	523	530	547	551	582	559	(1.3)	1.3	-
87 (8)													50	133	155	-	-	-
95	1,169	1,235	1,227	1,292	1,336	1,264	1,226	1,337	1,329	1,336	1,385	1,424	1,497	1,547	1,485	(0.0)	2.1	-
105	176	205	209	210	218	400	396	200	209	205	207	209	238	244	235	(0.6)	2.8	-
115	1,250	1,336	1,340	1,329	1,358	1,204	1,167	1,268	1,266	1,258	1,287	1,300	1,420	1,391	1,412	(0.8)	2.3	-
Total	57,500	62,662	63,786	61,480	63,114	60,535	55,230	57,093	57,112	56,614	58,154	60,336	63,340	63,909	64,287	0.2	2.6	0.8
Percent Change Over Prior Year		9.0	1.8	(3.6)	2.7	(4.1)	(8.8)	3.4	0.0	(0.9)	2.7	3.8	5.0	0.9	0.6			

(1) A toll increase occurred on or close to January 1. Refer to table 2-1 for the rate change.
(2) On 6/1/2003 Gateway was a barrier toll plaza with two-way toll collection. On 1/2/2006, toll collection changed from two-way to eastbound toll collection. This reduced the number of toll transactions.
(3) Interchange 320 (Route 29) Opened in December 2012 as an E-ZPass only interchange.
(4) Interchange 340 (Virginia Drive) opened in December 2000 as an E-ZPass only interchange.
(5) Interchange 352 (Street Road) opened in November 2010 as an eastbound only ,E-ZPass only interchange.
(6) Neshaminy Falls opened as the new eastern terminus of the East-West Mainline Ticket System in January 2016.
(7) The Delaware River Bridge mainline toll plaza became part of the Barrier System in January 2016. Toll collection changed from bi-directional to westbound only.
(8) Interchange 87 (Route 903) opened June 2015 as an E-ZPass only interchange.

Table 2-4
Total Vehicles - Average Daily Transactions on the Turnpike Ticket System At Exiting Toll Plazas
Includes Revenue and Non-Revenue Vehicles, and Gateway Barrier Plaza

Interchange	Calendar Year															Average Annual Percent Change		
(Milepost)	2003	2004[1]	2005	2006	2007	2008	2009[1]	2010[1]	2011[1]	2012[1]	2013[1]	2014[1]	2015[1]	2016[1]	2017[1]	2007-12	2012-17	2003-17
2 (2)	18,087	21,826	21,633	10,838	10,884	10,717	10,700	11,148	11,258	11,276	11,506	11,592	11,939	12,189	12,273	0.4	1.7	(2.7)
30	9,239	14,781	14,609	14,791	15,445	15,468	15,226	15,178	15,140	15,131	15,689	15,767	16,124	16,370	16,649	(0.2)	1.9	4.3
39	5,961	5,953	5,706	5,709	6,188	6,198	6,039	6,092	5,885	5,976	6,428	6,434	6,126	6,426	6,309	(0.3)	1.1	0.4
48	10,553	10,452	10,173	10,210	10,583	10,411	10,191	10,032	9,634	9,806	10,263	10,278	10,106	10,338	10,119	(0.8)	0.6	(0.3)
57	20,361	20,251	19,767	19,996	19,933	19,941	19,581	19,042	18,778	18,753	19,051	19,030	19,522	19,465	19,415	(0.6)	0.7	(0.3)
67	11,140	10,902	10,294	10,435	10,507	9,963	9,543	9,623	9,534	9,813	9,737	9,667	9,949	9,738	9,601	(0.7)	(0.4)	(1.1)
75	13,650	13,537	13,228	13,168	13,284	12,912	12,334	12,404	12,074	12,369	12,413	12,678	12,984	12,641	12,594	(0.7)	0.4	(0.6)
91	2,520	2,556	2,520	2,523	2,784	2,681	2,665	2,705	2,602	2,665	2,705	2,670	2,726	2,702	2,786	(0.4)	0.9	0.7
110	2,789	2,676	2,602	2,642	2,810	2,857	2,755	2,805	2,849	2,847	2,750	2,750	2,829	2,743	2,784	0.1	(0.4)	(0.0)
146	4,665	4,824	4,514	4,369	4,386	4,146	3,981	4,022	3,904	3,814	3,739	3,802	3,890	3,851	3,842	(1.4)	0.1	(1.4)
161	9,661	9,601	9,419	9,191	9,126	8,621	8,617	8,702	8,495	8,404	8,396	8,361	8,465	8,333	8,194	(0.8)	(0.5)	(1.2)
180	888	959	896	894	941	878	824	865	860	820	809	811	847	851	902	(1.4)	1.9	0.1
189	596	589	555	550	548	522	494	518	510	500	484	488	512	537	573	(0.9)	2.8	(0.3)
201	831	865	863	872	891	832	796	854	899	919	911	844	863	945	1,019	0.3	2.1	1.5
226	8,724	8,733	8,369	8,442	8,521	8,085	7,521	7,785	7,594	7,367	7,508	7,656	7,948	7,671	7,842	(1.4)	1.3	(0.8)
236	5,422	5,428	5,235	5,285	5,435	5,197	5,116	5,825	5,657	5,445	5,554	5,657	6,057	6,054	6,181	0.0	2.6	0.9
242	6,777	6,803	6,471	6,350	6,459	7,311	7,040	6,581	6,471	6,162	6,409	6,700	7,060	6,918	6,994	(0.5)	2.6	0.2
247	11,936	12,068	11,812	11,407	11,765	11,890	11,604	12,227	11,898	11,654	11,866	12,060	12,616	12,661	12,713	(0.1)	1.8	0.5
266	4,163	4,196	4,161	4,140	4,289	4,100	3,954	4,057	3,924	4,000	4,116	4,173	4,352	4,521	4,664	(0.7)	3.1	0.8
286	8,391	8,699	8,430	8,691	8,969	8,551	8,235	8,291	8,130	8,086	8,301	8,522	8,986	9,241	9,409	(1.0)	3.1	0.8
298	8,347	8,552	8,495	8,644	8,634	8,532	8,112	7,981	7,784	7,593	7,760	8,159	8,636	8,830	8,901	(1.3)	3.2	0.5
312	11,355	11,426	11,259	11,554	12,069	11,543	11,039	11,257	11,244	11,295	11,434	11,760	11,641	11,357	11,103	(0.7)	(0.3)	(0.2)
320 (3)										120	3,826	5,001	5,001	5,001	5,001	-	110.9	-
326	30,064	31,591	31,609	31,659	30,515	30,165	30,685	32,402	32,070	31,773	31,050	31,492	33,026	33,640	34,203	0.4	1.5	0.9
333	12,895	13,204	12,487	12,066	11,948	12,511	12,501	12,810	12,722	12,490	12,445	12,258	11,881	12,006	11,991	0.4	(0.8)	(0.5)
20	37,969	39,877	39,640	40,381	41,091	39,631	38,712	39,119	39,439	40,268	40,590	40,614	42,280	42,808	42,743	(0.2)	1.2	0.8
339	23,513	23,422	23,162	22,984	22,606	21,655	22,249	24,302	24,683	25,019	25,371	25,413	26,389	26,511	26,657	1.0	1.3	0.9
340 (4)	1,329	1,554	1,587	1,599	1,558	1,540	1,388	1,442	1,471	1,433	1,513	1,676	1,782	1,905	1,974	(0.8)	6.6	2.9
343	26,727	27,756	27,254	26,728	28,264	27,385	27,163	28,678	28,294	27,960	27,453	27,102	27,360	28,024	27,777	(0.1)	(0.1)	0.3
351	32,707	33,352	32,900	32,807	33,315	32,700	32,307	32,868	31,321	30,616	30,462	29,863	30,549	30,932	30,738	(0.8)	0.1	(0.4)
352 (5)								162	1,859	2,214	2,467	2,792	3,079	3,254	4,000	-	12.6	-
353														23,700	22,272	-	-	-
358 (6)	7,380	7,748	7,663	7,664	7,728	7,494	7,177	7,370	7,109	6,828	6,548	6,464	6,504	0	0	-	-	-
359 (7)	20,828	21,699	21,598	21,425	21,676	21,411	20,712	20,729	20,235	19,395	19,662	20,100	21,683	0	0	-	-	-
31	14,258	14,553	14,350	14,463	14,809	14,885	14,884	14,930	14,400	14,172	14,105	14,034	14,525	14,776	14,816	(0.4)	0.9	-
44	8,220	8,796	8,848	9,099	9,225	9,271	9,328	9,443	9,100	8,998	9,019	9,001	9,185	9,368	9,219	(0.2)	0.5	-
56	17,120	18,225	17,973	18,369	18,720	18,068	18,378	19,155	18,480	18,164	18,224	18,094	18,508	18,740	18,862	(0.3)	0.8	-
74	4,907	5,188	5,088	5,204	5,393	5,295	5,204	5,249	5,116	5,014	4,989	4,932	4,905	4,761	4,815	(0.7)	(0.8)	-
87 (8)																-	-	-
95	5,768	6,255	5,949	6,042	6,097	5,973	6,247	6,537	6,188	5,976	6,025	6,057	6,190	6,057	5,918	(0.2)	(0.2)	-
105	3,122	3,448	3,242	3,269	3,406	3,463	3,627	3,537	3,443	3,357	3,306	3,311	3,486	3,440	3,526	(0.1)	1.0	-
115	5,263	5,592	5,391	5,377	5,401	5,332	5,456	5,335	5,214	5,114	5,178	5,161	5,456	5,296	5,405	(0.5)	1.1	-
Total	428,123	447,937	439,753	429,836	436,203	428,134	422,383	432,062	426,266	423,604	430,060	433,225	445,969	444,598	444,782	0.2	1.0	0.3
Percent Change Over Prior Year		4.6	(1.8)	(2.3)	1.5	(1.8)	(1.3)	2.3	(1.3)	(0.6)	1.5	0.7	2.9	(0.3)	0.0			

(1) A toll increase occurred on or close to January 1. Refer to table 2-1 for the rate change.
(2) On 6/1/2003 Gateway was a barrier toll plaza with two-way toll collection. On 1/2/2006, toll collection changed from two-way to eastbound toll collection. This reduced the number of toll transactions.
(3) Interchange 320 (Route 29) Opened in December 2012 as an E-ZPass only interchange.
(4) Interchange 340 (Virginia Drive) opened in December 2000 as an E-ZPass only interchange.
(5) Interchange 352 (Street Road) opened in November 2010 as an eastbound only ,E-ZPass only interchange.
(6) Neshaminy Falls opened as the new eastern terminus of the East-West Mainline Ticket System in January 2016.
(7) The Delaware River Bridge mainline toll plaza became part of the Barrier System in January 2016. Toll collection changed from bi-directional to westbound only.
(8) Interchange 87 (Route 903) opened June 2015 as an E-ZPass only interchange.

2.3.2 Barrier System Transaction Trends

Average annual daily traffic trends at the Barrier System's toll plazas are shown in Tables 2-5 through 2-7 for passenger cars, commercial vehicles and total vehicles, respectively. Note that the Delaware River Bridge (Plaza 359) transactions are counted as part of the Barrier System beginning in 2016.

Total Barrier System transactions have been increasing at a faster rate than the Ticket System's. Passenger-car transactions averaged annual growth of 2.8% from 2007-2012, and 3.2% growth from 2012-2017. Higher Barrier System growth rates occur because of the following reasons: 1) these tend to be younger facilities that have historically been adding additional lane miles and sometimes additional interchanges and toll plazas. These facilities also tend to be on the fringe of urban areas and are benefiting from increasing development in their corridors. Lastly, Turnpike I-576 was exempt from scheduled toll increases in 2009 through 2012, and 2014 through 2018. The DRB was exempt from scheduled toll increases in 2017 and 2018. Overall, growth on the Barrier System was also impacted by the Great Recession, slow economic recovery, annual toll rate increases, and the temporary closure of the DRB in 2017.

Commercial-vehicle average daily transaction trends are shown in Table 2-6. They also show stronger annual growth compared to the Ticket System. Commercial-vehicle transactions averaged annual growth of 4.6% from 2007-2012, and 3.3% growth from 2012-2017.

Total Barrier System transactions increased annually by 3.0% from 2007-2012, and 3.2% from 2012-2017, as shown in Table 2-7. Growth would have been higher in 2017 if the Delaware River Bridge (plaza 359) had not been closed from January 20 through March 9, 2017.

2.4 Monthly Transactions and Gross Toll Revenue Trends

This section discusses monthly transactions and toll revenue trends by fiscal year (FY) from FY 2013-14 through FY 2017-18 for the Ticket System, Barrier System, and the total Turnpike System. The last actual data point is February 2018. Trend data is provided separately for passenger cars and commercial vehicles. The transaction data includes only toll transactions at exiting toll plazas; non-revenue transactions are not included. These tables present the relationship between the transactions and toll revenue, highlight differenced in seasonal variation. And isolate shorter-term impacts that may not be apparent in annual trends.

2.4.1 Ticket System Monthly Trends

Monthly transaction and toll revenue trends for the Ticket System are presented in Table 2-8 from FY 2014-15 through February of FY 2017-18. Passenger-car transactions increased by 2.1% in FY 2014-15 and decreased by 0.9% in FY 2016-17 compared to the previous year. The decline can be partially attributed to the leap year in 2016, resulting in one less day of transactions in February 2017 compared to 2016. Also, as previously mentioned, the DRB was closed on January 20, 2017 through March 9, 2017 due to a fracture in one of the structural support beams. Although the DRB transactions are not included in the Ticket System, negative traffic impacts were still felt on parts of the Ticket System. Prior to January 2016, the DRB transactions were reported on the Ticket System.

Table 2-5
Passenger Cars - Average Daily Transactions on the Turnpike Barrier System
Includes Revenue and Non-Revenue Vehicles

Toll Location	Calendar Year (1)															Average Annual Percent Change		
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2007-12	2012-17	2007-17
Northeast Extension Barrier Plazas																		
Keyser Ave.	6,274	6,719	6,489	6,573	6,736	6,782	7,012	6,935	6,970	6,960	7,156	7,017	7,037	6,653	6,575	0.7	(1.1)	(0.2)
Clarks Summit	6,492	6,747	6,519	6,545	6,740	6,790	6,850	6,670	6,673	6,702	7,270	7,135	6,842	6,337	6,104	(0.1)	(1.9)	(1.0)
Subtotal	12,766	13,466	13,008	13,117	13,476	13,572	13,862	13,605	13,643	13,662	14,426	14,152	13,879	12,990	12,679	0.3	(1.5)	(0.6)
Turnpike I-376 - Beaver Valley Expressway (1)																		
East Toll 376	9,782	9,821	9,896	9,854	10,334	10,288	9,897	9,884	9,940	9,685	9,235	8,971	8,918	8,477	8,386	(1.3)	(2.8)	(2.1)
Beaver Falls Rte. 551					434	458	430	455	430	437	425	387	410	391	414	0.1	(1.1)	(0.5)
Moravia Rte. 168					756	808	706	674	778	775	728	712	700	667	656	0.5	(3.3)	(1.4)
West Toll 376	6,176	6,385	6,812	7,047	7,524	7,633	7,617	7,738	7,632	7,430	7,178	7,292	7,333	7,239	7,434	(0.3)	0.0	(0.1)
Mt. Jackson Rte. 108					1,277	1,557	1,390	1,236	1,173	1,094	1,019	953	981	982	1,021	(3.1)	(1.4)	(2.2)
Subtotal	15,958	16,206	16,708	16,901	20,326	20,744	20,040	19,987	19,953	19,419	18,587	18,315	18,342	17,756	17,912	(0.9)	(1.6)	(1.3)
Turnpike 66 - Amos K. Hutchinson Bypass (2)																		
Rte. 136				217	597	806	727	742	731	738	708	749	786	754	755	4.3	0.5	2.4
AKH Mainline	10,476	10,858	11,123	12,053	12,308	12,327	12,114	12,276	11,947	11,843	11,721	11,728	11,623	11,102	11,203	(0.8)	(1.1)	(0.9)
Route 30				861	2,889	4,617	4,645	4,921	4,809	4,686	4,625	4,625	4,599	4,544	4,496	10.2	(0.8)	4.5
Route 130				226	1,260	1,370	1,370	1,397	1,459	1,336	1,326	1,377	1,335	1,325	1,323	1.2	(0.2)	0.5
Route 66				117	580	762	738	752	774	754	753	834	815	850	827	5.4	1.9	3.6
Subtotal	10,476	10,858	11,123	13,473	17,633	19,883	19,594	20,088	19,719	19,356	19,133	19,313	19,158	18,576	18,605	1.9	(0.8)	0.5
Turnpike 43 - Mon/Fayette Expressway (3)																		
Ramp M4	30	29	26	32	39	32	22	22	147	299	315	308	313	295	292	50.7	(0.5)	22.5
M5	1,794	1,884	1,973	2,060	2,151	2,257	2,301	2,477	3,467	4,933	5,224	5,663	6,042	6,055	6,073	18.1	4.2	10.9
Ramp M15								13	109	86	81	77	88	81	82	-	(0.8)	-
Ramp M18								114	228	281	290	284	327	317	296	-	1.0	-
M19								275	3,543	4,537	4,896	5,079	5,587	5,744	5,564	-	4.2	-
Ramp M22											186	160	170	151	149	-	-	-
Ramp M26											740	769	842	796	836	-	-	-
M35 California	2,728	9,365	9,366	9,754	10,224	10,530	10,318	10,515	10,407	10,605	10,587	10,649	11,074	10,635	10,265	0.7	(0.6)	0.0
Ramp M39	1,766	906	868	963	1,030	1,052	1,050	1,067	1,073	1,056	1,046	1,006	1,015	1,026	988	0.5	(1.3)	(0.4)
Ramp M44		736	720	758	745	749	703	692	665	651	641	647	685	670	704	(2.7)	1.6	(0.6)
Ramp M48		2,543	2,790	2,936	3,213	3,301	3,356	3,471	3,478	3,537	3,511	3,579	4,054	3,812	3,830	1.9	1.6	1.8
M52	5,689	6,326	6,746	7,099	7,179	7,351	7,181	7,161	7,149	7,464	7,233	7,033	6,906	6,740	6,802	0.8	(1.8)	(0.5)
Subtotal	12,006	21,789	22,489	23,602	24,581	25,273	24,931	25,807	30,266	33,450	34,751	35,255	37,104	36,325	35,881	6.4	1.4	3.9
I-576 - Southern Beltway																		
SB Rte. 30				80	166	223	262	298	364	555	303	311	305	278	390	27.3	(6.8)	8.9
SB Westport Rd.				59	125	130	153	160	163	190	191	249	348	340	339	8.8	12.3	10.5
Rte. 22				533	2,914	3,320	3,727	3,897	4,135	4,209	4,005	4,154	4,232	4,290	4,363	7.6	0.7	4.1
Subtotal				671	3,204	3,673	4,142	4,355	4,662	4,954	4,498	4,714	4,885	4,909	5,093	9.1	0.6	4.7
Delaware River Bridge (4, 5)																		
DRB														18,450	16,234	-	-	-
All Barrier Facilities																		
Total	51,205	62,320	63,328	67,765	79,221	83,146	82,569	83,842	88,244	90,841	91,394	91,749	93,368	109,004	106,404	2.8	3.2	3.0
Percent Change Over Prior Year	10.2	21.7	1.6	7.0	16.9	5.0	(0.7)	1.5	5.2	2.9	0.6	0.4	1.8	16.7	(2.4)			

(1) Toll rate increases were generally implemented annually from 2009 through 2017. Oftentimes, I-576 was exempted from the programed toll increases. Refer to Table 2-1 for details.
(1) Toll 60 (Turnpike 376) ramp counts were not available from 2002 to 2006.
(2) Toll 66 ramp counts were not available from 2002 to 2005.
(3) On July 11, 2011, the West Virginia section of Turnpike 43 was opened.
(4) In January of 2016, toll collection on the Delaware River Bridge was converted from bidirectional to westbound only, and became a barrier plaza instead of the eastern terminus of the Ticket System.
(5) Transactions were negatively impacted from 1/1/2017 through 3/9/2017 due to the closure of the bridge because of a fracture in a structural support beam.

Table 2-6
Commercial Vehicles - Average Daily Transactions on the Turnpike Barrier System
Includes Revenue and Non-Revenue Vehicles

Toll Location	Calendar Year (1) 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average Annual Percent Change 2007-12	2012-17	2007-17
Northeast Extension Barrier Plazas																		
Keyser Ave.	918	938	1,092	1,227	1,408	1,363	1,306	1,365	1,492	1,532	1,606	1,643	1,687	1,690	1,751	1.7	2.7	2.2
Clarks Summit	957	931	1,038	1,112	1,162	1,096	1,047	1,082	1,149	1,228	1,369	1,436	1,404	1,391	1,429	1.1	3.1	2.1
Subtotal	1,875	1,869	2,130	2,339	2,570	2,459	2,353	2,447	2,641	2,759	2,975	3,079	3,091	3,081	3,180	1.4	2.9	2.2
Turnpike I-376 - Beaver Valley Expressway (1)																		
East Toll 376	1,304	1,328	1,353	1,311	1,490	1,548	1,342	1,506	1,621	1,693	1,729	1,830	1,859	1,826	1,871	2.6	2.0	2.3
Beaver Falls Rte. 551					36	39	31	48	59	59	50	48	51	43	54	10.2	(1.7)	4.1
Moravia Rte. 168					96	145	60	73	92	86	73	97	82	61	76	(2.2)	(2.6)	(2.4)
West Toll 376	870	911	915	998	1,133	1,170	1,034	1,196	1,211	1,226	1,202	1,279	1,272	1,244	1,299	1.6	1.2	1.4
Mt. Jackson Rte. 108					98	108	113	98	133	164	135	148	154	152	163	11.0	(0.1)	5.3
Subtotal	2,174	2,239	2,268	2,309	2,854	3,010	2,580	2,921	3,116	3,228	3,190	3,402	3,418	3,326	3,463	2.5	1.4	2.0
Turnpike 66 - Amos K. Hutchinson Bypass (2)																		
Rte. 136				126	211	183	146	165	183	178	177	749	197	171	168	(3.3)	(1.2)	(2.3)
AKH Mainline	1,813	1,818	1,872	1,935	2,070	2,146	2,010	2,261	2,333	2,348	2,372	2,603	2,514	2,397	2,495	2.6	1.2	1.9
Route 30				142	290	282	265	300	292	315	313	306	283	279	298	1.7	(1.1)	0.3
Route 130				17	38	29	30	26	26	26	28	32	27	29	30	(7.1)	2.8	(2.3)
Route 66				5	15	16	17	18	19	22	19	21	18	18	19	7.2	(3.1)	1.9
Subtotal	1,813	1,818	1,872	2,226	2,623	2,656	2,468	2,770	2,853	2,890	2,908	3,710	3,040	2,893	3,009	2.0	0.8	1.4
Turnpike 43 - Mon/Fayette Expressway (3)																		
Ramp M4	1	1	1	1	1	2	1	1	4	7	8	8	8	7	8	40.1	2.8	20.0
M5	151	135	136	150	140	196	240	275	366	529	665	819	838	742	777	30.4	8.0	18.7
Ramp M15								0	6	7	9	13	14	8	9	-	3.4	-
Ramp M18								6	16	19	20	17	36	16	15	-	(4.4)	-
M19								182	302	437	605	679	751	661	705	-	10.1	-
Ramp M22											29	24	40	15	14	-	-	-
Ramp M26											18	22	27	21	23	-	-	-
M35 California	84	314	303	321	384	478	532	573	574	694	827	1,002	974	871	934	12.6	6.1	9.3
Ramp M39	52	23	23	26	32	34	35	40	45	44	55	61	74	64	85	6.6	14.0	10.3
Ramp M44		37	34	42	46	68	33	29	53	47	53	56	107	100	96	0.0	15.5	7.5
Ramp M48		107	82	59	65	66	60	73	85	97	102	128	165	125	132	8.4	6.4	7.4
M52	92	107	118	108	111	127	125	143	156	173	183	197	210	212	224	9.4	5.3	7.3
Subtotal	382	724	697	707	779	971	1,025	1,322	1,607	2,053	2,573	3,026	3,244	2,842	3,022	21.4	8.0	14.5
I-576 - Southern Beltway																		
SB Rte. 30				2	18	27	31	36	29	38	26	31	37	29	37	16.6	(0.5)	7.7
SB Westport Rd.				1	6	14	56	58	33	37	45	84	146	183	183	44.3	37.6	40.9
Rte. 22				24	210	249	287	311	312	322	356	391	470	426	444	8.9	6.6	7.8
Subtotal				28	234	290	375	405	375	397	427	506	653	637	664	11.2	10.8	11.0
Delaware River Bridge																		
DRB														3,127	2,836	-	-	-
All Barrier Facilities																		
Total	6,244	6,650	6,967	7,608	9,060	9,385	8,801	9,865	10,592	11,328	12,072	13,722	13,446	12,780	13,338	4.6	3.3	3.9
Percent Change Over Prior Year	(0.9)	6.5	4.8	9.2	19.1	3.6	(6.2)	12.1	7.4	6.9	6.6	13.7	(2.0)	(5.0)	4.4			

(1) Toll rate increases were generally implemented annually from 2009 through 2017. Oftentimes, I-576 was exempted from the programed toll increases. Refer to Table 2-1 for details.
(1) Toll 60 (Turnpike 376) ramp counts were not available from 2002 to 2006.
(2) Toll 66 ramp counts were not available from 2002 to 2005.
(3) On July 11, 2011, the West Virginia section of Turnpike 43 was opened.
(4) In January of 2016, toll collection on the Delaware River Bridge was converted from bidirectional to westbound only, and became a barrier plaza instead of the eastern terminus of the Ticket System.
(5) Transactions were negatively impacted from 1/1/2017 through 3/9/2017 due to the closure of the bridge because of a fracture in a structural support beam.

Table 2-7
Total Vehicles - Average Daily Transactions on the Turnpike Barrier System
Includes Revenue and Non-Revenue Vehicles

Toll Location	Calendar Year (1)															Average Annual Percent Change		
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2007-12	2012-17	2007-17
Northeast Extension Barrier Plazas																		
Keyser Ave.	7,192	7,657	7,581	7,800	8,144	8,144	8,318	8,300	8,462	8,492	8,761	8,660	8,724	8,343	8,326	0.8	(0.4)	0.2
Clarks Summit	7,449	7,678	7,557	7,656	7,903	7,887	7,897	7,752	7,822	7,930	8,639	8,571	8,246	7,728	7,533	0.1	(1.0)	(0.5)
Subtotal	14,641	15,335	15,138	15,456	16,047	16,031	16,215	16,052	16,284	16,422	17,401	17,231	16,970	16,071	15,859	0.5	(0.7)	(0.1)
Turnpike I-376 - Beaver Valley Expressway (1)																		
East Toll 376	11,086	11,149	11,249	11,165	11,824	11,836	11,239	11,390	11,561	11,377	10,965	10,801	10,777	10,303	10,257	(0.8)	(2.1)	(1.4)
Beaver Falls Rte. 551					471	497	461	503	490	496	476	435	461	434	469	1.0	(1.1)	(0.0)
Moravia Rte. 168					853	953	766	747	869	861	801	809	782	728	732	0.2	(3.2)	(1.5)
West Toll 376	7,046	7,296	7,727	8,044	8,658	8,803	8,651	8,934	8,844	8,655	8,381	8,572	8,605	8,483	8,733	(0.0)	0.2	0.1
Mt. Jackson Rte. 108					1,375	1,665	1,503	1,334	1,306	1,258	1,154	1,101	1,135	1,134	1,184	(1.8)	(1.2)	(1.5)
Subtotal	18,132	18,445	18,976	19,210	23,180	23,754	22,620	22,908	23,070	22,648	21,776	21,717	21,760	21,082	21,375	(0.5)	(1.1)	(0.8)
Turnpike 66 - Amos K. Hutchinson Bypass (2)																		
Rte. 136				343	808	989	873	907	914	916	885	1,497	982	926	923	2.5	0.1	1.3
AKH Mainline	12,288	12,676	12,995	13,988	14,378	14,473	14,124	14,537	14,280	14,191	14,093	14,331	14,137	13,499	13,697	(0.3)	(0.7)	(0.5)
Route 30				1,003	3,178	4,899	4,910	5,221	5,101	5,001	4,938	4,930	4,883	4,823	4,795	9.5	(0.8)	4.2
Route 130				243	1,298	1,399	1,400	1,423	1,485	1,362	1,354	1,409	1,362	1,354	1,354	1.0	(0.1)	0.4
Route 66				122	595	778	754	770	793	776	771	855	833	868	846	5.5	1.7	3.6
Subtotal	12,288	12,676	12,995	15,699	20,256	22,539	22,062	22,858	22,572	22,245	22,041	23,022	22,198	21,469	21,614	1.9	(0.6)	0.7
Turnpike 43 - Mon/Fayette Expressway (3)																		
Ramp M4	31	30	28	33	40	34	23	23	151	306	323	316	321	303	300	50.4	(0.4)	22.4
M5	1,945	2,020	2,110	2,210	2,292	2,453	2,541	2,752	3,833	5,462	5,889	6,482	6,879	6,797	6,850	19.0	4.6	11.6
Ramp M15								13	115	93	90	91	102	89	91	-	(0.4)	-
Ramp M18								120	244	300	310	301	363	333	311	-	0.7	-
M19								457	3,845	4,974	5,501	5,758	6,338	6,406	6,269	-	4.7	-
Ramp M22											215	184	210	166	163	-	-	-
Ramp M26											758	791	869	817	858	-	-	-
M35 California	2,812	9,679	9,669	10,075	10,608	11,008	10,849	11,088	10,981	11,298	11,414	11,651	12,047	11,506	11,199	1.3	(0.2)	0.5
Ramp M39	1,819	929	891	989	1,062	1,087	1,085	1,107	1,118	1,101	1,101	1,067	1,089	1,090	1,073	0.7	(0.5)	0.1
Ramp M44		773	753	799	792	817	736	721	718	698	694	703	793	770	800	(2.5)	2.8	0.1
Ramp M48		2,649	2,872	2,995	3,277	3,368	3,416	3,544	3,563	3,634	3,613	3,707	4,219	3,937	3,962	2.1	1.7	1.9
M52	5,781	6,433	6,863	7,208	7,289	7,478	7,306	7,304	7,305	7,637	7,415	7,230	7,116	6,952	7,027	0.9	(1.7)	(0.4)
Subtotal	12,387	22,513	23,186	24,309	25,360	26,245	25,956	27,129	31,873	35,503	37,324	38,281	40,348	39,167	38,903	7.0	1.8	4.4
I-576 - Southern Beltway																		
SB Rte. 30				82	184	250	293	334	394	593	328	342	342	307	427	26.4	(6.4)	8.8
SB Westport Rd.				60	131	144	209	218	196	227	236	333	494	523	522	11.7	18.1	14.9
Rte. 22				557	3,124	3,569	4,014	4,208	4,447	4,531	4,361	4,546	4,702	4,716	4,807	7.7	1.2	4.4
Subtotal				699	3,438	3,963	4,517	4,760	5,037	5,351	4,925	5,220	5,538	5,546	5,756	9.3	1.5	5.3
Delaware River Bridge																		
DRB														18,450	16,234	-	-	-
All Barrier Facilities																		
Total	57,448	68,970	70,295	75,373	88,281	92,531	91,371	93,707	98,836	102,169	103,467	105,471	106,814	121,785	119,741	3.0	3.2	3.1
Percent Change Over Prior Year	8.9	20.1	1.9	7.2	17.1	4.8	(1.3)	2.6	5.5	3.4	1.3	1.9	1.3	14.0	(1.7)			

(1) Toll rate increases were generally implemented annually from 2009 through 2017. Oftentimes, I-576 was exempted from the programed toll increases. Refer to Table 2-1 for details.
(1) Toll 60 (Turnpike 376) ramp counts were not available from 2002 to 2006.
(2) Toll 66 ramp counts were not available from 2002 to 2005.
(3) On July 11, 2011, the West Virginia section of Turnpike 43 was opened.
(4) In January of 2016, toll collection on the Delaware River Bridge was converted from bidirectional to westbound only, and became a barrier plaza instead of the eastern terminus of the Ticket System.
(5) Transactions were negatively impacted from 1/1/2017 through 3/9/2017 due to the closure of the bridge because of a fracture in a structural support beam.

Table 2-8

Ticket System (Including Gateway Barrier Plaza) - Monthly Transaction and Revenue Trends

Transactions Include Only Toll Transactions - Non-Revenue Transactions Are Not Included

Toll Transactions (in 1,000s)

Month	Passenger Cars 2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	11,720	2.3	11,995	0.1	12,013	0.1	12,029
July	12,128	3.8	12,583	(3.1)	12,196	(1.4)	12,020
August	12,285	2.0	12,525	(1.4)	12,348	0.1	12,357
September	11,123	2.2	11,362	1.0	11,480	(0.8)	11,386
October	11,876	1.6	12,064	(1.9)	11,836	(0.1)	11,826
November	10,760	4.8	11,281	0.2	11,301	(1.0)	11,185
December	10,902	3.7	11,302	(2.6)	11,005	(2.5)	10,725
January	9,619	(0.1)	9,605	4.4	10,033	(1.8)	9,851
February	9,101	7.0	9,738	(5.3)	9,226	1.2	9,339
March	10,627	5.1	11,168	(5.2)	10,589		
April	11,381	(3.8)	10,953	2.7	11,247		
May	11,978	(2.2)	11,717	1.2	11,855		
Total Year	133,500	2.1	136,294	(0.9)	135,128		
June - Feb	99,514	3.0	102,456	(1.0)	101,437	(0.7)	100,717

Month	Commercial Vehicles 2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	1,852	6.7	1,976	2.6	2,028	(0.1)	2,025
July	1,910	4.6	1,998	(3.5)	1,927	(1.5)	1,898
August	1,862	4.8	1,951	6.7	2,082	0.1	2,084
September	1,838	4.7	1,925	0.8	1,941	(2.0)	1,903
October	1,960	1.9	1,997	(3.4)	1,930	3.6	2,000
November	1,648	6.1	1,748	1.6	1,777	3.3	1,835
December	1,700	3.7	1,763	(1.7)	1,732	(1.1)	1,713
January	1,606	(3.3)	1,552	5.8	1,642	5.8	1,738
February	1,518	5.8	1,606	(5.8)	1,514	6.6	1,614
March	1,763	6.0	1,869	(3.9)	1,796		
April	1,863	(0.3)	1,858	(2.8)	1,807		
May	1,910	0.9	1,927	3.9	2,003		
Total Year	21,430	3.5	22,172	0.0	22,179		
June - Feb	15,894	3.9	16,517	0.3	16,573	1.4	16,811

Month	Total Vehicles 2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	13,572	2.9	13,971	0.5	14,041	0.1	14,054
July	14,039	3.9	14,581	(3.1)	14,123	(1.4)	13,919
August	14,147	2.3	14,476	(0.3)	14,430	0.1	14,441
September	12,961	2.5	13,287	1.0	13,421	(1.0)	13,289
October	13,836	1.6	14,061	(2.1)	13,766	0.4	13,826
November	12,408	5.0	13,029	0.4	13,078	(0.4)	13,019
December	12,602	3.7	13,065	(2.5)	12,738	(2.3)	12,439
January	11,225	(0.6)	11,158	4.6	11,675	(0.7)	11,588
February	10,619	6.8	11,345	(5.3)	10,740	2.0	10,953
March	12,390	5.2	13,037	(5.0)	12,384		
April	13,244	(3.3)	12,812	1.9	13,054		
May	13,888	(1.8)	13,644	1.6	13,858		
Total Year	154,930	2.3	158,466	(0.7)	157,307		
June - Feb	115,408	3.1	118,973	(0.8)	118,010	(0.4)	117,528

Toll Revenue (in $1,000s)

Month	Passenger Cars 2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	$44,313	6.9	$47,358	6.4	$50,374	8.9	$54,875
July	47,889	10.2	52,753	5.5	55,659	5.0	58,459
August	49,295	5.9	52,191	1.3	52,888	8.1	57,199
September	39,577	10.7	43,823	9.6	48,028	3.7	49,807
October	42,096	8.2	45,567	5.9	48,264	5.5	50,936
November	39,415	10.7	43,632	5.6	46,084	5.9	48,799
December	38,616	9.0	42,110	5.4	44,375	3.9	46,096
January	33,269	8.1	35,973	9.8	39,489	4.0	41,070
February	30,588	15.0	35,190	2.0	35,898	9.1	39,149
March	38,006	13.9	43,273	(0.9)	42,900		
April	42,423	1.4	42,999	14.5	49,234		
May	47,368	1.7	48,163	7.4	51,721		
Total Year	$492,853	8.2	$533,031	6.0	$564,915		
June - Feb	$365,056	9.2	$398,596	5.6	$421,060	6.0	$446,391

Month	Commercial Vehicles 2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	$32,122	12.1	$36,014	8.7	$39,137	4.7	$40,969
July	32,910	9.5	36,048	4.1	37,543	2.5	38,493
August	32,392	9.1	35,345	12.5	39,776	6.6	42,397
September	31,894	9.2	34,839	7.8	37,555	3.4	38,829
October	33,863	6.5	36,072	1.3	36,541	12.0	40,913
November	28,909	9.5	31,665	7.0	33,896	10.8	37,560
December	29,865	6.8	31,906	6.0	33,828	6.0	35,866
January	30,336	3.4	31,378	9.0	34,189	14.2	39,045
February	28,569	13.2	32,343	(2.2)	31,628	17.3	37,084
March	33,479	10.8	37,096	2.3	37,948		
April	34,384	6.6	36,662	1.8	37,308		
May	34,854	7.7	37,552	6.9	40,145		
Total Year	$383,576	8.7	$416,919	5.4	$439,495		
June - Feb	$280,859	8.8	$305,610	6.0	$324,093	8.4	$351,157

Month	Total Vehicles 2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	$76,435	9.1	$83,371	7.4	$89,511	7.1	$95,844
July	80,798	9.9	88,801	5.0	93,201	4.0	96,952
August	81,686	7.2	87,536	5.9	92,665	7.5	99,596
September	71,471	10.1	78,662	8.8	85,583	3.6	88,636
October	75,959	7.5	81,639	3.9	84,805	8.3	91,850
November	68,323	10.2	75,297	6.2	79,980	8.0	86,360
December	68,480	8.1	74,016	5.7	78,203	4.8	81,962
January	63,605	9.4	67,351	9.4	73,678	8.7	80,116
February	59,157	14.2	67,533	(0.0)	67,526	12.9	76,233
March	71,485	12.4	80,369	0.6	80,848		
April	76,807	3.7	79,661	8.6	86,542		
May	82,222	4.2	85,715	7.2	91,866		
Total Year	$876,429	8.4	$949,950	5.7	$1,004,410		
June - Feb	$645,915	9.0	$704,206	5.8	$745,154	7.0	$797,547

NOTES:

(1) Toll increases occur every year with exceptions. Refer to Table 2-1 for details.

(2) Leap year occurred in 2016, resulting in negative traffic and toll revenue impacts in February 2017 compared to February 2016.

(3) Abnormally severe winter weather negatively impacted traffic and toll revenue in January and February 2014, particularly among passenger cars.

(4) The Delaware River Bridge was closed due to structural integrity concerns from January 20, 2017 to March 9, 2017.

(5) Before January 2016, Delaware River Bridge traffic and revenue were included in Ticket System reporting.

In FY 2017-18, through February, passenger-car transactions decreased by 0.7% compared to the same period in FY 2016-17. The months of September and December in 2017 both had one less weekday compared to the same months in 2016. The months of November 2017 through January 2018 were negatively impacted by abnormally severe winter weather.

Growth in passenger-car toll revenue was much stronger than growth in transactions due to annual toll rate increases. Passenger-car toll revenue increased 8.2% in FY 2015-16 and 6.0% in FY 2016-17. In the current fiscal year, passenger-car toll revenue on the Ticket System increased by 6% through February 2018 compared to the same period in the previous year.

Commercial-vehicle transactions increased 3.5% in in FY 2014-15, and 0.0% in FY 2015-16. Year-to-date, FY 2017-18 commercial-vehicle transactions increased by 1.4% over the same period in the prior year. Annual toll revenue increased 8.7% in FY 2015-16, 5.4% in FY 2016-17, and 8.4% in FY 2017-18 through February 2018. These increases in toll revenue were driven primarily by annual toll rate increases and by increased transactions.

Total Ticket System transactions increased by 2.3% in FY 2015-16 and decreased by 0.7% in FY 2016-17. In FY 2017-18, transactions through February 2018 decreased compared to the same period in the prior year by 0.4%. Total Ticket System toll revenue increased by 8.4% in FY 2015-16, and by 5.7% in FY 2016-17. Toll revenue year to date in FY 2017-18 (through February 2018) increased by 7% compared to the same period in the prior year.

2.4.2 Barrier System Monthly Trends

Table 2-9 presents monthly transaction and toll revenue trends for the Barrier System. Passenger-car transactions increased by 1.5% in FY 2014-15, by 7.9% in FY 2015-16, and by 6.8% in FY 2016-17. Passenger-car transactions increased by 1.5% in FY 2017-18 year-to-date compared to the previous year. A positive impact in toll transactions can be seen from January 2016 through December 2016 due to the addition of the Delaware River Bridge (plaza 359) transactions to the Barrier System. The negative impact associated with the temporary DRB closure can be seen in January through March 2017. The large percent increases in transactions in January and February 2018 compared to the prior year are due to the returned traffic on the DRB. September and December 2017 had one less weekday compared to the same months in 2016.

Passenger-car toll revenue increased by 37.5% in FY 2015-16, and by 33.7% in FY 2016-17. In the FY 2017-18, passenger-car toll revenue increased by 6.4% through February 2018 compared to the same period in the previous year. These large toll revenue increases are due to the annual toll rate increases and to inclusion of the DRB toll revenue into the Barrier System.

Commercial-vehicle transactions increased 9.2% in FY 2015-16, and by 7.3% in FY 2016-17. Year-to-date, FY 2017-18 commercial-vehicle transactions increased 9.7% over the same period in the prior year. Commercial-vehicle toll revenue increased by 49.9% in FY 2015-16, and by 39.0% in FY 2016-17. FY 2017-18 commercial-vehicle toll revenue increased by 13.8% through February 2018. These increases in toll revenue were driven by increased transactions, particularly the inclusion of the DRB, and by annual toll increases.

Table 2-9
Combined Barrier Facilities - Monthly Transaction and Revenue Trends
Transactions Include Only Toll Transactions - Non-Revenue Transactions Are Not Included

Toll Transactions (in 1,000s)

	Passenger Cars							Commercial Vehicles							Total Vehicles						
Month	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	2,816	1.3	2,854	18.5	3,382	0.8	3,409	409	3.0	421	23.9	522	5.2	549	3,225	1.6	3,275	19.2	3,904	1.4	3,958
July	3,009	1.7	3,060	17.2	3,587	(2.4)	3,502	441	(2.1)	431	14.1	492	5.9	521	3,450	1.2	3,491	16.9	4,079	(1.4)	4,023
August	3,140	(2.6)	3,059	18.3	3,619	(0.5)	3,600	439	(0.0)	439	21.7	534	8.1	578	3,579	(2.3)	3,498	18.7	4,154	0.6	4,178
September	2,851	0.3	2,858	16.8	3,337	0.0	3,338	437	0.5	439	14.1	501	5.5	529	3,288	0.3	3,297	16.4	3,839	0.7	3,867
October	3,001	0.1	3,004	13.2	3,399	(0.1)	3,395	452	0.2	452	10.4	500	9.5	547	3,452	0.1	3,456	12.8	3,899	1.1	3,942
November	2,597	3.3	2,684	17.7	3,158	(0.8)	3,133	363	3.8	377	21.9	459	6.2	488	2,960	3.4	3,060	18.2	3,617	0.1	3,620
December	2,589	2.7	2,658	14.6	3,046	(0.8)	3,021	347	2.0	353	19.1	421	2.7	432	2,936	2.6	3,011	15.1	3,467	(0.4)	3,453
January	2,286	16.8	2,670	(3.5)	2,576	4.5	2,692	329	19.8	394	(5.7)	372	17.7	438	2,616	17.2	3,065	(3.8)	2,948	6.2	3,129
February	2,148	27.5	2,738	(20.3)	2,181	20.1	2,619	304	28.0	389	(22.5)	302	39.2	420	2,453	27.5	3,127	(20.6)	2,483	22.4	3,039
March	2,585	22.3	3,160	(10.5)	2,827			379	23.7	468	(10.3)	420			2,963	22.5	3,629	(10.5)	3,247		
April	2,728	15.5	3,152	0.0	3,152			399	19.0	475	(2.8)	462			3,127	16.0	3,627	(0.4)	3,614		
May	2,942	14.8	3,378	0.8	3,405			415	22.1	507	6.5	539			3,357	15.7	3,885	1.5	3,945		
Total Year	32,692	7.9	35,274	6.8	37,671			4,714	9.2	5,147	7.3	5,524			37,406	8.1	40,422	6.9	43,195		
June - Feb	24,437	4.7	25,584	10.6	28,286	1.5	28,708	3,521	5.0	3,697	11.0	4,103	9.7	4,501	27,958	4.7	29,281	10.6	32,389	2.5	33,209

Toll Revenue (in $1,000s)

	Passenger Cars							Commercial Vehicles							Total Vehicles						
Month	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	$3,445	5.5	$3,633	89.9	$6,899	1.5	$7,002	$1,516	5.6	$1,601	120.1	$3,524	4.3	$3,674	$4,961	5.5	$5,234	99.1	$10,423	2.4	$10,677
July	3,638	6.5	3,873	88.9	7,316	(0.7)	7,263	1,627	0.3	1,631	104.3	3,333	3.6	3,454	5,265	4.5	5,504	93.5	10,649	0.6	10,717
August	3,771	2.9	3,881	87.9	7,291	1.7	7,413	1,602	2.2	1,638	117.4	3,561	7.1	3,813	5,373	2.7	5,518	96.6	10,851	3.4	11,226
September	3,465	3.8	3,596	87.5	6,741	1.1	6,813	1,596	2.3	1,634	109.9	3,429	3.3	3,543	5,062	3.3	5,229	94.5	10,171	1.8	10,355
October	3,615	4.1	3,764	79.4	6,754	1.7	6,870	1,644	4.3	1,714	95.6	3,353	9.9	3,686	5,259	4.2	5,478	84.5	10,107	4.4	10,556
November	3,120	8.4	3,381	87.9	6,352	(0.5)	6,323	1,341	6.7	1,432	123.8	3,204	5.6	3,384	4,461	7.9	4,812	98.6	9,556	1.6	9,706
December	3,151	5.9	3,336	85.5	6,187	1.0	6,249	1,290	5.2	1,357	124.9	3,053	2.7	3,133	4,440	5.7	4,693	96.9	9,240	1.5	9,382
January	2,869	78.8	5,130	(4.8)	4,885	16.1	5,671	1,273	114.4	2,728	(11.7)	2,408	32.0	3,177	4,141	89.7	7,858	(7.2)	7,293	21.3	8,848
February	2,695	102.0	5,443	(43.8)	3,059	77.4	5,428	1,184	134.8	2,779	(53.1)	1,305	133.5	3,046	3,879	112.0	8,222	(46.9)	4,364	94.2	8,474
March	3,271	90.0	6,215	(17.4)	5,133			1,461	120.9	3,227	(17.2)	2,671			4,732	99.5	9,442	(17.3)	7,804		
April	3,449	81.9	6,276	2.8	6,449			1,529	115.1	3,288	(1.7)	3,232			4,978	92.1	9,563	1.2	9,680		
May	3,711	81.5	6,736	1.0	6,806			1,559	116.6	3,378	7.2	3,622			5,271	91.9	10,114	3.1	10,427		
Total Year	$40,201	37.5	$55,263	33.7	$73,872			$17,621	49.9	$26,406	39.0	$36,694			$57,822	41.2	$81,670	35.4	$110,566		
June - Feb	$29,769	21.1	$36,037	54.0	$55,484	6.4	$59,030	$13,072	26.3	$16,514	64.5	$27,169	13.8	$30,911	$42,841	22.7	$52,550	57.3	$82,654	8.8	$89,941

NOTES:
(1) Toll increases occur every year with exceptions. Refer to Table 2-1 for details.
(2) Leap year occurred in 2016, resulting in negative traffic and toll revenue impacts in February 2017 compared to February 2016.
(3) Abnormally severe winter weather negatively impacted traffic and toll revenue in January and February 2014, particularly among passenger cars.
(4) The Delaware River Bridge was closed due to structural integrity concerns from January 20, 2017 to March 9, 2017.
(5) Before January 2016, Delaware River Bridge traffic and revenue were included in Ticket System reporting.

Total Barrier System transactions increased by 8.1% in FY 2015-16, and by 6.9% in FY 2016-17. In FY 2017-18, transactions through February 2018 increased over the same time-period in the prior year by 2.5%. Total Barrier System toll revenue increased by 41.2% in FY 2015-16, and by 35.4% in FY 2016-17. Toll revenue year to date in FY 2017-18 has increased by 8.8% compared to the same period in the prior year. Positive impacts to the Barrier System are seen from January 2016 through December 2016 due to adding the Delaware River Bridge transactions to Barrier System (they were previously counted in the Ticket System). The recovery of traffic on the DRB is seen in January and February 2017 compared to the same period in the prior year.

2.4.3 Total Turnpike System Monthly Trends

Table 2-10 presents the monthly transaction and toll revenue trends for the total Turnpike System. Passenger-car transactions increased by 3.2% in FY 2015-16, and 0.7% in FY 2016-17. Passenger-car transactions decreased by 0.2% in FY 2017-18 year-to-date compared to the previous year. Passenger-car toll revenue increased at a faster annual rate than transactions due to toll increases that were implemented each year. Passenger-car toll revenue increased 10.4% in FY 2015-16, 8.6% in FY 2016-17, and 6.1% through February 2018 compared to the same time-period in the previous year.

Commercial-vehicle transactions increased 4.5% in FY 2015-16, 1.4% in FY 2016-17, and 3.1% in FY 2017-18 over the same period in the prior year. Toll revenue increased 10.5% in FY 2015-16, 7.4% in FY 2016-17, and 8.8% in FY 2017-18 through February 2018.

Total transactions increased 3.4% in FY 2015-16, 0.8% in FY 2016-17, and 0.2% in FY 2017-18 over the same period in the prior year. Toll revenue increased 10.4% in FY 2015-16, 8.1% in FY 2016-17, and 7.2% in FY 2017-18 through February 2018.

Transactions and toll revenue were negatively impacted by the temporary closure of the DRB from January 20 through March 9, 2017. CDM Smith estimated that the DRB closure caused a total Systemwide decrease of 1.5 million transactions and $12.1 million in toll revenue in FY 2016-17.

2.5 Comparison of Commercial Activity and Total Turnpike Toll Transactions

Table 2-11 presents a comparison between three measures of economic growth, and transaction growth on the Turnpike System from 2010 through 2017. Annual percent changes in Turnpike System transactions over the prior year are compared to annual percent changes in the U.S. gross domestic product (GDP), the Tri-State (NJ, NY, PA) gross regional product (GRP), and the PA gross state product (GSP). U.S. gross domestic product (GDP) is actual through 2017, while the gross regional product and gross state product data for 2017 are estimates.

Passenger-car transactions increased by 2.3 percent in 2015, 3.1 percent in 2016 and decreased by 1.1 percent in 2017. Commercial vehicle growth, increased 3.9 percent in 2015, 4.2 percent in 2016 and 0.2 percent in 2017. The U.S. GDP, Tri-State GRP, and PA GSP all experienced growth in 2017.

While there is a correlation between economic activity and Turnpike System toll transactions, it is likely that transactions are also being dampened by the annual toll rate increases that have been implemented since 2009. 2017 Turnpike transactions were also negatively impacted by the temporary closure of the DRB from January 20, 2017 through March 9, 2017.

Table 2-10
Total Turnpike System - Monthly Transaction and Revenue Trends
Transactions Include Only Toll Transactions - Non-Revenue Transactions Are Not Included

Toll Transactions (in 1,000s)

Passenger Cars

Month	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	14,535	2.2	14,849	3.7	15,395	0.3	15,438
July	15,138	3.3	15,643	0.9	15,783	(1.7)	15,522
August	15,425	1.0	15,584	2.5	15,967	(0.1)	15,957
September	13,974	1.8	14,220	4.2	14,817	(0.6)	14,724
October	14,876	1.3	15,067	1.1	15,236	(0.1)	15,221
November	13,358	4.5	13,965	3.5	14,458	(1.0)	14,317
December	13,491	3.5	13,960	0.7	14,051	(2.2)	13,746
January	11,905	3.1	12,276	2.7	12,609	(0.5)	12,542
February	11,249	10.9	12,477	(8.6)	11,407	4.8	11,958
March	13,211	8.5	14,328	(6.4)	13,416		
April	14,109	(0.0)	14,105	2.1	14,400		
May	14,921	1.2	15,095	1.1	15,260		
Total Year	166,192	3.2	171,569	0.7	172,799		
June - Feb	123,951	3.3	128,040	1.3	129,723	(0.2)	129,425

Commercial Vehicles

Month	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	2,261	6.0	2,398	6.4	2,550	1.0	2,575
July	2,351	3.3	2,429	(0.4)	2,419	(0.0)	2,419
August	2,301	3.9	2,390	9.5	2,616	1.7	2,662
September	2,275	3.9	2,364	3.3	2,442	(0.4)	2,431
October	2,412	1.6	2,450	(0.8)	2,429	4.9	2,547
November	2,011	5.7	2,125	5.2	2,236	3.9	2,323
December	2,046	3.4	2,116	1.7	2,153	(0.4)	2,146
January	1,935	0.6	1,947	3.4	2,014	8.0	2,175
February	1,822	9.5	1,996	(9.0)	1,815	12.0	2,034
March	2,142	9.2	2,338	(5.2)	2,216		
April	2,262	3.1	2,333	(2.8)	2,268		
May	2,325	4.7	2,434	4.5	2,542		
Total Year	26,144	4.5	27,319	1.4	27,703		
June - Feb	19,415	4.1	20,214	2.3	20,676	3.1	21,312

Total Vehicles

Month	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	16,797	2.7	17,246	4.1	17,945	0.4	18,013
July	17,489	3.3	18,072	0.7	18,202	(1.4)	17,942
August	17,726	1.4	17,974	3.4	18,583	0.2	18,619
September	16,249	2.1	16,584	4.1	17,260	(0.6)	17,156
October	17,288	1.3	17,517	0.8	17,665	0.6	17,768
November	15,368	4.7	16,090	3.8	16,695	(0.3)	16,640
December	15,537	3.5	16,076	0.8	16,204	(1.9)	15,891
January	13,840	2.8	14,222	2.8	14,622	0.7	14,718
February	13,072	10.7	14,472	(8.6)	13,223	5.8	13,992
March	15,353	8.5	16,666	(6.2)	15,632		
April	16,371	0.4	16,438	1.4	16,668		
May	17,245	1.6	17,529	1.6	17,802		
Total Year	192,336	3.4	198,887	0.8	200,501		
June - Feb	143,366	3.4	148,254	1.4	150,399	0.2	150,737

Toll Revenue (in $1,000s)

Passenger Cars

Month	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	$47,759	6.8	$50,991	12.3	$57,273	8.0	$61,877
July	51,527	9.9	56,625	11.2	62,975	4.4	65,722
August	53,065	5.7	56,072	7.3	60,179	7.4	64,611
September	43,042	10.2	47,419	15.5	54,770	3.4	56,620
October	45,711	7.9	49,331	11.5	55,018	5.1	57,806
November	42,534	10.5	47,013	11.5	52,436	5.1	55,122
December	41,766	8.8	45,446	11.3	50,563	3.5	52,345
January	36,138	13.7	41,103	8.0	44,374	5.3	46,741
February	33,282	22.1	40,633	(4.1)	38,957	14.4	44,576
March	41,277	19.9	49,488	(2.9)	48,033		
April	45,872	7.4	49,275	13.0	55,683		
May	51,080	7.5	54,899	6.6	58,526		
Total Year	$533,054	10.4	$588,295	8.6	$638,787		
June - Feb	$394,825	10.1	$434,633	9.6	$476,545	6.1	$505,421

Commercial Vehicles

Month	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	$33,638	11.8	$37,614	13.4	$42,661	4.6	$44,643
July	34,536	9.1	37,680	8.5	40,876	2.6	41,947
August	33,994	8.8	36,983	17.2	43,337	6.6	46,210
September	33,490	8.9	36,472	12.4	40,984	3.4	42,371
October	35,507	6.4	37,786	5.6	39,895	11.8	44,599
November	30,250	9.4	33,096	12.1	37,100	10.4	40,944
December	31,154	6.8	33,264	10.9	36,880	5.7	39,000
January	31,609	7.9	34,106	7.3	36,597	15.4	42,222
February	29,753	18.0	35,122	(6.2)	32,933	21.9	40,130
March	34,940	15.4	40,322	0.7	40,619		
April	35,912	11.2	39,950	1.5	40,540		
May	36,413	12.4	40,930	6.9	43,767		
Total Year	$401,197	10.5	$443,325	7.4	$476,188		
June - Feb	$293,931	9.6	$322,123	9.0	$351,263	8.8	$382,067

Total Vehicles

Month	2014-15	% Chg	2015-16	% Chg	2016-17	% Chg	2017-18
June	$81,397	8.9	$88,606	12.8	$99,935	6.6	$106,521
July	86,063	9.6	94,305	10.1	103,851	3.7	107,669
August	87,060	6.9	93,054	11.2	103,516	7.1	110,821
September	76,532	9.6	83,891	14.1	95,754	3.4	98,991
October	81,218	7.3	87,117	8.9	94,912	7.9	102,405
November	72,785	10.1	80,109	11.8	89,536	7.3	96,066
December	72,921	7.9	78,709	11.1	87,443	4.5	91,344
January	67,747	11.0	75,209	7.7	80,971	9.9	88,964
February	63,035	20.2	75,755	(5.1)	71,890	17.8	84,707
March	76,218	17.8	89,811	(1.3)	88,653		
April	81,784	9.1	89,224	7.8	96,223		
May	87,493	9.5	95,829	6.7	102,293		
Total Year	$934,251	10.4	$1,031,620	8.1	$1,114,975		
June - Feb	$688,756	9.9	$756,756	9.4	$827,807	7.2	$887,488

NOTES:
(1) Toll increases occur every year with exceptions. Refer to Table 2-1 for details.
(2) Leap year occurred in 2016, resulting in negative traffic and toll revenue impacts in February 2017 compared to February 2016.
(3) Abnormally severe winter weather negatively impacted traffic and toll revenue in January and February 2014, particularly among passenger cars.
(4) The Delaware River Bridge was closed due to structural integrity concerns from January 20, 2017 to March 9, 2017.
(5) Before January 2016, Delaware River Bridge traffic and revenue were included in Ticket System reporting.

Table 2-11
Near-term Measures of Commercial Activity and Growth in Total Turnpike System Transactions

Percent Change over Prior Year

Calendar Year	Gross Domestic Product Growth[1] (U.S.)	Gross Regional Product Growth[1] (NJ, NY, PA)	Gross State Product Growth[1] (PA)	PA Turnpike System Percent Transaction Growth[2]: Passenger Cars	Commercial Vehicles	All Vehicles
2010	2.5%	2.6%	2.7%	1.0%	4.0%	1.3%
2011	1.6%	0.4%	1.3%	-1.1%	1.0%	-0.9%
2012	2.2%	2.5%	1.6%	0.3%	0.6%	0.3%
2013	1.7%	0.6%	1.6%	0.6%	3.0%	0.9%
2014	2.6%	1.5%	2.0%	0.0%	4.2%	0.5%
2015	2.9%	1.9%	2.3%	2.3%	3.9%	2.5%
2016	1.5%	0.5%	0.6%	3.1%	4.2%	3.3%
2017	2.3%	1.6%	1.9%	-1.1%	0.2%	-0.9%

(1) The percent changes in U.S. GDP, GRP, and GSP are based on chained 2009 dollars. The U.S. GDP is actual through 2017. The GRP and GSP are actual through 2016. Actual data was obtained from the U.S. Bureau of Economic Analysis. Forecast data was from Moody's Analytics baseline forecast (April 2018 for regional, February 2018 for Pennsylvania).

(2) Turnpike System growth rates are actual through 2017.

2.6 Annual Transaction and Gross Toll Revenue Trends

Table 2-12 provides a summary of annual total Turnpike System transactions and adjusted gross toll revenue trends from FY 1996-97 through FY 2016-17. Note that transactions and adjusted toll revenue in Table 2-12 reflect final audited Turnpike System totals including adjustments and discounts available from the Commercial Volume Discount Program described earlier in this chapter.

The Turnpike System has experienced decreasing annual growth in transactions and consistent growth in toll revenue. Transaction growth likely decreased in response to the Great Recession, which officially lasted from December 2007 to June 2009, a slow economic recovery, and annual toll rate increases since 2009. Toll revenue increase annually primarily due to the toll rate increases.

Between FY 1996-97 and FY 2006-07, total Turnpike System transactions increased from 144.1 million to 185.4 million, an average annual increase of 2.6%. From FY 2006-07 to FY 2016-17, total turnpike transactions grew from 185.4 million to 200.5 million, an average annual increase of 0.8%. In the 20 years between FY 1996-97 and FY 2016-17, total Turnpike System transactions increased by an annual average of 1.7%. Adjusted Turnpike System toll revenue increased by 6.4% per year from FY 1996-97 through FY 2006-07, by 6.5% per year from FY 2006-07 through FY 2016-17, and by 6.4% per year from FY 1996-97 through FY 2016-17.

Table 2-12
Annual Systemwide Traffic and Adjusted Toll Revenue Trends
Pennsylvania Turnpike System
(Values in Thousands)

Fiscal (1) Year	Transactions: Cars	Percent Change Over Prior Year	Trucks	Percent Change Over Prior Year	Total	Percent Change Over Prior Year	Adjusted Toll Revenue: Cars	Percent Change Over Prior Year	Trucks	Percent Change Over Prior Year	Total	Percent Change Over Prior Year
1996-97	126,654		17,479		144,133		179,303		140,837		320,140	
1997-98	132,472	4.6	18,627	6.6	151,099	4.8	186,290	3.9	149,036	5.8	335,326	4.7
1998-99	136,399	3.0	19,833	6.5	156,232	3.4	191,804	3.0	158,761	6.5	350,565	4.5
1999-00	138,762	1.7	21,341	7.6	160,103	2.5	195,301	1.8	172,035	8.4	367,336	4.8
2000-01	141,033	1.6	21,278	(0.3)	162,311	1.4	193,563	(0.9)	172,337	0.2	365,900	(0.4)
2001-02	150,496	6.7	22,298	4.8	172,794	6.5	212,650	9.9	163,101	(5.4)	375,751	2.7
2002-03	156,220	3.8	23,179	4.0	179,399	3.8	219,201	3.1	168,021	3.0	387,222	3.1
2003-04	163,612	4.7	24,407	5.3	188,019	4.8	228,515	4.2	180,229	7.3	408,744	5.6
2004-05 (1)	163,316	(0.2)	25,109	2.9	188,425	0.2	309,032	35.2	236,126	31.0	545,158	33.4
2005-06	160,590	(1.7)	25,311	0.8	185,901	(1.3)	321,268	4.0	267,369	13.2	588,637	8.0
2006-07	160,107	(0.3)	25,316	0.0	185,423	(0.3)	322,781	0.5	269,861	0.9	592,642	0.7
2007-08	164,097	2.5	25,455	0.5	189,552	2.2	332,035	2.9	265,637	(1.6)	597,672	0.8
2008-09 (1)	162,638	(0.9)	23,583	(7.4)	186,220	(1.8)	356,345	7.3	260,047	(2.1)	616,392	3.1
2009-10 (1)	163,599	0.6	22,933	(2.8)	186,531	0.2	415,981	16.7	302,057	16.2	718,038	16.5
2010-11 (1)	165,231	1.0	23,812	3.8	189,043	1.3	435,752	4.8	328,105	8.6	763,856	6.4
2011-12 (1)	164,955	(0.2)	24,125	1.3	189,080	0.0	455,133	4.4	342,646	4.4	797,779	4.4
2012-13 (1)	163,690	(0.8)	24,207	0.3	187,897	(0.6)	471,514	3.6	350,226	2.2	821,740	3.0
2013-14 (1)	163,788	0.1	24,891	2.8	188,679	0.4	497,671	5.5	368,395	5.2	866,066	5.4
2014-15 (1)	166,192	1.5	26,144	5.0	192,336	1.9	533,054	7.1	401,197	8.9	934,251	7.9
2015-16 (1)	171,569	3.2	27,319	4.5	198,887	3.4	588,295	10.4	443,325	10.5	1,031,620	10.4
2016-17 (1)	172,799	0.7	27,703	1.4	200,501	0.8	638,787	8.6	476,188	7.4	1,114,975	8.1

Average Annual Percent Change

Fiscal Year	Transactions: Cars	Trucks	Total	Adjusted Toll Revenue: Cars	Trucks	Total
FY 1996-97 - FY 2006-07	2.4	3.8	2.6	6.1	6.7	6.4
FY 2006-07 - FY 2016-17	0.8	0.9	0.8	7.1	5.8	6.5
FY 1996-97 - FY 2016-17	1.6	2.3	1.7	6.6	6.3	6.4

(1) PTC Fiscal Years begin June 1 and end May 31.
(2) A toll increase occurred during this fiscal year. Refer to table 2-1.

Figure 2-5 illustrates Turnpike System historical transactions and adjusted gross toll revenue on an annual basis from FY 1997-98 to FY 2016-17. Toll increases are represented by a black star over the fiscal year in which the increase was implemented. Figure 2-5 clearly shows the greater rate of growth in Turnpike System toll revenue compared to the comparatively flat growth in toll transactions since 2009. The low transaction growth rates are attributed to annual toll rate increases since 2009 and a slow economic recovery from the Great recession of 2007.

2.7 E-ZPass Market Share

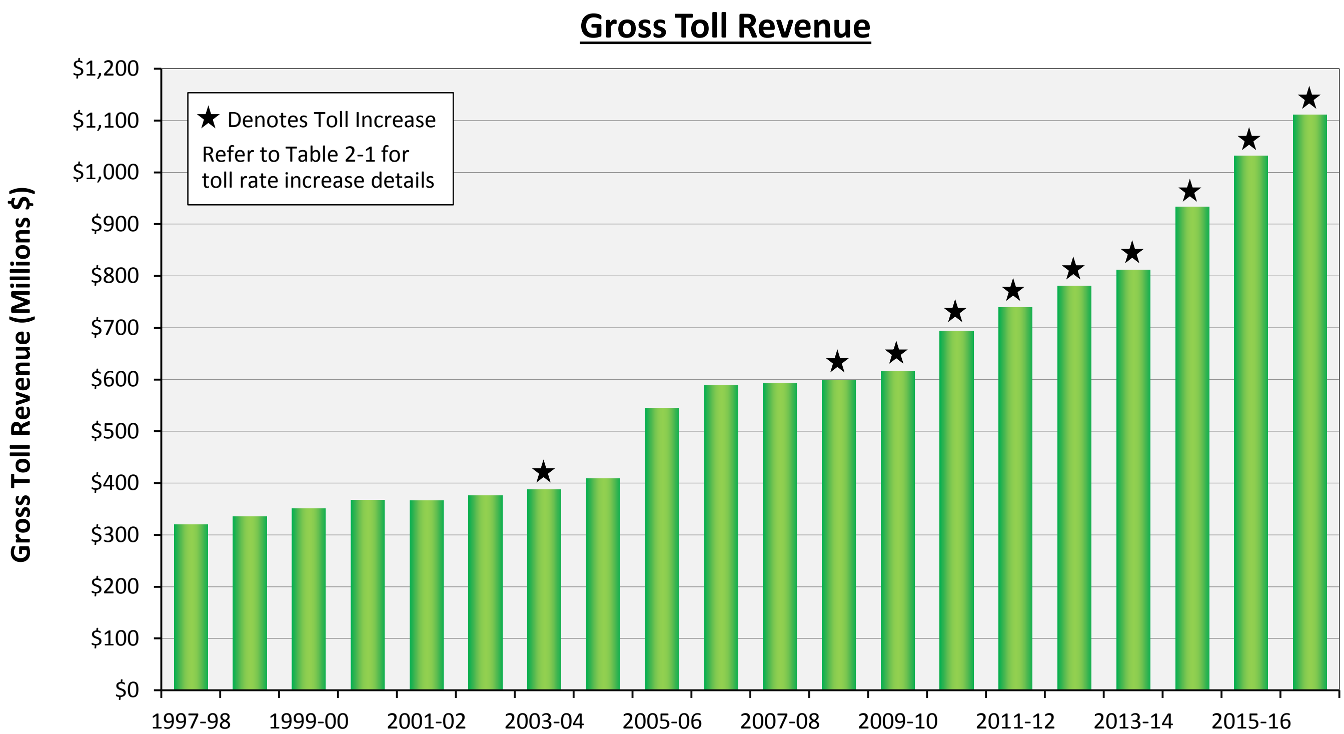
Table 2-13 shows the historical growth in E-ZPass transactions as a percent of total toll transactions on the Turnpike System. Over the past 12 years, passenger-car E-ZPass market share has increased by 35.5 percentage points, from 40.4% to 76.9% of total toll transactions. Commercial-vehicle market share growth has been nearly as large, increasing by 29.4 percentage points, from 60.2% in FY 2005-06 to 89.6% in FY 2016-17. Total Turnpike System E-ZPass usage has grown from 43.2% to 78.7 percent from FY 2005-06 to FY 2016-17.

Table 2-14 presents monthly E-ZPass market share trends on the Ticket System for FY 2016-17. It is apparent from a comparison of Tables 2-13 and 2-14 that the E-ZPass participation was slightly higher on the Ticket System than on the Turnpike System as a whole. Ticket System E-ZPass penetration averaged 78.4% for passenger cars, 89.6% for commercial vehicles, and 80% for all vehicles. Monthly trend data shows that E-ZPass penetration is lowest in the summer months, and peaks in the winter months of January and February. There is less variation in Commercial-vehicle E-ZPass market share by month compared to passenger cars.

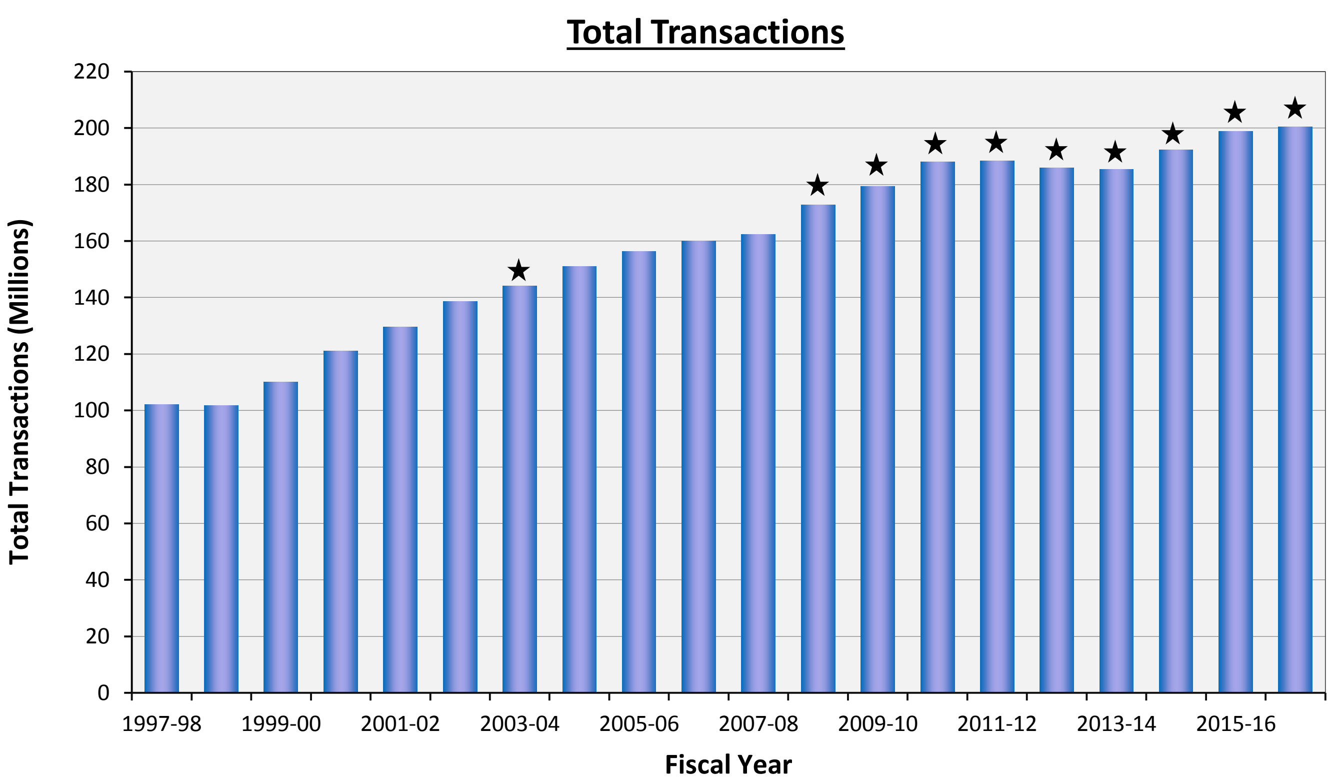
Table 2-13
Annual E-ZPass Market Share: Turnpike System
Based on Toll Transactions

	Annual Percent E-ZPass Market Share By Vehicle Class		
Fiscal[1] Year	Passenger Cars	Commercial Vehicles	Total
2005-06	40.4 %	60.2 %	43.2 %
2006-07	44.3	67.9	47.6
2007-08	46.8	71.1	50.1
2008-09[2]	50.4	74.3	53.4
2009-10[2]	53.9	76.1	56.6
2010-11[2,3]	57.5	77.7	60.1
2011-12[2,3]	61.8	80.0	64.1
2012-13[2,3]	66.1	82.7	68.2
2013-14[2,3]	70.1	85.0	72.0
2014-15[2,3]	72.8	86.7	74.7
2015-16[2]	74.8	88.4	76.7
2016-17[2]	76.9	89.6	78.7

(1) PTC Fiscal Years begin June 1 and end May 31.
(2) A toll increase occurred during this year. Refer to table 2-1.
(3) The toll differential increased between E-ZPass and cash.



Note: Toll revenue includes the adjustments associated with the Commercial Vehicle Volume Discount Program.



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PENNSYLVANIA TURNPIKE SYSTEM HISTORICAL TRANSACTIONS AND ADJUSTED GROSS TOLL REVENUE

FIGURE 2-5

Table 2-14
Monthly E-ZPass Market Share: Ticket System
Based on Toll Transactions Including Gateway Plaza

	FY 2016-17 (1) Percent E-ZPass Market Share By Vehicle Class		
Month	Passenger Cars	Commercial Vehicles	Total Vehicles
June 2016	76.2 %	88.3 %	77.9 %
July	74.4	87.8	76.2
August	76.4	88.5	78.1
September	77.8	88.7	79.3
October	78.3	89.2	79.8
November	78.9	90.1	80.4
December	79.2	90.6	80.7
January 2017	81.0	91.1	82.4
February	80.9	90.9	82.3
March	80.5	90.6	81.9
April	79.3	90.0	80.7
May	79.4	89.7	80.9
FY Total	78.4 %	89.6 %	80.0 %

(1) PTC Fiscal Years begin June 1 and end May 31.

Chapter 3

Socioeconomic Trends and Growth Forecasts

Historical and forecast socioeconomic data was collected and evaluated to understand how the state and the major sub-regions are growing. Discussions with local Metropolitan Planning Organization (MPO) representatives was also conducted to confirm and substantiate the socioeconomic data and understand underlying trends. This information was then used in an econometric analysis to estimate long-term baseline travel demand on the Pennsylvania Turnpike.

3.1 Socioeconomic Trends and Forecasts

An evaluation of long-term socioeconomic trends and forecasts for the areas along and surrounding the Pennsylvania Turnpike provided context and inputs for the traffic growth analysis. The tables and figures that follow, summarize the socioeconomic data which were reviewed, including population, employment, unemployment rates, retail sales, gross regional product, and retail gasoline prices.

An economic growth analysis identified any potential explanatory factors that may have influenced historical growth in toll transactions. Such explanatory factors were tested and applied within a regression-based econometric analysis to derive traffic growth forecasts.

In the subsequent tables, socioeconomic trends are presented as compound average annual percent change (AAPC), mostly in decade increments from 1980 through 2050. It should be noted that year 2016 was the last year in which a full year of historical data was available at the time the analysis was performed. Geographically, the United States is presented along with the Commonwealth of Pennsylvania and the surrounding states of New Jersey, New York, Ohio, and West Virginia. Additionally, the Pennsylvania counties along the Pennsylvania Turnpike are presented in Figure 3-1, and grouped for ease of presentation into four aggregations:

- **Pittsburgh Area Counties:** Allegheny, Armstrong, Beaver, Butler, Indiana, Lawrence, Washington, and Westmoreland;
- **Interurban Area Counties:** Adams, Bedford, Blair, Cambria, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Mifflin, Perry, Somerset, and York;
- **Philadelphia Area Counties:** Berks, Bucks, Chester, Delaware, Montgomery, and Philadelphia; and,
- **Northeastern Corridor Counties:** Carbon, Lackawanna, Lehigh, Luzerne, Northampton, and Wyoming.

3.1.1 Population Trends and Forecasts

Historical population growth trends and forecasts for the study area are presented in Table 3-1 and Figure 3-2. The historical trends were extracted from data available from the United States Census Bureau (census years and intercensal 2016 estimates), while forecasts of population growth rates are from the Woods & Poole, Inc. 2017 Complete Economic and Demographic Data Source (CEDDS)[1], available through year 2050.

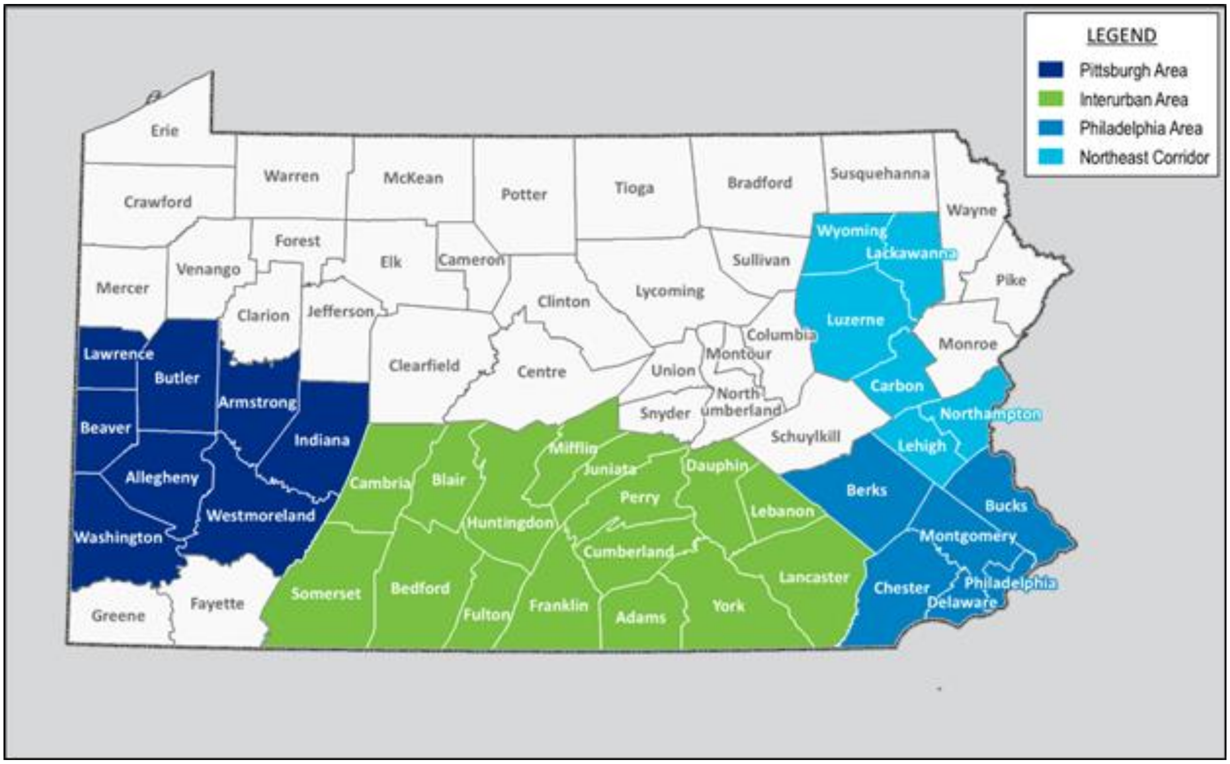


Figure 3-1
Pennsylvania County Groupings

Historic population growth along the Pennsylvania Turnpike and the surrounding states has generally been considerably lower, relative to the US. Pennsylvania's population has increased slowly since 1980, with no growth in that decade, followed by 0.3% annually from 1990 through 2010. Since 2010, the growth declined to 0.1% per year through 2016. In contrast, the U.S. growth rate has been at least three times the rate in Pennsylvania during all time periods.

Population growth along the Pennsylvania Turnpike corridor was similar to statewide growth. This is reasonable considering that the counties in the four aggregations referenced above constitute more than 80% of the statewide total. Within the Pennsylvania Turnpike corridor counties, the Pittsburgh Area has experienced a continuous population decline since the 1980s, whereas the other areas to the east of Pittsburgh experienced modest population growth.

Population is forecasted to generally continue the historical trends, with relatively modest growth rates in Pennsylvania, the surrounding states, and the counties along and surrounding the Turnpike. Pennsylvania population growth is forecasted to average 0.4% annually through 2030, and thereafter decelerate to 0.1% through 2050. Within the Commonwealth, Pittsburgh is forecast to continue contracting; the Northeast Corridor and the Philadelphia Area are forecast to exhibit population

[1] Woods & Poole Economics, Inc. Washington, D.C. Copyright 2017. Woods & Poole does not guarantee the accuracy of this data. The use of this data and the conclusion drawn from it are solely the responsibility of the consultant.

growth like Pennsylvania, and the Interurban counties between Pittsburgh and Philadelphia are forecast to grow relatively faster.

Table 3-1
Population Trends and Forecasts

Geography	History				Forecast		
	1980-'90	1990-'00	2000-'10	2010-'16	2016-'30	2030-'40	2040-'50
Pittsburgh Area	(0.7%)	(0.2%)	(0.3%)	(0.1%)	(0.1%)	(0.2%)	(0.3%)
Interurban Area	0.5%	0.7%	0.8%	0.3%	0.8%	0.6%	0.5%
Philadelphia Area	0.2%	0.4%	0.5%	0.3%	0.4%	0.2%	0.1%
Northeast Corridor	0.2%	0.2%	0.6%	0.1%	0.4%	0.3%	0.2%
Subtotal PA	0.0%	0.3%	0.4%	0.2%	0.4%	0.2%	0.1%
Maryland	1.3%	1.0%	0.9%	0.7%	0.9%	0.7%	0.6%
New Jersey	0.5%	0.8%	0.4%	0.4%	0.5%	0.4%	0.2%
New York	0.2%	0.5%	0.2%	0.4%	0.4%	0.2%	0.1%
Ohio	0.0%	0.5%	0.2%	0.1%	0.3%	0.2%	0.1%
Pennsylvania	0.0%	0.3%	0.3%	0.1%	0.4%	0.2%	0.1%
West Virginia	(0.8%)	0.1%	0.2%	(0.2%)	0.3%	0.2%	0.1%
Subtotal States	0.2%	0.5%	0.3%	0.3%	0.4%	0.3%	0.2%
United States	0.9%	1.2%	0.9%	0.8%	0.9%	0.8%	0.7%

Source: United States Census Bureau and Woods & Poole Economics, Inc. 2017

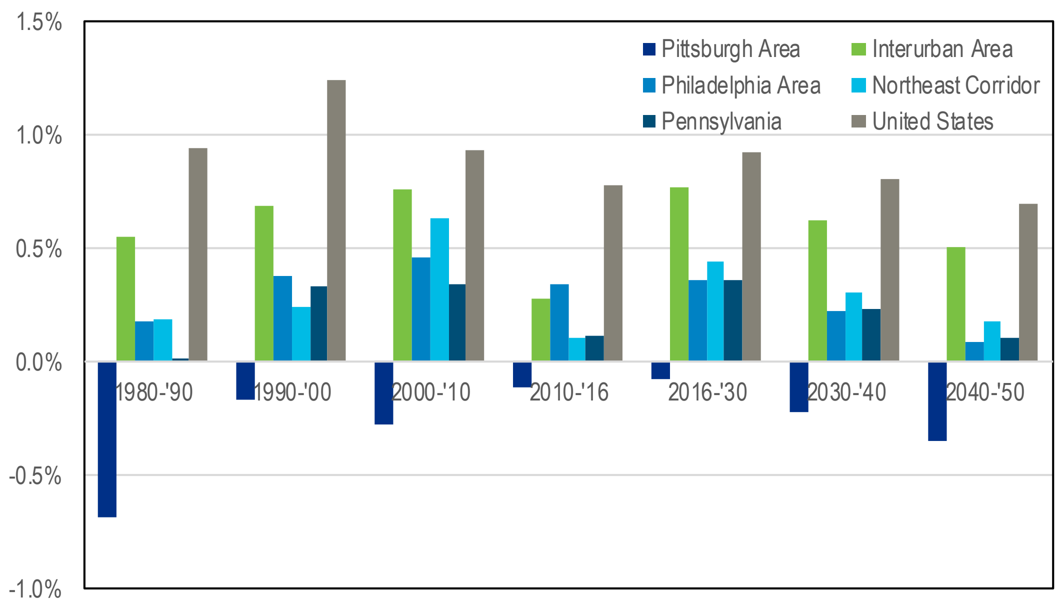


Figure 3-2
Population Trends and Forecasts

3.1.2 Employment and Unemployment Trends and Forecasts

The historical employment trends were extracted from data available from the United States Department of Commerce (Bureau of Economic Analysis from 1980 through 2016), while future growth rates are based on Woods & Poole data. Additional Bureau of Labor Statistics (BLS) unemployment data for the three major metro areas (which differs from the four Pennsylvania Turnpike socioeconomic groupings) is also compared/contrasted to state and national levels.

Employment - Historical employment growth generally decelerated from 1980 through 2010, with the pronounced reduction in average growth during the 2000-2010 decade, reflective of the recession that officially occurred from December 2007 through June 2009. Since 2010, employment growth has rebounded to longer-term historical averages, with Pennsylvania exhibiting 1.1% average growth since 2010. As with population, employment growth within Pennsylvania was historically slower than the nation (about half the rate). The Pittsburgh Area experienced the slowest relative historical employment growth, while the Interurban and Philadelphia Areas experienced the highest relative growth. Historical employment growth trends and forecasts for the study area are presented in Table 3-2 and Figure 3-3.

Although employment since 2010 (e.g., the recession) rebounded to longer-term historical growth patterns, the forecast is for decelerating growth. Average annual growth for Pennsylvania and the United States is forecast to grow at 1.0% and 1.3%, respectively, through 2030, then decelerate to 0.8% and 1.1%, respectively, between 2030 and 2040, then to 0.6% and 1.0% through 2050.

Table 3-2
Employment Trends and Forecasts

Geography	History				Forecast		
	1980-'90	1990-'00	2000-'10	2010-'16	2016-'30	2030-'40	2040-'50
Pittsburgh Area	0.4%	0.9%	0.1%	0.8%	0.7%	0.5%	0.4%
Interurban Area	1.8%	1.2%	0.4%	1.0%	1.2%	0.9%	0.7%
Philadelphia Area	1.3%	0.7%	0.4%	1.5%	1.0%	0.8%	0.7%
Northeast Corridor	1.1%	0.9%	0.5%	1.4%	1.1%	0.8%	0.7%
Subtotal PA	1.1%	0.9%	0.4%	1.2%	1.0%	0.8%	0.6%
Maryland	2.8%	1.2%	0.8%	1.5%	1.3%	1.1%	1.0%
New Jersey	1.8%	1.0%	0.4%	1.4%	1.1%	0.8%	0.7%
New York	1.2%	0.7%	0.6%	1.8%	1.0%	0.8%	0.7%
Ohio	1.2%	1.5%	(0.6%)	1.3%	0.9%	0.7%	0.6%
Pennsylvania	1.1%	0.9%	0.3%	1.1%	1.0%	0.8%	0.6%
West Virginia	(0.1%)	1.2%	0.3%	(0.1%)	0.9%	0.7%	0.6%
Subtotal States	1.4%	1.0%	0.3%	1.4%	1.0%	0.8%	0.7%
United States	2.0%	1.8%	0.5%	1.9%	1.3%	1.1%	1.0%

Source: United States Bureau of Economic Analysis and Woods & Poole Economics, Inc. 2017

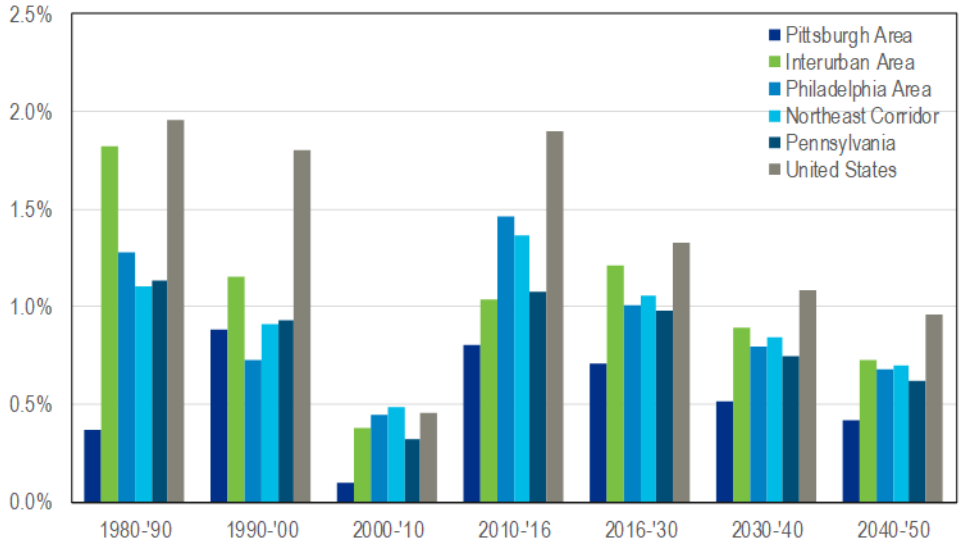


Figure 3-3
Employment Trends and Forecasts

Unemployment - Seasonally-unadjusted monthly unemployment rates prior to the last recession (January 2007 through November/December 2017) are presented in Figure 3-4 for the three major Metropolitan Statistical Areas (MSA) in Pennsylvania located along the Turnpike Mainline. These are the Philadelphia-Camden-Wilmington MSA, the Harrisburg-Carlisle MSA, and the Pittsburgh MSA. Additionally, unemployment data for the Commonwealth of Pennsylvania and the United States are also presented for comparison purposes. As the data are seasonally-unadjusted, the graph depicts both the seasonal cyclicality, and the longer-term trends.

Unemployment rates for the Commonwealth and MSAs generally parallel the nation, with a steep increase in 2008 and 2009, followed by a decade of steady decline to around 4.0%. Although the trends parallel, the Pennsylvania rates for most of the recent decade were below the United States. Harrisburg-Carlisle generally exhibited the lowest relative unemployment rates, reflective of the more stable government employment in the State Capitol (compared to more volatile private-sector employment). Philadelphia-Camden-Wilmington exhibited slightly higher unemployment rates than either Pittsburgh or Pennsylvania for most of the last decade. However, since the end of 2015, the unemployment rate in the Philadelphia MMSA has generally been slightly lower than Pennsylvania, whereas the unemployment rate in the Pittsburgh MSA has tracked slightly higher than the Commonwealth.

3.1.3 Real Retail Sales

Retail sales (in real, or constant dollar terms) trends and forecasts for the study area are presented in Table 3-3 and Figure 3-5. These data were extracted from data available from Woods & Poole. Nationally, growth in real retail sales grew 2.0% in the 1980s, accelerated to 3.4% in the 1990s, and was a tepid 0.6% in the decade from 2000 to 2010 (due to recession in 2008/09). Since the recession, annual growth nationally has rebounded to 2.8%. Pennsylvania trends in real retail sales paralleled the national historical trend, albeit at a relatively slower pace, with recent, post-recession annual growth of 2.3%. Within the Commonwealth, the Pittsburgh Area experienced the lowest post-recession relative growth (2.0%), while the Northeast Corridor experienced the highest (2.8%).

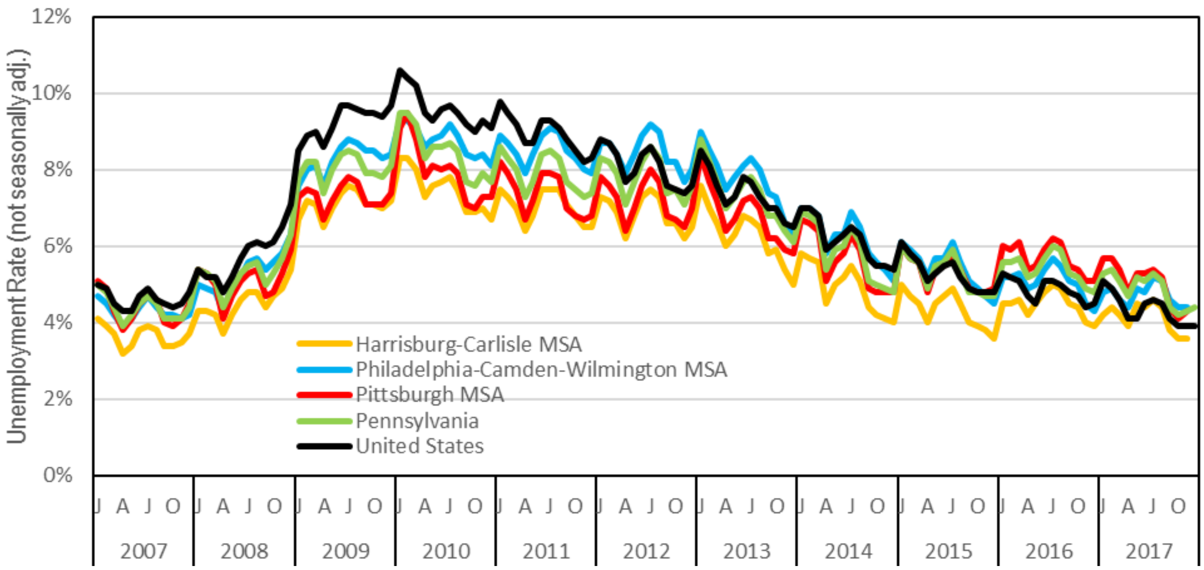


Figure 4-4
Trends in Unemployment Rates

Growth in real retail sales is forecast to decelerate from the recent rebounded growth since the recession. Nationally, Woods & Poole forecasts an average annual growth of about 1.5% through the end of the forecast period. Pennsylvania is forecast to grow at a slower relative pace, at 1.0% or lower. Within the Commonwealth, growth in retail sales within the Interurban Area are forecasted to be slightly higher than those of the other three clustered areas surrounding the Turnpike; and of these three, the Pittsburgh Area is forecast to grow at the slowest relative average rate.

Table 3-3
Real Retail Sales Trends and Forecasts

Geography	History				Forecast		
	1980-'90	1990-'00	2000-'10	2010-'16	2016-'30	2030-'40	2040-'50
Pittsburgh Area	0.3%	2.4%	0.1%	2.0%	0.5%	0.3%	0.4%
Interurban Area	2.2%	2.7%	(0.0%)	2.4%	1.3%	1.2%	1.3%
Philadelphia Area	2.1%	2.6%	0.3%	2.1%	1.1%	0.9%	1.0%
Northeast Corridor	1.6%	2.5%	1.7%	2.8%	0.9%	0.8%	0.9%
Subtotal PA	1.6%	2.5%	0.4%	2.2%	1.0%	0.8%	0.9%
Maryland	2.5%	2.7%	0.2%	2.4%	1.5%	1.3%	1.4%
New Jersey	2.2%	2.7%	0.2%	2.4%	1.1%	0.9%	1.0%
New York	1.5%	2.4%	0.9%	2.6%	1.0%	0.8%	0.9%
Ohio	1.2%	3.0%	(0.6%)	2.5%	0.9%	0.8%	0.9%
Pennsylvania	1.6%	2.5%	0.3%	2.3%	1.0%	0.8%	0.9%
West Virginia	(0.2%)	2.9%	0.2%	2.2%	0.9%	0.8%	0.9%
Subtotal States	1.6%	2.6%	0.3%	2.4%	1.0%	0.9%	1.0%
United States	2.0%	3.4%	0.6%	2.8%	1.5%	1.4%	1.5%

Source: Woods & Poole Economics, Inc. 2017

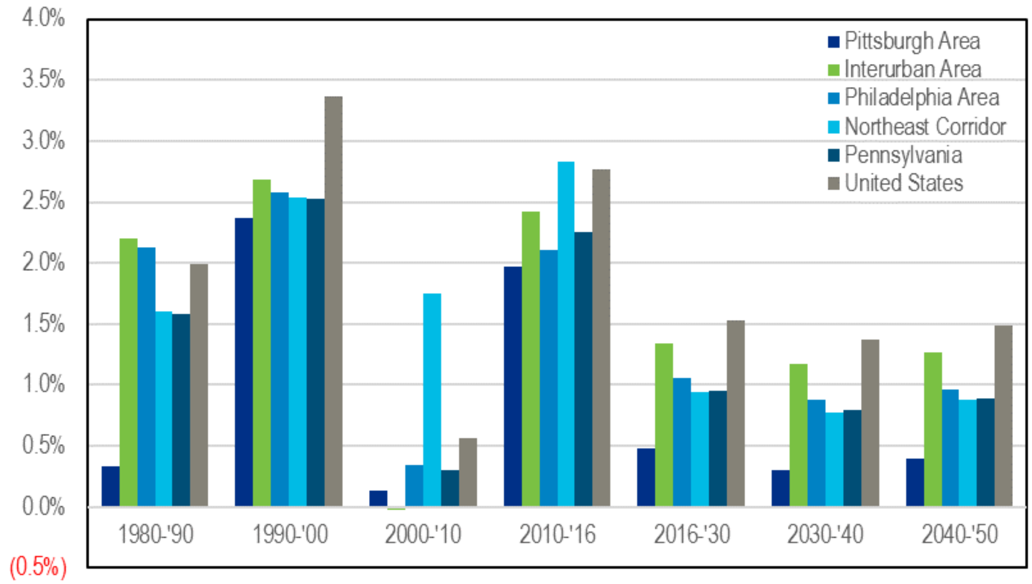


Figure 5-5
Real Retail Sales Trends and Forecasts

3.1.4 Real Gross Regional Product (GRP)

Real gross regional product (or gross state product/gross domestic product, depending on the geographic focus) is the inflation-adjusted standard metric for total economic activity in an area. Real GRP trends and forecasts for the study area are presented in Table 3-4 and Figure 3-6 and are sourced to Woods & Poole, based on data from the Bureau of Economic Analysis.

National real gross domestic product (GDP) decelerated from an annual average of 3.6% in the 1990s to less than half that (1.7%) in the decade from 2000 to 2010 (reflective of the recession). Since the recession, national real GDP increased 2.5% annually. Pennsylvania's real gross state product (GSP) growth pattern was similar, with 2.7% in the 1990's, decelerating to 1.8% from 2000 to 2010 and increasing slightly to 2.0% per annum from 2010 to 2016. Within the Commonwealth, the two major MSAs (Pittsburgh and Philadelphia) historically exhibited the highest relative growth rates in real GRP.

Real GRP growth forecasts are for 2.1% per annum for the United States through 2030 and 1.8% for Pennsylvania. As with the growth forecasts for other socioeconomic variables, a general deceleration in growth is forecast for GRP. In the corridor counties, like the entire Commonwealth, real GRP growth is projected to average 1.8% through 2030, with a general deceleration thereafter. And, within the Pennsylvania Turnpike corridor, the Pittsburgh and Philadelphia Areas are forecast to have the slowest relative growth.

Table 3-4
Real Gross Regional Product Trends and Forecasts

Geography	History				Forecast		
	1980-'90	1990-'00	2000-'10	2010-'16	2016-'30	2030-'40	2040-'50
Pittsburgh Area	0.9%	2.8%	1.7%	2.4%	1.5%	1.4%	1.3%
Interurban Area	2.8%	2.6%	1.5%	1.8%	2.0%	1.7%	1.5%
Philadelphia Area	3.2%	2.8%	2.0%	1.9%	1.8%	1.7%	1.7%
Northeast Corridor	2.1%	2.7%	1.6%	1.5%	1.7%	1.5%	1.3%
Subtotal PA	2.4%	2.7%	1.8%	2.0%	1.8%	1.6%	1.5%
Maryland	4.5%	2.9%	2.9%	1.6%	2.0%	1.8%	1.7%
New Jersey	4.7%	2.7%	1.0%	1.4%	1.7%	1.5%	1.4%
New York	3.2%	2.5%	1.7%	1.8%	1.9%	1.7%	1.6%
Ohio	2.0%	3.2%	0.3%	2.8%	1.8%	1.6%	1.4%
Pennsylvania	2.3%	2.7%	1.8%	2.0%	1.8%	1.6%	1.5%
West Virginia	(0.2%)	2.2%	2.6%	0.8%	1.1%	1.0%	0.8%
Subtotal States	3.0%	2.7%	1.5%	1.9%	1.8%	1.6%	1.5%
United States	3.1%	3.6%	1.7%	2.5%	2.1%	1.8%	1.7%

Source: Woods & Poole Economics, Inc. 2017

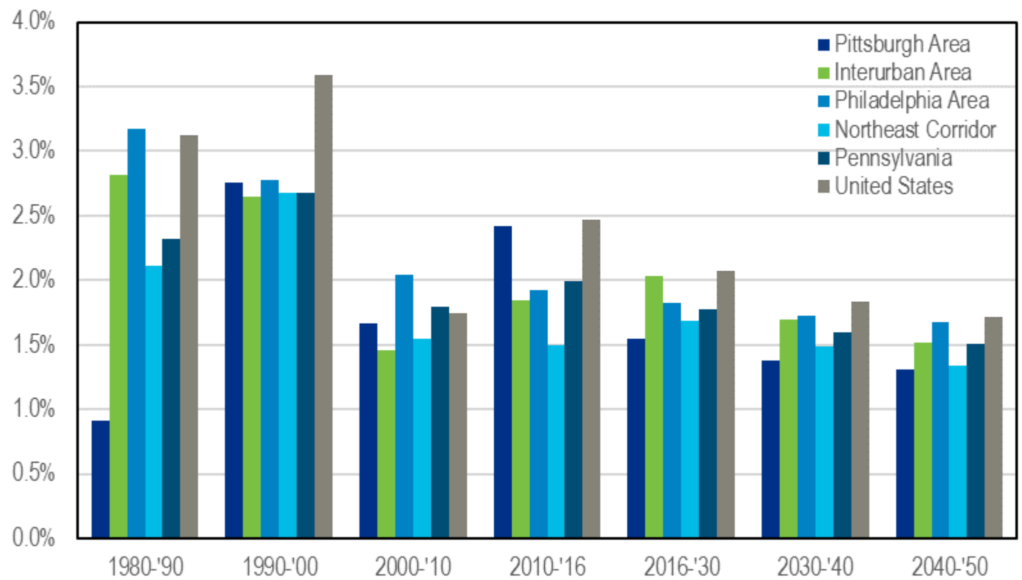
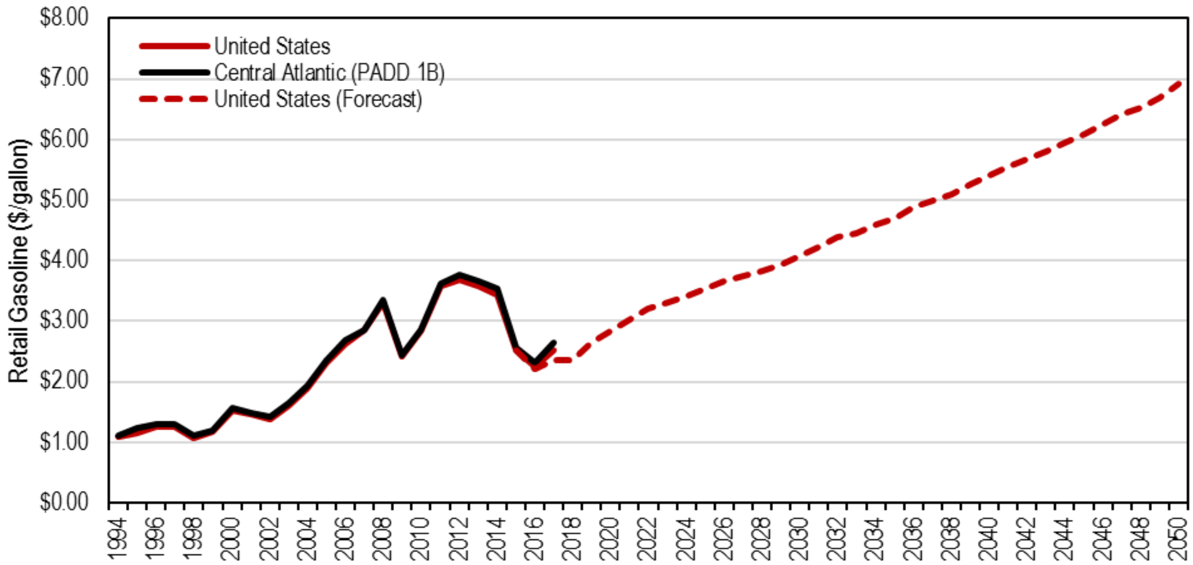


Figure 6-6
Real Gross Regional Product Trends and Forecasts

3.1.5 Motor Fuel Prices

Historical gasoline prices (in current dollars/gallon for all grades, all formulations) for the Central-Atlantic region (NY, NJ, PA, DE, and D.C.) and the United States are presented in Figure 3-7. The data was obtained from the U.S. Energy Information Administration (EIA). Average annual gasoline prices for the United States and the Central-Atlantic region were nearly identical historically, with the Central Atlantic region between $0.01 and $0.11 per gallon above the national price. Prices peaked at close to $3.70 per gallon in 2012[2], and declined through 2016. Prices in 2017 increased by more than $.025/gallon over 2016, and that upward trend is forecast to continue through 2050. According to the EIA Annual Energy Outlook 2017, future average national gasoline prices are forecasted to steadily increase to $7.00/gallon by 2050 in current dollars.



Source: Energy Information Administration

Figure 7-7
Gasoline Prices

3.2 MPO Outreach and Regional Economic Conditions

To supplement the socioeconomic data analysis, additional qualitative inputs were collected for the geographic areas represented by four of the five major metropolitan planning organizations (MPO) within, or near, the Pennsylvania Turnpike corridors. The inputs were collected via discussions with representatives from the MPOs. As shown in Figure 3-8, the geographic areas covered by these five MPOs partially overlap with the four Pennsylvania Turnpike areas analyzed in the previous subsection. While characteristics reviewed and discussed varied by MPO, they generally include: housing and residential, employment and industry, and freight and shipping. The five MPOs include:

- Southwestern Pennsylvania Commission (SPC)
- Delaware Valley Regional Planning Commission (DVRPC)
- Tri-County Regional Planning Commission (TCRPC)
- Lackawanna-Luzerne Metropolitan Planning Organization (LLMPO)
- Lehigh Valley Planning Commission (LVPC)

[2] Please note that in sub-annual terms, gas prices reached their high for the last two decades of around $4.15 per gallon in July of 2008 (not shown in the Figure).

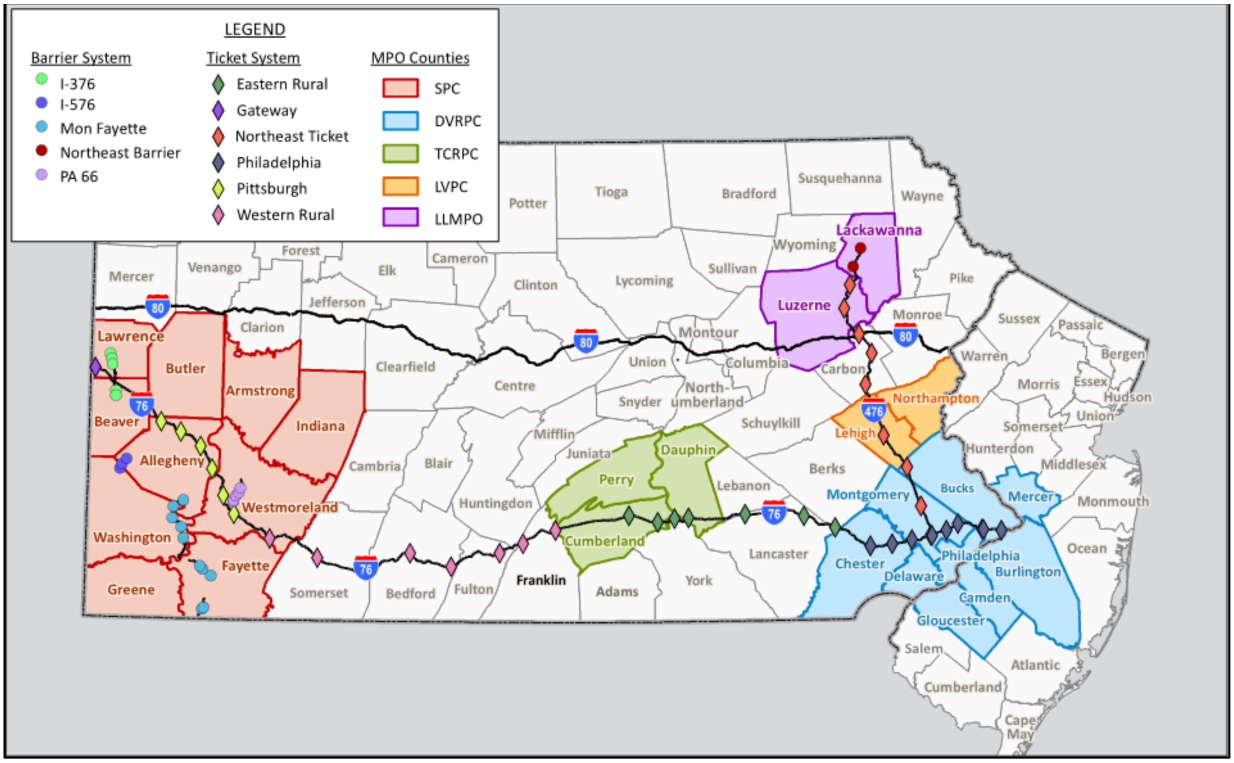


Figure 8-8
Pennsylvania MPOs

3.2.1 Southwestern Pennsylvania Commission

The Southwestern Pennsylvania Commission includes the eight Pittsburgh area counties as well as the two counties bordering West Virginia (Fayette and Greene).

Housing and Residential – Residential development continues to be led by Cranberry Township in Butler County, north of downtown Pittsburg. West of Pittsburg, residential (and commercial) development continues in Westmorland County (east of Monroeville) as the Southern Beltway (Route 576) nears completion. Southwest of Pittsburg, the residential development is growing to support the Southpoint commercial development (Washington County). Downtown Pittsburg also continues to develop as several properties shift from commercial to residential use. Such downtown residential properties accommodate smaller household size than the suburbs.

Employment and Industry – The Southpoint suburban business park in in Cecil Township, 17 miles south of Pittsburg, accommodates over 300 businesses. Marcellus Shale oriented energy firms include and Noble Energy, Rice Energy, Range Resources, CONSOL Energy, DPS Property, Chesapeake Energy, Columbia Gas. Other high technology (telecom/engineering specialty service) firms include: Southpointe Telecom, Ansys, Crown Castle, Mylan Labs, etc. While coal output and employment continue to decline, gas related activity associated with fracking continues to produce high volumes despite area wells being generally built-out.

Freight and Shipping – Local distribution facilities, including Amazon, continue to expand throughout the area. In fact, the Pittsburg area made the narrowed list of 20-cities seeking to attract the new Amazon headquarters, which would significantly affect growth trends.

3.2.2 Delaware Valley Regional Planning Commission

The Delaware Valley Regional Planning Commission includes five of the six Philadelphia area Pennsylvania Turnpike counties (excludes Berks), and four neighboring New Jersey counties (Burlington, Camden, Gloucester, and Mercer).

Housing and Residential – Both the urban core (Philadelphia) and the suburbs are growing. Recent residential increase in central Philadelphia and adjacent zip codes reflect millennials demand for urban rental and multi-family housing. Similarly, suburban counties, townships and boroughs are also booming. These especially include: Conshohocken Borough (*Montgomery County*), Upper Makefield Township (*Bucks County*), Spring City (*Chester County*), and *Washington Township* (Mercer County) NJ. While housing prices are increasing, potential solutions include regional transit improvements and inclusionary zoning policies. Further, private developers are increasingly pressured to provide more incentives beyond low-income housing tax credits[i].

Employment and Industry – Regionally, the largest industry sectors include services, retail, manufacturing, FIRE[3], and freight transport. Growth continues in both the Philadelphia core and the suburban area. In Philadelphia, employment is led by education, healthcare, and technology – with Comcast operations growing the fastest. Additionally, the Philadelphia International Airport (PHL) and the American Airlines hub-operations are major employers. Downtown, University of Pennsylvania (UPENN) and Drexel University enroll over 50,000 students and employ thousands of staff.

Amtrak and SEPTA rail lines converge at the 30th street station, close to UPENN, where development continues, including possibly an Amazon facility. However, many physical constraints, (e.g., many at-grade rail lines) require large-scale development/planning. Such development would significantly affect the City and region. Also, Naval Yard redevelopment (South Philly) of 1,200 acres is expected to average about 1,000 new jobs per year for the next 15-20 years, which will affect the I-95 corridor but is not close to the Pennsylvania Turnpike.

While downtown office development is static, the market is growing in the suburbs, such as a new office park in Blue Bell. An old golf course in the King of Prussia Mall area is also being redeveloped as a casino with mixed-use conversion (housing/commercial). And, an 800-acre redevelopment in Willow Grove (Montgomery County) is anticipated to attract 30,000 jobs and several thousand residents, depending on proposal adopted.

Freight and Shipping – With a major international port and commercial service airport along the eastern seaboard, the region accommodates a large volume of directional freight (inbound, outbound, internal, and through) by all four modes (truck, rail, port, and air). At the Port of Philadelphia, larger cranes and harbor deepening (45’) facilitate larger Panamax vessels, increased containerization, and recent automobile imports (Hyundai/Kia). At PHL, air cargo operations continue to expand (Cargo City and UPS), despite new runway expansion delays (10+ years). In neighboring New Jersey, freight center growth continues along the New Jersey Turnpike (NJTP) interchange 8A. Similarly, freight center growth in Leigh Valley also affects traffic volumes in the northern DVRPC.

Growth Summary – City-Center redevelopment will generate minor effects on future traffic due to mixed city-center trends and transport improvements. Current employment levels of around 300,000

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[3] Financial, insurance, and real estate services

continues to fall, as the 60,000-population level continues to rise as offices and big-box stores convert to housing. Envisioned urban-core transport improvements (both Turnpike and transit) will help accommodate Philadelphia population growth and employment trends.

Suburban growth appears stronger as employment continues to branch-out from the core. Specific development is anticipated along the Turnpike's I-76 corridor. Suburban growth will also increase suburb-to-suburb commuting with heavy reliance on limited access roadway facilities such as I-76 and the Northeast Extension. High growth suburban counties include Bucks (north of core) and Chester (west). Montgomery (northwest), which grew rapidly over the past twenty years, has little vacant land available, and is turning to mixed-use and redevelopment.

3.2.3 Tri-County Regional Planning Commission

Within the sixteen-county Interurban Turnpike area, the Tri-County Regional Planning Commission comprises the three central counties of Cumberland, Dauphin, and Perry. While each reflects distinct socioeconomic conditions, the region continues transitioning to a post-manufacturing economy.

Housing and Residential – Anchored by Harrisburg, the state capitol, is the densest and most populous of the three counties. However, its population decline between 1970 and 2000 reflected a relocation to the suburbs of Cumberland County. Comparatively, Perry County remains very rural with low population levels and growth rates.

Employment and Industry – Regional iron and steel manufacturing centered in Harrisburg (Dauphin County) has been replaced by the Penn State Hershey Medical Center, the Giant Food Stores corporate headquarters, and the Hershey Company Resort and Factory. Recent Harrisburg development has been constrained by fiscal financial issues and the reality that half of assessed city property is exempt from current taxes (capitol and other state-owned facilities). Such development constraints spurred a 10-year tax abatement redevelopment incentive package, an updated future land use plan, zoning code changes, and other measures. Resultant development prospects include talk of new large-scale office and residential projects.

In Cumberland County, the Department of Defense is the major employer, which supports the New Cumberland Army Depot and the Naval Support Activity in Mechanicsburg – largest inland supply depot in the U.S. Comparatively, Perry County has an agriculture-based economy, which exhibits slow to moderate growth as the retail/commercial sector expands slowly.

Freight and Shipping – A UPS regional hub in suburban Harrisburg lies just north of the Harrisburg International Airport (MDT), which is undergoing an air cargo apron expansion. A FedEx shipment center is also located in Middletown (north of I-76). Also, a major rail intermodal facility (3rd largest east of Mississippi River) located in Dauphin County accommodates a diverse commodity mix and has major roadway connections.

Other – Local toll rates are considered very high by local commuters, which has led to toll road avoidance commute patterns. I-83 reconstruction over the next decade will stress such commutes and the overall Harrisburg highway system. This illustrates potential externality effects in historical toll transactions, as well as in future transaction growth.

3.2.4 Lackawanna-Luzerne Metropolitan Planning Organization

The MPO lies within the Northeast Pennsylvania Turnpike analysis area and comprises the two northern counties of Lackawanna and Luzerne.

Housing and Residential – With the oldest housing stock in the nation, reuse has been limited to the urban cores of Scranton and Wilkes-Barre (W/B). Urban land redevelopment initiatives (Keystone Opportunity Zone, State Land Bank), continue to help remove troubled properties and stem the cycle of vacancy/abandonment/foreclosure. However, such initiatives struggle to successfully stimulate property demand. Nonetheless, population remains stable with residential in-migration into downtown Scranton induced by the Medical College enrollment and reverse suburbanization trends of older residents seeking more-urbanized access to retail, entertainment, medical, etc.

Suburban population is also increasing slightly, although undercounted due to the Latino immigrants and a significant Bhutanese community. Anecdotal observations by local community leaders of suburban housing, retail, school enrolment, etc. suggest that the immigrant enclaves are expected to continue expanding.

Employment and Industry – Both counties continue to transition to a post-manufacturing, post-coal economy. Additionally, Scranton financial issues constraining development include pension payments, struggling school district budgets, and disproportionate local service taxes on low-income workers. Nonetheless, freight distribution and shipping (see below), the Casino, and other development facilitate modest economic growth in the region.

Located between Scranton and W/B, the Mohegan Sun Pocono Casino continues to expand (new 8-story hotel) with much land held for future development (e.g., golf course, water park, etc.). With continued traffic volume increases, the Casino seeks a new I-81 interchange. Noteworthy, concerns about a negative Casino impact downtown business has not arisen.

The Humboldt Industrial Park, south of W/B in Hazel Township along I-81, continues to develop, and currently employees around 10,000. North of the I-476 Turnpike terminus, Clark Summit continues to evolve as parcel land use turns commercial (banks, restaurants, pharmacies, etc.), which addresses previously underserved local service needs.

Freight and Shipping – A very strong and growing sector of the regional economy. Several regional distribution-centers and box-warehouses lie in the valley between Scranton and W/B along the Turnpike (I-476) and I-81. These centers/warehouses serve the whole northeast U.S. Over two dozen facilities range in size from 0.3 million to over 1.2 million sq. ft. Major distributors include Chewy, Adidas, Patagonia, Lowes, etc. Continued successful growth of the facilities have also led to expanded back-office support operations. Such growth led to planned expansion of Highway 6, north of the I-81/I-84 interchange. Further, the Wilkes-Barre/Scranton Int'l Airport (AVP) continues to support the regional freight and shipping sector. The recent airport master plan focuses on developing vacant parcels for air-based warehousing/manufacturing (0.5 million sq. ft. mixed-use) and distribution.

3.2.5 Lehigh Valley Planning Commission

The Lehigh Valley Planning Commission lies within the Northeast Turnpike analysis area and comprises the two southern counties of Lehigh and Northampton. We reached out to the MPO several times but were unable to engage. Located between the DVRPC and LLMPO, regional characteristics reflect a cross between the small urban LLMPO and the suburban fringe of the DVRPC, which confirms the historical socioeconomic trends and growth forecast findings.

3.2.6 Conclusion

The qualitative MPO outreach discussions of local economic conditions confirmed the quantitative analysis of socioeconomic trends that went into the subsequent econometric growth analysis. The due-diligence outreach found nothing that would alter the quantitative forecasting process. Rather, the outreach corroborated and substantiated the socioeconomic trends with local depictions of where residential and/or business growth was (or was not) occurring and why.

3.3 Economic Growth Analysis

An econometric analysis was conducted to estimate long-term baseline travel demand on the Pennsylvania Turnpike. Historical travel demand was econometrically estimated via regression equations for groups of toll plazas, the rationale for which will be explained in Section 3.3.1.2. Regional socioeconomics and other variables were tested as explanatory factors. With statistically-significant historical equations, independent variable forecasts were applied to the equation coefficients to estimate future travel demand. Twenty demand equations were tested for either individual plazas or groups of proximate plazas, for both passenger cars (PC) and commercial vehicles (CV). A majority of the twenty plaza-vehicle grouping equations yielded statistically-significant, defensibly-logical results. Forecasts were conducted through 2050.

Subsequent toll modeling analyses conditionally incorporates these econometrically-derived baseline travel demand forecasts, which consider a range of future toll policies and rate structures in estimating future revenue potential.

3.3.1 Econometric Modeling

CDM Smith developed an econometric model for the PA Turnpike System, using multivariate regression analysis to develop long-term toll-transaction growth forecasts. In the econometric modeling, the objective is to identify an independent variable (or variables) with historical trends that can explain, by way of statistical significance, corresponding traffic trends on the Turnpike. A resulting correlative relationship between historical trends in corridor traffic and one or more independent variables is, in turn, applied in forecasting future Turnpike transaction growth, given available and credible forecasts for the independent variable(s). CDM Smith regression-tested annual transaction data for 10 plaza groupings, described in Section 3.3.1.2, against geographically-weighted independent socioeconomic data, (for passenger cars and commercial vehicles) to derive long-term transaction forecasts.

3.3.1.1 Regression Testing

Highway travel occurs for myriad reasons, such as recreation, commuting, trade, etc., and is influenced by factors such as fuel prices, other travel costs, weather, trip urgency, and economics. Aggregate highway travel, however, typically trends closely with regional socioeconomic variables. As such, conceptually-relevant socioeconomic data were hypothesized, compiled, and regression-tested for explaining annual travel demand. These data include population, employment, real gross regional product, and real retail sales, compiled at various geographic levels. In addition to regional socioeconomic variables, average fuel prices and an indexed toll variable were tested as explanatory factors for historical travel.

Multiple regression equations were tested and evaluated for each toll plaza-vehicle grouping to account for the numerous possible combinations of relevant geographies (county clusters) for each possible socioeconomic variable, and combinations with either/both fuel and toll index factors. A single "best fit" equation was identified for each toll-plaza grouping and used in the developing transactions forecasts.

3.3.1.2 Toll Plaza Groupings (Dependent Variables)

Toll plazas were clustered into the ten groupings (from 69 individual plazas) to reduce regression testing to a reasonably manageable data universe, based-on geographic proximity, similarities in historical travel demand patterns, data availability, and other characteristics such as operating history. These toll plaza groupings are identified in Table 3-5 and shown graphically in Figure 3-9. Some individual toll plazas were excluded from the groupings due to data gaps (e.g., I-376 and PA 66), staggered plaza openings/closings (e.g., Mon Fayette), or too short annual data (e.g., I-576), as inclusion would artificially distort the historical demand trends. Of the 69 individual toll plazas, 39 were included in the groupings. The 30 toll plazas excluded from the ten groups mostly pertain to the barrier-system facilities.

Note that the Delaware River Bridge (DRB) and the Southern Beltway (I-576) were not econometrically tested similarly to other groupings. The DRB changed operations recently, therefore, the historical trend may not appropriately correspond with current and future conditions. The I-576 opened in 2006, and the relatively short historical data includes a ramp-up trend that does not statistically correspond to any regional socioeconomic characteristics.

Where available, historical traffic data were used as continuous annual time series from 1987 through 2016. Annualized data were available for most of the ticket-system facilities, exempting a few toll plazas that opened after 1987 (and thus excluded). However, the barrier-system data were more limited; available only since 1994 with data gaps, or toll plazas that were opened too recently to provide a statistically defensible trend (insufficient number of data points). Many of the 30 excluded toll plazas from the groupings are barrier toll plazas with shorter historical operating timeframes than 1994 to 2016.

Table 3-5
Toll Plaza Groupings

	Plaza Grouping	Type	Included	Excluded
1	Gateway	Ticket	1	0
2	Pittsburgh	Ticket	5	1
3	Western Rural	Ticket	7	0
4	Eastern Rural	Ticket	7	0
5	Philadelphia	Ticket	6	5
6	Northeast Ticket	Ticket	7	2
7	Northeast Barrier	Barrier	2	0
8	I-376	Barrier	2	3
9	PA 66	Barrier	1	4
10	Mon Fayette	Barrier	1	11

Source: CDM Smith

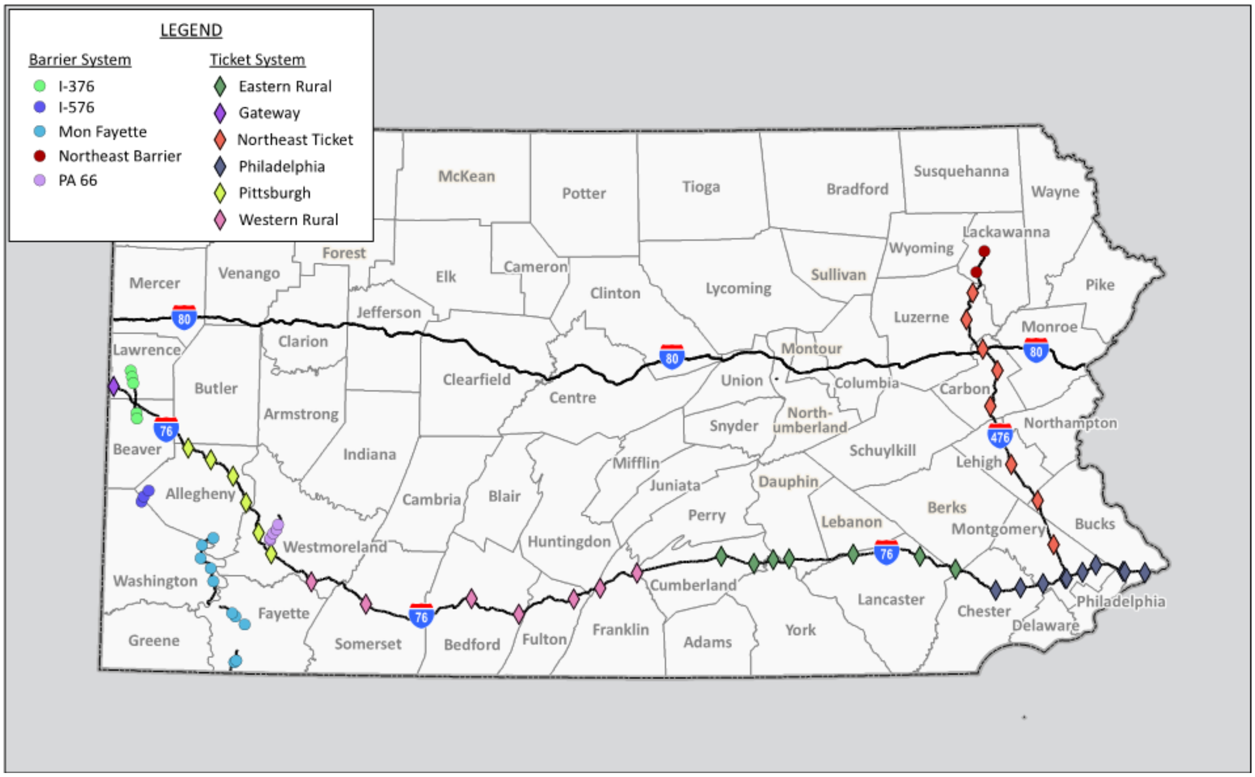

Figure 9-9
Toll Plaza Groupings

3.3.1.3 Socioeconomic Data (Independent Variables)

Data inputs include historical and forecasts data for the possible explanatory independent variables, which include socioeconomics for geographies surrounding the Turnpike (i.e., Pennsylvania and surrounding states' counties). Data compiled for regression testing included:

- Pennsylvania Turnpike Commission – historical transactions and toll rate schedule
- United States Census Bureau – historical population
- United States Bureau of Economic Analysis (BEA) – historical employment
- United States Energy Information Administration (EIA) – historical and forecast fuel prices
- Woods & Poole Economics, Inc. – historical and forecast population, employment, real gross regional product (GRP), and real retail sales
- Moody's Analytics – historical and forecast real gross regional product (GRP)

Socioeconomic data was tested as an explanatory variable at various combinations of counties surrounding the toll plazas groupings. Data was compiled for all counties in Pennsylvania, New York, New Jersey, Delaware, Maryland, Virginia, West Virginia, and Ohio.

3.3.1.4 Regression Caveats

Econometrically-derived long-term demand forecasts served as basis for further transaction and toll revenues estimates. Growth forecasts from the regressions do not explicitly consider route choice assumptions, the existing roadway network and planned improvements, existing and anticipated roadway capacities, origin-destination pairing, peak and directional factors, or traffic diversions. As such, the regression-based forecast growth rates are conditionally incorporated into further traffic and revenue modeling.

As this regression analysis attempted to estimate aggregate travel demand, the equations cannot account for all potentially influencing factors, especially any small-scale, qualitative/difficult-to-quantify, and/or irregularly occurring factors. Also, a regression analysis is incapable of forecasting unprecedented factors (positive or negative influence) such as catastrophic climate change, health epidemics, terrorism, natural disasters, or any other significantly destabilizing factors.

Forecasts are estimates, limited by the availability and robustness of input data, both historical and projected. Data unavailability, discrepancies, aberrations, and inaccuracies can hinder the robustness and results of econometric forecasting.

3.3.1.5 Regression Equations and Forecasting

A final regression equation was estimated for each toll plaza/vehicle grouping, relating historical annual travel demand with a regional socioeconomic variable, and sometimes with a toll index and/or fuel prices as additional explanatory factors. A regression summary for the ten-toll plaza/vehicle groupings is provided in Table 3-6. After testing the compiled socioeconomics at various regional county clusters, it was determined that real GRP was the best-suited explanatory variable for most equations, and population for a couple of equations.

Geographically, regional combinations of contiguous counties in Pennsylvania, New Jersey, Delaware, Maryland, West Virginia, and Ohio served as logical and statistically-acceptable catchment areas. Although each equation has a unique county combination, anchored around the respective plaza groupings, the counties included in each equation are along and adjacent to the Pennsylvania Turnpike system. Catchment areas regionalize socioeconomic variables as related to travel demand; however, the catchment areas should not imply that travel demand is only from those geographies, but rather that the catchment is a logical, statistically-valid representation for the aggregate demand.

Most of the twenty equations exhibited sensible relationships with acceptable statistics; however, despite concerted due-diligence, a few equations could not be improved upon while yielding poor statistics or questionable relationships. In such instances, the historical travel demand patterns did not trend well with any regional socioeconomics and/or the toll rate factors, and are instead probably more influenced by localized, sub-county factors such as toll plaza operating characteristics, diversion potentials, construction closures, etc. Such historical transaction volatility disjointed from regional socioeconomic trends was encountered for single toll plaza equations (i.e., Gateway CV) and the smaller barrier-system facilities (i.e., Northeast Barrier PC and CV, and I-376 PC). Contrastingly, the ticket-system groupings with multiple major toll plazas that contribute to a significant majority of the total Pennsylvania Turnpike transactions and revenues (I-76 and the Northeast Extension/I-476) exhibited statistically-significant equations and coefficients, with consistent relationships across adjacent groupings and logical results.

Table 3-6
Regression Summary

Grouping/Vehicles	Start Yr.	Adj. R2	Independent Variables			PA	Non-PA	Counties
Gateway PV	1987	91.90%	GDP			4	4	8
Pittsburgh PV	1987	95.10%	GDP	Toll Index		13	10	23
Western Rural PV	1987	92.10%	GDP	Toll Index		12	7	19
Eastern Rural PV	1987	97.80%	GDP	Toll Index		12	9	21
Philadelphia PV	1987	93.10%	GDP	Toll Index		13	12	25
Northeast Ticket PV	1987	99.10%	Population	Toll Index	Fuel Price	10	5	15
Northeast Barrier PV	1994	44.70%	Population			7	0	7
I-376 PV	1994	85.40%	GDP	Toll Index		2	0	2
PA 66 PV	1994	92.10%	GDP	Toll Index		2	0	2
Mon Fayette PV	1994	95.40%	GDP	Toll Index		2	3	5
Gateway CV	1987	68.40%	GDP	Toll Index		1	4	5
Pittsburgh CV	1987	95.20%	GDP	Toll Index		18	15	33
Western Rural CV	1987	94.70%	GDP	Toll Index		15	12	27
Eastern Rural CV	1987	97.80%	GDP	Toll Index		14	13	27
Philadelphia CV	1987	91.70%	GDP	Toll Index		5	7	12
Northeast Ticket CV	1987	99.60%	GDP			14	2	16
Northeast Barrier CV	1994	77.30%	GDP			3	0	3
I-376 CV	1994	96.00%	GDP			5	0	5
PA 66 CV	1994	95.70%	GDP	Toll Index		2	0	2
Mon Fayette CV	1994	92.40%	GDP			3	2	5

Source: CDM Smith

Aside from the four abovementioned equations at single- and small barrier-system toll plaza groupings with poor statistical fits, the remaining equations that correspond to a significant majority of Pennsylvania Turnpike toll transactions and revenues exhibit robust adjusted R^2 statistics, ranging between 91.6% and 99.6%. Such relatively high statistical fits indicate good relationships.

With the final equations, socioeconomic, toll index, and fuel price forecasts were applied to the regression coefficients, as appropriate, to estimate future long-term travel demand. Socioeconomic forecasts were obtained from both Woods & Poole Economics, Inc. at a detailed county level and Moody's Analytics at a more macroscopic statewide and metropolitan statistical area (MSA) level. Both sources forecast almost identical long-term annual real GRP trends for comparable statewide and MSA geographies, with very minor average growth rate differentials through 2035 and slight divergence thereafter. Given the availability of Woods & Poole forecasts at a granular county level, it was applied to equations to forecast baseline travel demand. Fuel price forecasts were applied to the Northeast passenger car equation, sourced from the EIA; and, the toll index forecast assumes a 6% annually-recurring increase through 2020, 5% thereafter through 2025, and a deceleration to 3% in 2028 and thereafter.

In further traffic and revenue modeling, it was decided that forecast growth estimates from the four sub-par equations fits not be applied. Instead, it was decided that alternative growth forecasts from a simpler, non-econometric based extrapolation of most recent historical trends be employed. A similar recommendation to consider simpler, alternative forecasts for the remaining barrier-system forecasts was also made because of the more localized characteristics of such facilities. Given the acceptable logic and statistical significance of the ticket-system equations, it was recommended that the econometric-based growth forecasts be applied in further traffic and revenue modeling for those major facilities.

3.3.2 Demand Growth Results

Econometrically-derived travel demand forecasts for the Pennsylvania Turnpike are summarized in Table 3-7 below, based on applied forecasts for the regional socioeconomics, toll index, and fuel prices to the respective regression coefficients. Compound average growth rates (CAGR) for the plaza groupings are shown for three historical timeframes as comparative context, and generally in ten-year future increments through year 2050. The last column in Table 3-7 presents the average growth over the entire 2016 through 2050 forecast period.

Table 3-7
Transaction Growth Summary

Grouping/Vehicles	'87-'16	'94-'16	'07-'16	'16-'30	'30-'40	'40-'50	'16-'50
Gateway PV	1.7%	1.4%	1.7%	1.2%	1.0%	1.0%	1.1%
Pittsburgh PV	0.8%	0.7%	-0.3%	0.4%	0.6%	0.5%	0.5%
Western Rural PV	0.9%	0.8%	-0.6%	0.4%	0.6%	0.5%	0.5%
Eastern Rural PV	2.2%	1.9%	0.4%	1.7%	1.6%	1.5%	1.6%
Philadelphia PV	2.1%	1.4%	0.3%	0.9%	1.0%	0.8%	0.9%
Northeast Ticket PV	3.0%	2.0%	-0.3%	2.5%	2.2%	1.2%	2.0%
Northeast Barrier PV	#N/A	0.4%	-0.4%	0.8%	0.5%	0.2%	0.5%
I-376 PV	#N/A	1.7%	-1.4%	2.0%	1.4%	0.8%	1.5%
PA 66 PV	#N/A	3.0%	-1.1%	1.0%	0.8%	0.4%	0.8%
Mon Fayette PV	#N/A	3.1%	0.5%	0.5%	0.6%	0.3%	0.5%
Gateway CV	0.6%	0.7%	0.1%	0.5%	0.6%	0.5%	0.5%
Pittsburgh CV	1.4%	1.4%	-0.2%	0.9%	1.0%	0.9%	1.0%
Western Rural CV	1.4%	1.5%	-1.3%	0.6%	1.0%	0.9%	0.8%
Eastern Rural CV	2.6%	2.6%	0.5%	2.1%	2.0%	1.8%	2.0%
Philadelphia CV	1.8%	2.3%	0.7%	1.2%	1.3%	1.2%	1.2%
Northeast Ticket CV	4.1%	3.6%	1.3%	2.8%	2.3%	2.1%	2.5%
Northeast Barrier CV	#N/A	1.6%	2.1%	0.8%	0.8%	0.8%	0.8%
I-376 CV	#N/A	4.7%	1.8%	3.1%	2.1%	1.7%	2.4%
PA 66 CV	#N/A	4.5%	1.7%	1.3%	0.7%	0.2%	0.8%
Mon Fayette CV	#N/A	6.3%	9.6%	2.1%	1.7%	1.5%	1.8%

Source: CDM Smith

Average annual growth rates vary by toll plaza grouping, vehicle category, and period (hence, subcategorizing the facilities as conducted); consequently, it is challenging to concisely summarize. However, generally, passenger car growth was historically slower than commercial vehicle growth. Barrier-system facilities' transactions generally grew relatively faster than the older ticket-system facilities. Also, for the major ticket-system groupings, the western portions (Gateway, Pittsburgh, and Western Rural) grew slower than the eastern portions (Eastern Rural, Philadelphia, and the Northeast Extension). All three generalized relativities are expected to continue through the econometric-based growth forecasts. Additionally, the future growth in transactions is universally forecasted to decelerate relative to historical trends.

A refined traffic and revenue analysis is the last component of the forecasting analysis. Growth rates developed from this econometric regression analysis are conditionally applied to further traffic and revenue modeling. Some post-processing adjustments to the econometric forecasts (e.g., converging 2017 forecasts with actual observations, etc.) prior to further modeling are expected, which consider additional factors such as long-term roadway capacities, etc. Also, some of the econometrically-based forecasts for smaller, barrier-system facilities may be dismissed due to relatively weak descriptor statistics and supplanted with alternative growth assumptions via recent trend extrapolations or other non-econometric means.

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[i] Arvedlund, E. (2014, December 7). Conference to look at region's affordable housing. Retrieved from: http://articles.philly.com/2014-12-07/real_estate/56807054_1_affordable-housing-low-income-housing-tax-credits-affordability

Chapter 4

Transaction and Toll Revenue Forecasts

Traffic and gross toll revenue forecasts are presented in this chapter for the Ticket System, the Barrier System, and the total Turnpike System. Forecasts are presented by fiscal year from 2017-18 through 2047-48. Also presented in this chapter are important inputs to the forecasts, including committed roadway projects, assumed future toll rate increases and assumed future E-ZPass market shares.

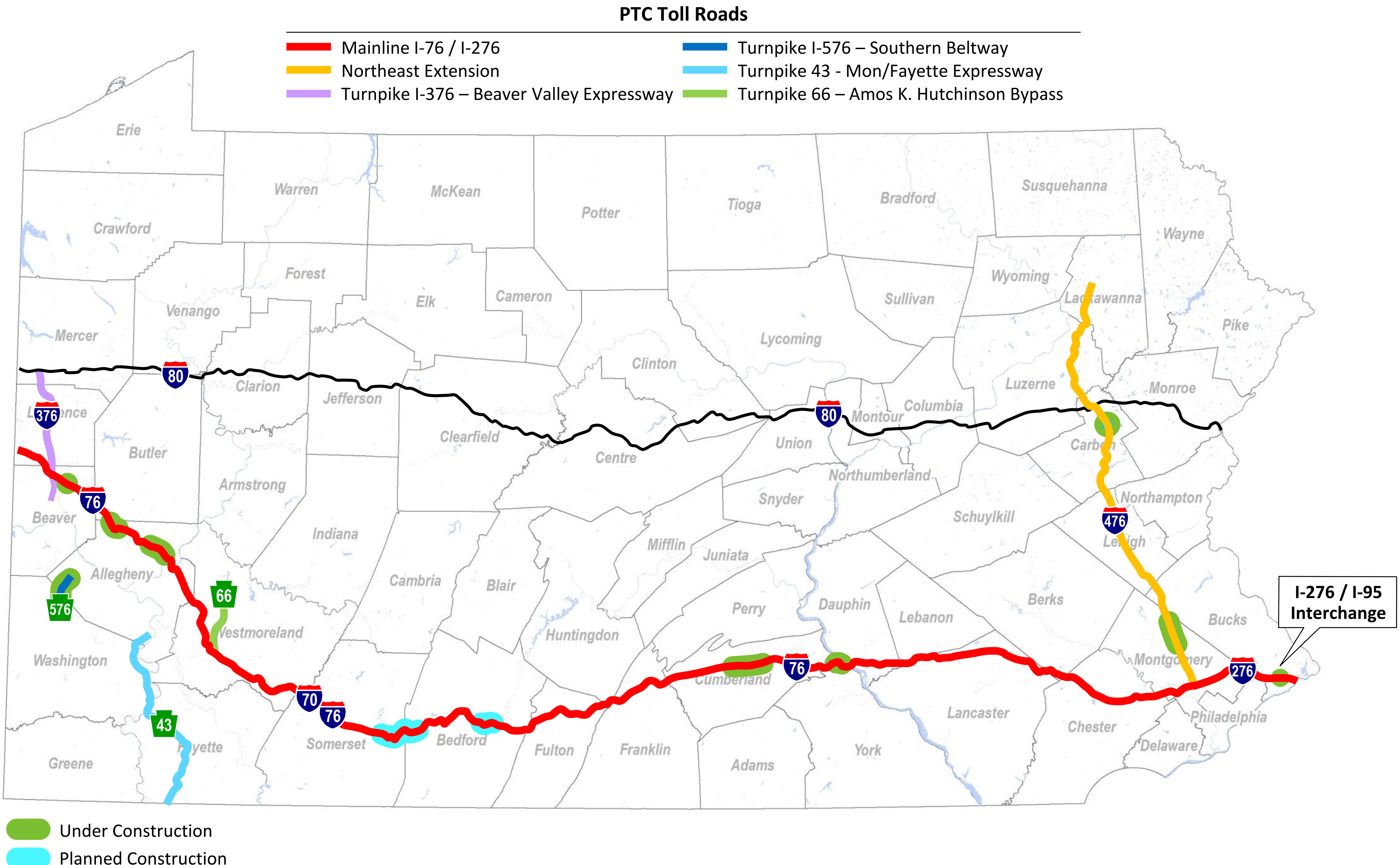
4.1 Committed Turnpike System Roadway Improvements

Through discussions with PTC personnel and by reviewing both the PTC Construction website and the State Transportation Improvement Plan (STIP) and Twelve-Year Program (TYP), CDM Smith identified the major committed roadway improvements that would potentially impact traffic and toll revenue on the Turnpike System. Projects were identified on the Mainline I-76/276 and the Northeast Extension. **Table** 4-1 lists the identified projects and Figure 4-1 presents the locations of the projects. A brief description of each project is provided below.

Table 4-1
Major Committed Roadway Improvements on the Pennsylvania Turnpike Sytem (1)

Milepost	Location	Description	Actual or Assumed Start Date	Assumed Completion Date
Mainline I-76/I-276				
12-14	Beaver County	Reconstruct and widen to 3 lanes in each direction	September 2013	December 2020
28-31	Alleghany and Butler Counties	Reconstruct and widen to 3 lanes in each direction	2019	2021
40-48	Alleghany County	Replace 6 overhead bridges and widen to 6 lanes in each direction	February 2013	Fall 2019
124-134	Somerset and Bedford Counties	Reconstruct and widen to 3 lanes in each direction	To be determined	To be determined
149-155	Bedford County	Reconstruct and widen to 3 lanes in each direction	To be determined	To be determined
202-206	Cumberland County	Reconstruct and widen to 3 lanes in each direction	September 2016	December 2018
242-245	York County	Reconstruct and widen to 3 lanes in each direction	Spring 2015	Spring 2018
Mainline I-76/I-276 and I-95 Interchange				
356-360	I-95 to Delaware River Bridge (Bucks County)	•Widen I-276 to 3 lanes in each direction	Fall 2014	December 2017
		•Construct and open new ramps between I-95 and I-276	Fall 2015	September 2018
Northeast Extension I-476				
A31-A38	Montgomery County	Reconstruct and widen to 3 lanes in each direction	Early 2018	Late 2020
A89	Hawk Falls Bridge (Carbon County)	Completely replace two existing bridges	June 2012	June 2022
Southern Beltway Toll 576				
I-376 to U.S. 22	Washington and Allegheny Counties	Convert the existing Findlay Connector to a cashless tolling facility	2017	Spring 2018
US-22 to I-79	Washington and Allegheny Counties	Construct a 12.5-mile cashless tolling extension of Toll 576 from the southern terminus of the Findlay Connector at US-22 to I-79 including four new interchanges	December 2016	Summer 2021

(1) The roadway improvement projects shown in this table are a small subset of the projects listed in the PTC's Major Design and Construction Projects website and listed in the Proposed Twelve Year Program



PENNSYLVANIA TURNPIKE COMMISSION (PTC) MAJOR ROADWAY IMPROVEMENT PROJECTS

FIGURE 4-1

4.1.1 Mainline I-76/I-276 Roadway Improvement Projects

Milepost (MP) 12 to 14 Roadway and Bridge Reconstruction – This two-phase project involves the total reconstruction and widening of two miles of the mainline Interstate 76 between Milepost 12 and Milepost 14. Upon completion of this project the existing four-lane facility, will be upgraded to include six 12-foot travel lanes, three in each direction, 12-foot shoulders and 10-foot medians in each direction. In order to accommodate the new six lane facility, three early action bridges including, two overhead Norfolk Southern railroad bridges will be replaced prior to the start of construction of the Turnpike mainline. Stage 1 of the project was completed in November 2017. Stage 2 is anticipated to be completed in December 2020.

MP 28 to MP 31 Reconstruction and Widening – This project involves the full-depth reconstruction and widening of the Pennsylvania Turnpike from four travel lanes to six travel lanes from Milepost 28 to Milepost 31 in Cranberry Township, Butler County and Marshall Township, Allegheny County. The project will begin on the east side of the Cranberry Interchange, tying into the eastbound acceleration lane and westbound deceleration lane. The project will end on the west side of the Warrendale Toll Plaza and result in two lanes of Express E-ZPass in each direction. Project design is scheduled to be completed in spring 2019, with construction lasting from summer 2019 to 2021.

MP 40 to MP 48 Reconstruction and Widening – Beginning in early 2013, the PTC started total roadway reconstruction and widening of eight miles of the PA Turnpike and replacement of six bridges crossing over the highway. With more than 40,000 cars and trucks traveling this stretch per day, it is one of the busiest parts of the Turnpike in the region. When complete, this project will tie directly into the newly constructed, three-lane Allegheny River Bridges completed in October 2010. The project is scheduled to be completed in late 2019.

MP 124 to MP 134 Reconstruction and Widening – This project includes the reconstruction and widening of approximately nine miles of the PA Turnpike, including some curve flattening on the mainline, replacement of three overhead bridges and three mainline bridges. Also included is the New Baltimore Slope Remediation project located from Milepost 127.9 (Tunnel Road) to Milepost 128.7 (0.3 miles West of Findley Street) in Allegheny Township, Somerset County. The widening of the Turnpike mainline will be completed in two construction contracts, one from Milepost 124.5 to Milepost 130.5 and one from Milepost 130.5 to Milepost 133.8. Upon completion of the projects, the Turnpike will be widened from 82 feet to 122 feet and will consist of six travel lanes (three in each direction) with a 26-foot median and 12-foot outside shoulders. The three overhead bridges have been replaced and the New Baltimore Slope Remediation is substantially complete. The turnpike widening schedule has yet to be determined.

MP 149.5 to MP 155.5 Reconstruction and Widening – The PTC plans to invest $150 million to provide for the total roadway reconstruction and widening of six miles of the PA Turnpike, which includes replacing or eliminating bridges. The project area begins at Milepost 149.5 east of the Bedford Interchange (Exit 146) and continues to Milepost 155.5 west of the Breezewood Interchange (Exit 161), in Snake Spring and West Providence Townships, Bedford County.

MP 202 to MP 206 Reconstruction and Widening – This project will reconstruct the existing roadway, shoulders, and median and add a third travel lane in each direction for a five-mile stretch just east of the Blue Mountain interchange in Cumberland County. Phase 1, which included construction of a third lane and shoulders in each direction was completed in December 2017. Phase

2, during which traffic will be shifted onto these outside lanes while the median and interior lanes are excavated and reconstructed, is ongoing and expected to be completed in December 2018.

MP 242 to MP 245 Reconstruction and Widening – This project involves widening the existing 4-lane highway to six lanes (three in each direction) with a 26-foot median from just east of the Harrisburg West interchange (MP 242) to the tie in to the new Susquehanna River Bridge Project (MP 245.4), which will complete six lanes from the Harrisburg West Interchange to the Harrisburg East Interchange (Exit 247). Two lanes of traffic in each direction will be maintained on the Turnpike at most times during construction. All mainline work being is expected to be completed in 2018.

4.1.2 Pennsylvania Turnpike I-276/I-95 Interchange Project

This is a major project that will be completed in three stages. The project includes the construction of a high-speed, full-access interchange between I-276 and a re-designated I-95, making I-95 continuous through the mid-Atlantic region. The project also includes roadway widening on I-276 from immediately west of Interchange 351 (Bensalem) eastward to the western side of the Delaware River Bridge. A new parallel bridge on I-276 will be constructed over the Delaware River. In addition, the project includes changes to the tolling locations and toll structure on I-276.

The following describes the three stages of the I-276/I-95 Interchange Project. Only Stage 1 is under active construction. Estimated traffic and toll revenue impacts associated with Stage 1 are included in this study. Stages 2 and 3 are described below only for informational purposes.

Stage 1: (Mile post 356 to 360), expected completion in 2018

- The new westbound mainline toll plaza on I-276 just west of the Delaware River Bridge was opened in January 2016. Tolls are collected based on a vehicle's number of axles.
- Simultaneously with the opening of the new westbound toll plaza, a new eastern terminus of the I-276/I-76 Ticket System opened. This new mainline toll plaza is located between the Street Road Interchange and I-95.
- I-276 roadway widening from Interchange 351 to the Delaware River Bridge was completed in 2017.
- New high-speed ramps between I-95 and I-276 (northbound I-95 to eastbound I-276, and westbound I-276 to southbound I-95) are anticipated to open in September 2018.

Stage 2 (MP 351 to MP 356) includes the remaining six ramp movements of the new interchange and completion of the mainline widening. This stage is not currently funded, although final design has continued on some contracts.

Stage 3 (MP 320) brings an additional bridge over the Delaware River parallel to the existing bridge. This stage is not funded and is unlikely to begin construction until after 2025.

4.1.3 Northeast Extension (I-476) Roadway Improvement Projects

MP A31 to MP A38 Total Reconstruction Project - This section of the Turnpike will be completely reconstructed from the ground up and widened from two lanes in each direction with limited shoulders to three lanes in each direction with 12-foot right and left shoulders. The overhead bridges along the project corridor are only wide enough to accommodate the current roadway width, so they need to be replaced before the mainline Turnpike widening can occur. Construction on the overhead bridges began in the spring of 2013. Construction on the mainline Turnpike recently began; the opening of northbound and southbound traffic to three lanes in each direction is scheduled for late fall 2020. The anticipated completion of the entire project is expected to occur by early summer 2021.

Hawk Falls Bridge Replacement Project (MP 89) – The goal of this project is to completely replace the Hawk Falls Bridge and the Hickory Run Bridge. The bridge carries two lanes of Turnpike traffic, in each direction, over Mud Run in Penn Forest Township and Kidder Township, Carbon County. The new bridge will carry two traffic lanes and shoulders in each direction. The existing Hickory Run Bridge, directly to the north of the Hawk Falls Bridge, will also be replaced. This three-span mainline bridge, measuring 111' in length, carries the Turnpike over Hickory Run Road (SR 0534). Estimated project completion is June 2022.

4.1.4 Southern Beltway (Toll 576)

Findlay Connector Cashless Tolling Conversion - This project will convert the Findlay Connector (Toll 576) to a cashless tolling facility by constructing overhead gantries and demolishing existing toll facilities on exit ramps. This work is part of the PA Turnpike's conversion to cashless tolling on Toll 576, which will eventually connect to the Southern Beltway once work there is complete.

Southern Beltway – The current Toll 576, referred to as the Findlay Connector, runs six miles south from I-76 at Pittsburgh International Airport to U.S. 22. This section of highway was opened in 2006. The Southern Beltway project will extend Toll 576 another 13 miles southeast from U.S. 22 to I-79 near the Allegheny/Washington County line and include four new interchanges. The project is divided into nine construction segments, with the last one expected to be completed in summer 2021, when the highway will be opened to traffic. The entire length of Toll 576 will be a cashless tolling facility.

4.2 Construction Related Impacts on Turnpike System Traffic

Ongoing construction related impacts stemming from roadway widening and reconstruction projects on the Turnpike System are expected to be minimal. Construction projects on the Turnpike System are planned to minimize lane closures or any restrictions to the Turnpike. When such measures are necessary, they are conducted overnight to avoid interfering with heavier daytime traffic volumes. Generally, preference is given to Turnpike mainline traffic and construction-related disruptions are more likely to affect cross streets and Turnpike access points. Two travel lanes are maintained in both directions during construction activities.

For purposes of conservatism, the only positive traffic and toll revenue impacts that are included as part of this study are for the Mainline I-76/I-276 and I-95 Interchange Project and the opening of the Southern Beltway to I-79. As shown in Table 4-1, the partial I-95 Interchange project is assumed to open in September 2018; it is estimated to add approximately $6.5 million to total System toll revenue in the first full year of operation. The Southern Beltway toll road extension to I-79 is currently assumed to open in the summer of 2021. To be conservative from a toll revenue perspective, we have assumed a January 2022 opening date for this project. It is expected to add approximately $6.7 million to total System toll revenue in 2022.

4.3 Assumed Toll Rate Increases on the Turnpike

At the direction of the PTC, annual toll rate increases are assumed to occur on the entire Turnpike System. The toll rate increases are assumed to occur within several days of January 1 of each year. Table 4-2 presents actual and assumed percent increases in toll rates for each calendar year from 2015 through 2048.

As shown in Table 4-2, the assumed percent increases in toll rates are identical for cars and trucks, and for E-ZPass and cash transactions throughout the forecast period. Future toll-rate increases range from 3.0 to 6.0% per year between 2019 and 2048. Consistent with the PTC tolling policy, all E-ZPass tolls are rounded to the nearest cent, and cash toll rates are rounded up to the nearest nickel.

At the direction of the PTC, the toll rate increases shown in Table 4-2 were used in the development of the traffic and toll revenue forecasts, including the assumption that the percent toll rate increases are the same for both E-ZPass and cash transactions. The PTC reserves the right to implement toll rate differentials between E-ZPass and cash in future years.

Table 4-2
Actual and Assumed Future Toll Rate Increases (1)

Calendar Year	Percent Increase For Cars and Trucks		Sample Toll Rates (2)					
			$1.00 Toll		$2.50 Toll		$10.00 Toll	
	Cash	E-ZPass	Cash	E-ZPass	Cash	E-ZPass	Cash	E-ZPass
2015 (3)	5.0	5.0	$1.00	$1.00	$2.50	$2.50	$10.00	$10.00
2016 (3)	6.0	6.0	1.10	1.06	2.65	2.65	10.60	10.60
2017 (3)	6.0	6.0	1.20	1.12	2.85	2.81	11.25	11.24
2018 (3)	6.0	6.0	1.30	1.19	3.05	2.98	11.95	11.91
2019	6.0	6.0	1.40	1.26	3.25	3.16	12.70	12.62
2020	6.0	6.0	1.50	1.34	3.45	3.35	13.50	13.38
2021	5.0	5.0	1.60	1.41	3.65	3.52	14.20	14.05
2022	5.0	5.0	1.70	1.48	3.85	3.70	14.95	14.75
2023	5.0	5.0	1.80	1.55	4.05	3.89	15.70	15.49
2024	5.0	5.0	1.90	1.63	4.30	4.08	16.50	16.26
2025	5.0	5.0	2.00	1.71	4.55	4.28	17.35	17.07
2026	4.0	4.0	2.10	1.78	4.75	4.45	18.05	17.75
2027	3.5	3.5	2.20	1.84	4.95	4.61	18.70	18.37
2028	3.0	3.0	2.30	1.90	5.10	4.75	19.30	18.92
2029	3.0	3.0	2.40	1.96	5.30	4.89	19.90	19.49
2030	3.0	3.0	2.50	2.02	5.50	5.04	20.50	20.07
2031	3.0	3.0	2.60	2.08	5.70	5.19	21.15	20.67
2032	3.0	3.0	2.70	2.14	5.90	5.35	21.80	21.29
2033	3.0	3.0	2.80	2.20	6.10	5.51	22.50	21.93
2034	3.0	3.0	2.90	2.27	6.30	5.68	23.20	22.59
2035	3.0	3.0	3.00	2.34	6.50	5.85	23.90	23.27
2036	3.0	3.0	3.10	2.41	6.70	6.03	24.65	23.97
2037	3.0	3.0	3.20	2.48	6.95	6.21	25.40	24.69
2038	3.0	3.0	3.30	2.55	7.20	6.40	26.20	25.43
2039	3.0	3.0	3.40	2.63	7.45	6.59	27.00	26.19
2040	3.0	3.0	3.55	2.71	7.70	6.79	27.85	26.98
2041	3.0	3.0	3.70	2.79	7.95	6.99	28.70	27.79
2042	3.0	3.0	3.85	2.87	8.20	7.20	29.60	28.62
2043	3.0	3.0	4.00	2.96	8.45	7.42	30.50	29.48
2044	3.0	3.0	4.15	3.05	8.75	7.64	31.45	30.36
2045	3.0	3.0	4.30	3.14	9.05	7.87	32.40	31.27
2046	3.0	3.0	4.45	3.23	9.35	8.11	33.40	32.21
2047	3.0	3.0	4.60	3.33	9.65	8.35	34.45	33.18
2048	3.0	3.0	4.75	3.43	9.95	8.60	35.50	34.18

(1) Future toll rate increases are assumed to be implemented within several days of January 1.
(2) By PTC Policy, cash toll rates are rounded up to the nearest nickel and E-ZPass rates are rounded to the nearest penny.
(3) Reflects actual toll rate increases on the Turnpike System.

4.4 Estimated E-ZPass Market Shares in Future Years

Because a price differential has been established between cash and E-ZPass toll rates, it is important to estimate future year E-ZPass market shares in order to forecast gross toll revenues. Historically, cash and E-ZPass toll rates were virtually identical until 2011, differing only because cash rates were rounded up to the nearest nickel while E-ZPass rates were rounded up to the nearest cent. There was no reason for a customer to choose E-ZPass over cash based solely on the toll rate.

In 2011, 2012, 2013 and 2014, differential toll rate increases were implemented. As a result of these differential rate increases, cash toll rates are theoretically 39.5% greater than E-ZPass rates. The actual differential is even greater for lower price tolls due to the effect of rounding up to the nearest nickel for cash rates. The differential creates incentives for cash customers to shift to E-ZPass, and for new accounts to favor E-ZPass over cash.

Future year E-ZPass market shares were developed based on the assumed future toll rate increases shown in Table 4-2, and the historic trends in E-ZPass market share. Table 4-3 presents the actual percent E-ZPass market shares from calendar years 2011 through 2017, and the estimated percent E-ZPass market shares from 2018 through 2048 for passenger cars and commercial vehicles. Also shown are the percentage point increases in the E-ZPass market share over the prior year.

In 2011, the E-ZPass market share totaled 60.2% for passenger cars and 79.0% for commercial vehicles. By 2017, those values increased to 78.3% for passenger cars and 90.1% for commercial vehicles. A large portion of those increases were the direct result of increasing discounts for E-ZPass trips versus cash trips implemented from 2011 through 2014.

The estimated E-ZPass market shares for calendar years 2018 through 2048 continues to increase, but at a lower rate than in the recent past. This is because the toll differential is assumed to remain constant over this time period and because the E-ZPass market share is reaching its saturation point. In practical terms, there will likely always be customers who choose not to use E-ZPass. As shown in Table 4-3, by 2048 passenger car E-ZPass market share is estimated at 89.7% and the commercial vehicle market share is estimated to be 95.0%. For purposes of this analysis, it was assumed that the maximum E-ZPass market share would be 95.0%. Given the already high participation rate by commercial vehicles, they reach this level by 2030.

Table 4-3
Actual and Estimated E-ZPass Market Share
Pennsylvania Turnpike System

Calendar Year		Passenger Cars: Percent Market Share	Passenger Cars: Percent Increase in Market Share	Commercial Vehicles: Percent Market Share	Commercial Vehicles: Percent Increase in Market Share	Total Vehicles: Percent Market Share	Total Vehicles: Percent Increase in Market Share
2011	(1)	60.2		79.0		62.6	
2012	(1)	64.3	4.1	81.6	2.6	66.5	3.9
2013	(1)	68.8	4.5	84.2	2.6	70.8	4.3
2014	(1)	72.0	3.2	86.0	1.8	73.9	3.1
2015	(1)	73.9	1.9	87.8	1.8	75.8	1.9
2016	(1)	76.2	2.3	89.2	1.4	78.0	2.2
2017	(1)	78.3	2.1	90.1	0.9	79.9	1.9
2018	(2)	80.5	2.2	91.1	1.0	82.0	2.1
2019	(2)	81.9	1.4	91.9	0.8	83.3	1.3
2020	(2)	83.2	1.3	92.6	0.7	84.5	1.2
2021	(2)	84.2	1.0	93.1	0.5	85.5	1.0
2022	(2)	84.3	0.1	93.6	0.5	85.6	0.1
2023	(2)	85.0	0.7	94.1	0.5	86.3	0.7
2024	(2)	85.6	0.6	94.6	0.5	86.9	0.6
2025	(2)	86.2	0.6	94.8	0.2	87.4	0.5
2026	(2)	86.7	0.5	94.8	0.0	87.9	0.5
2027	(2)	87.2	0.5	94.9	0.1	88.3	0.4
2028	(2)	87.7	0.5	94.9	0.0	88.7	0.4
2029	(2)	88.1	0.4	94.9	0.0	89.1	0.4
2030	(2)	88.6	0.5	95.0	0.1	89.5	0.4
2031	(2)	88.9	0.3	95.0	0.0	89.8	0.3
2032	(2)	89.0	0.1	95.0	0.0	89.9	0.1
2033	(2)	89.1	0.1	95.0	0.0	90.0	0.1
2034	(2)	89.2	0.1	95.0	0.0	90.1	0.1
2035	(2)	89.3	0.1	95.0	0.0	90.1	0.0
2036	(2)	89.3	0.0	95.0	0.0	90.2	0.1
2037	(2)	89.4	0.1	95.0	0.0	90.2	0.0
2038	(2)	89.4	0.0	95.0	0.0	90.2	0.0
2039	(2)	89.5	0.1	95.0	0.0	90.3	0.1
2040	(2)	89.5	0.0	95.0	0.0	90.3	0.0
2041	(2)	89.5	0.0	95.0	0.0	90.3	0.0
2042	(2)	89.5	0.0	95.0	0.0	90.4	0.1
2043	(2)	89.6	0.1	95.0	0.0	90.4	0.0
2044	(2)	89.6	0.0	95.0	0.0	90.4	0.0
2045	(2)	89.6	0.0	95.0	0.0	90.4	0.0
2046	(2)	89.6	0.0	95.0	0.0	90.4	0.0
2047	(2)	89.7	0.1	95.0	0.0	90.5	0.1
2048	(2)	89.7	0.0	95.0	0.0	90.5	0.0

(1) Actual E-ZPass market share.
(2) Estimated E-ZPass market share.

4.5 Transaction and Gross Toll Revenue Forecasts

This section summarizes the forecasts of toll transactions and toll revenue based on the information provided in the preceding sections of this report. All previously discussed information regarding future transaction growth rates in the various Turnpike corridors (Chapter 3) as well as assumed toll rates, E-ZPass market share, etc. are all brought together to develop the following forecasts.

A more detailed approach was taken in developing the short term forecast over the next two calendar years (2018 and 2019). Forecasts were developed on monthly basis during these two years for passenger cars and commercial vehicles and for each Turnpike toll facility (Ticket System, Beaver Valley, Mon/Fayette Expressway, etc.). This accomplished two things. First it allowed us to take into account the most recent growth trends on all facilities. Second, it allowed us to create a "normal" calendar year by 2019, correcting for such things as adverse weather, the number of weekdays and weekend days in a month, and unique impacts such as the closure of the DRB in early 2017. Once a normalized 2019 was developed, the longer-term growth rates established through the socioeconomic analysis described in Chapter 3 were applied to it and all future years throughout the forecast period.

Table 4-4 shows the historical and near term forecast of toll transaction growth rates on the Turnpike in relation to actual and estimated GDP, GRP and GSP between 2010 and 2020. As shown, the recent low growth experience in 2017 (-0.9%) is estimated to continue over the short term, with total toll transactions forecasted to grow by only 0.0% in 2018 and -0.5% in 2019. This is in spite of estimated positive GDP, GRP and GSP growth (between 2.0% and 3.0%) over this same period. The low growth in 2017 was impacted by the 7-week closure of the DRB, but it is also likely that the effect of recent toll increases also dampened traffic growth. CDM Smith factored in continued low growth in 2018 and 2019 to account for the continued impact of toll increases. In addition, we have factored in negative growth in January and February 2019 to reflect more normal negative weather impacts. After 2019, we begin to factor in the longer-term growth rates established in Chapter 3, and factoring in the programed toll increases throughout the forecast period. Overall, total Turnpike System toll transaction growth is estimated to average just under 0.9% over the entire 30-year forecast period.

Table 4-4

Actual and Forecasted Measures of Commercial Activity and Growth in Total Turnpike System Transactions

Percent Change over Prior Year

Calendar Year	Gross Domestic Product Growth[1] (U.S.)	Gross Regional Product Growth[1] (NJ, NY, PA)	Gross State Product Growth[1] (PA)	PA Turnpike System Percent Transaction Growth[2] Passenger Cars	Commercial Vehicles	All Vehicles
2010 (actual)	2.5%	2.6%	2.7%	1.0%	4.0%	1.3%
2011 (actual)	1.6	0.4	1.3	-1.1	1.0	-0.9
2012 (actual)	2.2	2.5	1.6	0.3	0.6	0.3
2013 (actual)	1.7	0.6	1.6	0.6	3.0	0.9
2014 (actual)	2.6	1.5	2.0	0.0	4.2	0.5
2015 (actual)	2.9	1.9	2.3	2.3	3.9	2.5
2016 (actual)	1.5	0.5	0.6	3.1	4.2	3.3
2017 (actual)	2.3	1.6	1.9	-1.1	0.2	-0.9
2018 (forecast)	3.0	3.0	3.0	-0.2	1.6	0.0
2019 (forecast)	2.6	2.0	2.2	-0.7	0.1	-0.5
2020 (forecast)	0.9	0.2	0.3	0.0	0.9	0.1

(1) The percent changes in U.S. GDP, GRP, and GSP are based on chained 2009 dollars. The U.S. GDP is actual through 2017. The GRP and GSP are actual through 2016. Actual data was obtained from the U.S. Bureau of Economic Analysis. Forecast data was from Moody's Analytics baseline forecast (April 2018 for regional, February 2018 for Pennsylvania).

Table 4-5 shows estimated Ticket System transactions and gross toll revenue through FY 2047-48. Actual data is shown for FY 2016-17 and for the first nine months of FY 2017-18 (through February 2018). As shown, total ticket toll transactions are estimated to increase from about 157.3 million in FY 2016-17 (the latest full year of actual experience) to just over 198.2 million by FY 2047-48; this represents a total increase over this period of 26.0% or an average annual growth rate of 0.75%. Annual gross toll revenue is estimated to increase from $1.0 billion in FY 2016-17 to just over $4.0 billion by FY 2047-48. This represents an average annual increase of about 4.6% and includes the impacts of normal growth, annual toll rate increases, and the impact of the I-95 Interchange.

Table 4-6 identifies the same transaction and gross toll revenue information for the Barrier System. As shown, total transactions are estimated to increase from about 43.2 million in FY 2016-17 to 62.1 million by FY 2047-48; this represents a total increase over this period of 43.7% or an average annual increase of about 1.18%. This is slightly greater than the rate of growth for the Ticket System but is positively impacted by the addition of the Southern Beltway extension to I-79 in January 2022. This adds two more mainline tolling zones to this corridor. Absent these two new tolling zones, average annual growth over the forecast period would have been about 0.70%. Estimated annual toll revenue is expected to increase from about $110.6 million in FY 2016-17 to $450.4 million by the end of the forecast period. This represents a 4.6% annual rate of increase. Again, this is influenced by normal growth, toll increases, and the impact of the Southern Beltway extension to I-79.

Table 4-7 identifies total combined transactions and gross toll revenue and also factors in estimated toll discounts and adjustments. The vast majority of the discounts and adjustments results from commercial account toll adjustments due to the Turnpike's volume discount program. The volume discount program allows for a 3.0% discount to be provided to accounts that accrue $20,000 or more in monthly tolls. Discounts and adjustments shown in Table 4-7 assume no further changes to the post-paid commercial volume discount program during the forecast period. The result is that the current forecasts have a negative adjustment applied for FY 2017-18 and beyond that equals 1.3% of the commercial vehicle gross toll revenue, which is based on the most recent 12 months of actual experience.

As shown in Table 4-7, total transactions increase from 200.5 million in FY 2016-17 to just over 260.3 million by FY 2047-48; this represents a total increase of about 30.0%, or an average annual increase of 0.85%, over the forecast period. Total net toll revenue, after discounts and adjustments, is estimated to grow from approximately $1.1 billion in FY 2016-17 to just under $4.5 billion by FY 2047-48, representing a 4.6% average annual rate of growth. This includes normal growth, toll increase impacts, additional revenue from the I-95 Interchange and Southern Beltway projects, and toll discounts and adjustments.

Table 4-5
Ticket System: Estimated Annual Transactions and Gross Toll Revenue (1)
Pennsylvania Turnpike Commission

Traffic and Toll Revenue in Thousands

		Annual Traffic			Annual Gross Toll Revenue		
Fiscal Year		Passenger Cars	Commercial Vehicles	Total Vehicles	Passenger Cars	Commercial Vehicles	Total Vehicles
2016-17	(2) (4)	135,128	22,179	157,307	$564,915	$439,495	$1,004,410
2017-18	(3)	134,129	22,408	156,537	598,105	472,972	1,071,077
2018-19	(5)	133,599	22,374	155,973	633,248	499,276	1,132,524
2019-20		133,412	22,527	155,939	671,305	531,859	1,203,164
2020-21		133,773	22,728	156,501	711,251	565,746	1,276,997
2021-22		134,685	22,978	157,663	751,554	599,878	1,351,432
2022-23		135,928	23,256	159,183	795,590	636,850	1,432,440
2023-24		137,132	23,532	160,664	841,671	676,000	1,517,670
2024-25		138,413	23,818	162,231	890,797	717,976	1,608,773
2025-26		139,936	24,125	164,061	940,670	760,445	1,701,115
2026-27		141,553	24,430	165,983	985,925	799,239	1,785,164
2027-28		143,137	24,720	167,857	1,027,955	835,336	1,863,291
2028-29		144,685	25,009	169,695	1,067,694	870,468	1,938,162
2029-30		146,203	25,298	171,501	1,108,561	906,942	2,015,504
2030-31		147,687	25,587	173,274	1,151,269	944,806	2,096,076
2031-32		149,157	25,875	175,033	1,197,183	984,113	2,181,296
2032-33		150,613	26,163	176,776	1,245,743	1,024,916	2,270,659
2033-34		152,018	26,451	178,469	1,295,726	1,067,273	2,362,999
2034-35		153,382	26,739	180,120	1,347,237	1,111,254	2,458,491
2035-36		154,707	27,027	181,734	1,400,330	1,156,926	2,557,256
2036-37		156,009	27,310	183,318	1,455,206	1,204,091	2,659,296
2037-38		157,224	27,584	184,808	1,511,294	1,252,670	2,763,964
2038-39		158,398	27,859	186,257	1,569,031	1,303,100	2,872,131
2039-40		159,554	28,134	187,688	1,628,713	1,355,455	2,984,168
2040-41		160,689	28,410	189,099	1,690,343	1,409,816	3,100,159
2041-42		161,796	28,687	190,483	1,753,937	1,466,264	3,220,202
2042-43		162,870	28,965	191,835	1,819,457	1,524,879	3,344,336
2043-44		163,916	29,244	193,160	1,887,030	1,585,753	3,472,783
2044-45		164,936	29,524	194,460	1,956,723	1,648,967	3,605,690
2045-46		165,928	29,805	195,733	2,028,563	1,714,605	3,743,168
2046-47		166,905	30,087	196,992	2,102,783	1,782,770	3,885,552
2047-48		167,869	30,371	198,240	2,179,492	1,853,568	4,033,060

(1) Annual toll rate increases are implemented in January of each year (see Table 4-2).
(2) Reflects actual traffic and revenue experience.
(3) Reflects actual experience through February 2018.
(4) The Delaware River Bridge was closed due to structural integrity concerns from January 20, 2017 to March 9, 2017.
(5) Reflects the impacts for I-95 Interchange Stage 1 beginning in September 2018.

Table 4-6

Barrier Systems: Estimated Annual Transactions and Gross Toll Revenue (1)

Pennsylvania Turnpike Commission

Traffic and Toll Revenue in Thousands

		Annual Traffic			**Annual Gross Toll Revenue**	
Fiscal Year	Passenger Cars	Commercial Vehicles	Total Vehicles	Passenger Cars	Commercial Vehicles	Total Vehicles
2016-17 (2) (4)	37,671	5,524	43,195	$73,872	$36,694	$110,566
2017-18 (3) (5)	38,035	5,955	43,989	78,464	41,223	119,687
2018-19 (6)	37,302	5,950	43,252	81,686	43,778	125,464
2019-20	37,065	6,020	43,084	86,357	47,391	133,748
2020-21	36,984	6,089	43,073	91,059	50,866	141,925
2021-22 (7)	39,380	6,423	45,803	97,662	54,886	152,548
2022-23	43,538	6,982	50,520	106,192	59,651	165,844
2023-24	44,579	7,159	51,738	112,616	63,672	176,288
2024-25	45,478	7,318	52,796	119,363	67,894	187,257
2025-26	46,198	7,448	53,646	126,061	71,996	198,058
2026-27	46,818	7,561	54,379	132,178	75,666	207,844
2027-28	47,202	7,641	54,843	137,722	78,999	216,721
2028-29	47,585	7,721	55,306	143,030	82,241	225,271
2029-30	47,945	7,799	55,744	148,412	85,603	234,015
2030-31	48,286	7,876	56,162	153,936	89,086	243,022
2031-32	48,619	7,952	56,571	159,617	92,690	252,308
2032-33	48,941	8,028	56,969	165,446	96,415	261,861
2033-34	49,254	8,103	57,357	171,451	100,275	271,726
2034-35	49,559	8,178	57,737	177,687	104,279	281,967
2035-36	49,855	8,253	58,108	184,160	108,434	292,594
2036-37	50,143	8,327	58,470	190,827	112,727	303,553
2037-38	50,420	8,400	58,820	197,668	117,147	314,815
2038-39	50,695	8,473	59,168	204,724	121,725	326,449
2039-40	50,969	8,546	59,516	212,023	126,474	338,497
2040-41	51,240	8,619	59,860	219,566	131,401	350,966
2041-42	51,505	8,692	60,198	227,337	136,507	363,845
2042-43	51,762	8,765	60,527	235,334	141,800	377,134
2043-44	52,013	8,837	60,850	243,568	147,287	390,855
2044-45	52,257	8,909	61,166	252,049	152,975	405,024
2045-46	52,494	8,981	61,475	260,776	158,871	419,647
2046-47	52,725	9,052	61,777	269,765	164,983	434,748
2047-48	52,951	9,124	62,075	279,034	171,319	450,353

(1) Annual toll rate increases are implemented in January of each year (see Table 4-2).

(2) Reflects actual traffic and revenue experience.

(3) Reflects actual experience through February 2018.

(4) The Delaware River Bridge was closed due to structural integrity concerns from January 20, 2017 to March 9, 2017.

(5) Reflects Northeast Extension Barrier and PA I-576 conversion to cashless tolling beginning in April 2018.

(6) Reflects the impacts for I-95 Interchange Stage 1 beginning in September 2018.

(7) Reflects opening of the Southern Beltway between US 22 and I-79 beginning in January 2022.

Table 4-7
Total System: Estimated Annual Transactions and Gross Toll Revenue (1)
Pennsylvania Turnpike Commission

Traffic and Toll Revenue in Thousands

	Annual Traffic			Annual Gross Toll Revenue			Discounts	
Fiscal Year	Passenger Cars	Commercial Vehicles	Total Vehicles	Passenger Cars	Commercial Vehicles	Total Vehicles	**and Adjustments (8)**	**Net Toll Revenue**
2016-17 (2) (4)	172,799	27,703	200,501	$638,787	$476,188	$1,114,975	($3,915)	$1,111,061
2017-18 (3) (5)	172,164	28,363	200,527	676,570	514,194	1,190,764	(6,685)	1,184,080
2018-19 (6)	170,901	28,324	199,225	714,934	543,054	1,257,989	(7,060)	1,250,929
2019-20	170,477	28,547	199,024	757,662	579,250	1,336,913	(7,530)	1,329,382
2020-21	170,757	28,817	199,574	802,310	616,612	1,418,922	(8,016)	1,410,906
2021-22 (7)	174,066	29,401	203,467	849,216	654,764	1,503,980	(8,512)	1,495,468
2022-23	179,466	30,237	209,703	901,782	696,502	1,598,284	(9,055)	1,589,229
2023-24	181,712	30,691	212,402	954,287	739,671	1,693,958	(9,616)	1,684,343
2024-25	183,891	31,136	215,027	1,010,161	785,869	1,796,030	(10,216)	1,785,814
2025-26	186,134	31,573	217,707	1,066,731	832,441	1,899,172	(10,822)	1,888,350
2026-27	188,371	31,991	220,362	1,118,104	874,905	1,993,009	(11,374)	1,981,635
2027-28	190,339	32,361	222,700	1,165,677	914,335	2,080,013	(11,886)	2,068,126
2028-29	192,271	32,730	225,001	1,210,723	952,709	2,163,433	(12,385)	2,151,047
2029-30	194,148	33,097	227,245	1,256,973	992,545	2,249,518	(12,903)	2,236,615
2030-31	195,974	33,463	229,436	1,305,205	1,033,893	2,339,098	(13,441)	2,325,657
2031-32	197,776	33,827	231,603	1,356,800	1,076,804	2,433,604	(13,998)	2,419,605
2032-33	199,554	34,191	233,745	1,411,190	1,121,330	2,532,520	(14,577)	2,517,943
2033-34	201,272	34,554	235,826	1,467,177	1,167,548	2,634,725	(15,178)	2,619,547
2034-35	202,940	34,917	237,857	1,524,924	1,215,534	2,740,458	(15,802)	2,724,656
2035-36	204,562	35,280	239,842	1,584,489	1,265,360	2,849,849	(16,450)	2,833,400
2036-37	206,151	35,637	241,788	1,646,032	1,316,818	2,962,850	(17,119)	2,945,731
2037-38	207,644	35,984	243,628	1,708,962	1,369,817	3,078,779	(17,808)	3,060,971
2038-39	209,093	36,332	245,424	1,773,755	1,424,825	3,198,580	(18,523)	3,180,057
2039-40	210,524	36,680	247,204	1,840,736	1,481,930	3,322,666	(19,265)	3,303,400
2040-41	211,929	37,030	248,959	1,909,909	1,541,216	3,451,125	(20,036)	3,431,090
2041-42	213,302	37,379	250,681	1,981,275	1,602,771	3,584,046	(20,836)	3,563,210
2042-43	214,632	37,730	252,362	2,054,791	1,666,679	3,721,470	(21,667)	3,699,804
2043-44	215,929	38,081	254,010	2,130,598	1,733,040	3,863,638	(22,530)	3,841,108
2044-45	217,194	38,433	255,627	2,208,771	1,801,942	4,010,714	(23,425)	3,987,289
2045-46	218,422	38,786	257,208	2,289,339	1,873,476	4,162,815	(24,355)	4,138,460
2046-47	219,630	39,140	258,770	2,372,548	1,947,752	4,320,300	(25,321)	4,294,979
2047-48	220,821	39,495	260,315	2,458,526	2,024,887	4,483,412	(26,324)	4,457,089

(1) Annual toll rate increases are implemented in January of each year (see Table 4-2).
(2) Reflects actual traffic and revenue experience.
(3) Reflects actual experience through February 2018.
(4) The Delaware River Bridge was closed due to structural integrity concerns from January 20, 2017 to March 9, 2017.
(5) Reflects Northeast Extension Barrier and PA I-576 conversion to cashless tolling beginning in April 2018.
(6) Reflects the impacts for I-95 Interchange Stage 1 beginning in September 2018.
(7) Reflects opening of the Southern Beltway between US 22 and I-79 beginning in January 2022.
(8) No changes are assumed in the commercial discount program throughout the forecast period. Impacts are assumed to remain constant at -1.3% of total gross commercial toll revenue, which is based on actual experience during the most recent fiscal year.

Fiduciary Disclaimer

Current accepted professional practices and procedures were used in the development of these updated traffic and revenue forecasts. However, as with any forecast of the future, there may be differences between forecasted and actual results caused by events and circumstances beyond the control of CDM Smith. In formulating its forecasts, CDM Smith has reasonably relied upon the accuracy and completeness of information provided (both written and oral) by the PTC and other local and state agencies. CDM Smith also has relied upon the reasonable assurances of some independent parties and is not aware of any facts that would make such information misleading.

CDM Smith has made qualitative judgments related to several key variables in the development and analysis of the traffic and revenue forecasts that must be considered as a whole; therefore, selecting portions of any individual result without consideration of the intent of the whole may create a misleading or incomplete view of the results and the underlying methodologies used to obtain the results. CDM Smith gives no opinion as to the value or merit to partial information extracted from this report.

All forecasts and projections reported herein are based on CDM Smith's experience and judgment and on a review of information obtained from multiple state and local agencies, including the PTC. These estimates and projections may not be indicative of actual or future values and are therefore subject to substantial uncertainty. Future developments cannot be predicted with certainty and may affect the forecasts or projections expressed in this report, such that CDM Smith does not specifically guarantee or warrant any forecasts or projections contained within this report.

While CDM Smith believes that some of the projections or other forward-looking statements contained within the report are based on reasonable assumptions as of the date in the report, such forward looking statements involve risks and uncertainties that may cause actual results to differ materially from the results predicted. Therefore, following the date of this report, CDM Smith will take no responsibility or assume any obligation to advise of changes that may affect its assumptions contained within the report, as they pertain to: socioeconomic and demographic forecasts, proposed residential or commercial land use development projects and/or potential improvements to the regional transportation network.

CDM Smith is not, and has not been, a municipal advisor as defined in Federal law (the Dodd Frank Bill) to the PTC and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to PTC with respect to the information and material contained in this report. CDM Smith is not recommending and has not recommended any action to the PTC. PTC should discuss the information and material contained in this report with any and all internal and external advisors that it deems appropriate before acting on this information.

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APPENDIX G

FORM OF FORWARD DELIVERY AGREEMENT

[Underwriter]
[Address]

Re: $179,815,000 Pennsylvania Turnpike Commission
Turnpike Revenue Refunding Bonds, Series of 2019
(Forward Delivery) (the "2019 Bonds")

Ladies and Gentlemen:

The Purchaser (the "Purchaser") designated below and executing this Forward Delivery Agreement (the "Agreement") hereby agrees to purchase from the Underwriter named above (the "Underwriter") when, as, and if issued and delivered by the Pennsylvania Turnpike Commission (the "Commission") and the Underwriter agrees to sell to the undersigned,

Maturity Date	Par Amount	Coupon	CUSIP Number	Yield	Price

of the above-referenced 2019 Bonds (the "Purchased 2019 Bonds") offered by the Commission's Amended and Restated Preliminary Official Statement dated September 13, 2018 and the Official Statement dated September 20, 2018 (the "Official Statement"), at a purchase price, at the interest rates, in the principal amounts and with maturity dates shown above. The Purchaser acknowledges receipt of copies of the Amended and Restated Preliminary Official Statement and the Official Statement.

The Purchaser hereby confirms that it has reviewed the Official Statement (including the information under the heading "CERTAIN FORWARD DELIVERY CONSIDERATIONS" therein), has considered the risks associated with purchasing the Purchased 2019 Bonds and is duly authorized to purchase the Purchased 2019 Bonds. The Purchaser further acknowledges and agrees that the Purchased 2019 Bonds are being sold on a "forward" basis, and the Purchaser hereby agrees to take delivery of and pay for such Purchased 2019 Bonds from the Underwriter on or about September __, 2019 (the "Closing Date") when the Purchased 2019 Bonds are issued pursuant to that certain Forward Delivery Bond Purchase Agreement dated September 20, 2018 (the "Bond Purchase Agreement") between the Commission and PNC Capital Markets LLC (the "Representative"), acting for itself, and as representative of the underwriters named therein (collectively, the "Underwriters"), including the Underwriter. A copy of the Bond Purchase Agreement is available from the Underwriter upon request. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Bond Purchase Agreement.

Payment for the Purchased 2019 Bonds that the Purchaser has agreed to purchase on the Closing Date shall be made to the Underwriter by wire transfer to a bank account specified by the Underwriter, on the Closing Date upon delivery to the Purchaser of the Purchased 2019 Bonds then to be purchased by the Purchaser through the book-entry system of The Depository Trust Company.

The obligation of the Purchaser to take delivery of and pay for the Purchased 2019 Bonds hereunder is *unconditional*, even if the Purchaser elects to sell the Purchased 2019 Bonds after the date hereof and prior to the Closing Date, unless the Commission fails to deliver the 2019 Bonds as set forth in the Bond Purchase Agreement or fails or is unable to comply with all of the conditions to issuance of the 2019 Bonds set forth in the Bond Purchase Agreement. The Purchaser acknowledges that the Bond Purchase Agreement give the Representative the right to waive compliance with certain conditions to Closing and proceed to Closing notwithstanding the failure to meet one or more of such conditions.

The Underwriters have the right under the Bond Purchase Agreement, before the Preliminary Closing or if the Preliminary Closing was completed, before the time of Closing, to cancel their obligation to purchase the 2019 Bonds, if between the date of the Bond Purchase Agreement and the Closing Date, certain conditions prevent the Bond Purchase Agreement from being satisfied, including, among others:

(a) legislation shall have been enacted or introduced by the Congress of the United States or the legislature of the Commonwealth or shall have been reported out of committee of either body or be pending in committee of either body, or a decision shall have been rendered by a court of the United States or the Commonwealth or the Tax Court of the United States, or a ruling, resolution, regulation, or temporary regulation, release, or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or state authority, with respect to federal or Commonwealth taxation upon interest received on obligations of the general character of the 2019 Bonds that, in the Representative's reasonable judgment, materially adversely affects the market for the 2019 Bonds, or the market price generally of obligations of the general character of the 2019 Bonds, or the ability of the Underwriters to enforce contracts for the sale of the 2019 Bonds; or

(b) there shall exist any event or circumstance that in the Representative's reasonable judgment either makes untrue or incorrect in any material respect any statement or information in the Official Statement or the Updated Official Statement (other than any statement provided by the Underwriters) or is not reflected in the Official Statement or the Updated Official Statement, but should be reflected therein in order to make any statement of material fact therein not misleading in any material respect, and in either such event, the Commission refuses to permit the Official Statement or the Updated Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement or Updated Official Statement, as so supplemented, in the Representative's reasonable judgment, materially adversely affect the market prices or marketability of the 2019 Bonds or the ability of the Underwriters to enforce contracts for the sale of the 2019 Bonds; or

(c) there shall have occurred (1) an outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or a war; or (2) the occurrence of any other material national or international calamity or crisis or any material adverse change in the financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (1) or (2), in the reasonable judgment of the Representative, makes it impracticable or inadvisable to proceed with the offering or the delivery of the 2019 Bonds on the terms and in the manner contemplated in the Amended and Restated Preliminary Official Statement, the Official Statement or the Updated Official Statement; or

(d) there shall be in force a general suspension of trading on the New York Stock Exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction that, in the Representative's reasonable judgment, makes it impracticable for the Underwriters to market the 2019 Bonds or enforce contracts for the sale of the 2019 Bonds; or

(e) a general banking moratorium shall have been declared by federal or state authorities having jurisdiction and be in force that, in the Representative's reasonable judgment, makes it impracticable for the Underwriters to market the 2019 Bonds or enforce contracts for the sale of the 2019 Bonds; or

(f) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the 2019 Bonds or any comparable securities of the Commission, or any obligations of the general character of the 2019 Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect (the "Securities Act") or the Senior Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended and as then in effect (the "Trust Indenture Act"), or otherwise, or would be in violation of any provision of the federal securities laws; or

(g) there shall have been any material adverse change in the financial affairs of the Commission that in the Representative's reasonable judgment has materially adversely affected the market for the 2019 Bonds and the ability of the Underwriters to enforce contracts for the sale of the 2019 Bonds; or

(h) there shall be established any new restriction on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by underwriters established by the New York Stock Exchange, the SEC, any other federal or Commonwealth agency or the Congress of the United States, or by Executive Order; or

(i) a stop order, release, regulation, or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance, offering, or sale of the 2019 Bonds, including all the underlying obligations as contemplated hereby and described in the Official Statement, or any document relating to the issuance, offering or sale of the 2019 Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act and the Trust Indenture Act; or

(j) there shall have occurred, after the signing hereof, either a financial crisis or a default with respect to the debt obligations of the Commission or proceedings under the bankruptcy laws of the United States or of the Commonwealth shall have been instituted by the Commission, in either case the effect of which, in the reasonable judgment of the Representative, is such as to materially and adversely affect the market price or the marketability of the 2019 Bonds or the ability of the Underwriters to enforce contracts of the sale of the 2019 Bonds; or

(k) there is a withdrawal or downgrade of any rating on the 2019 Bonds below investment grade by at least one rating agency rating the 2019 Bonds which withdrawal or downgrade exists on the Closing Date; or

(l) a material disruption in commercial banking or securities settlement, payment or clearance services shall have occurred.

It is a condition to the issuance of the 2019 Bonds on the Closing Date that Bond Counsel deliver its approving opinion in substantially the form attached to the Official Statement as APPENDIX D. The delivery of such opinion by Bond Counsel on the Closing Date is subject to a Change in Law not having occurred. As defined in the Bond Purchase Agreement, a "Change in Law" shall mean any of the following, which occur at any time after the Preliminary Closing Date and on or prior to the Closing Date: (i) any change of or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations, or other pronouncements or interpretations by federal or state agencies or self-regulatory bodies, (ii) any legislation enacted by the Congress of the United States (whether or not such enacted legislation has a proposed effective date which is on or before the Closing Date), (iii) any law, rule, or regulation proposed or enacted by any governmental body, department, agency or self-regulatory body (whether or not such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Closing Date) or (iv) any judgment, ruling, or order issued by any court or administrative body, which in any such case (as provided in (i) - (iv) above), would, (A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters' purchase of the 2019 Bonds as provided in this Bond Purchase Agreement; (B) make illegal, retroactively, or otherwise, the issuance, sale, or delivery by the Issuer of the 2019 Bonds; (C) make illegal the Senior Indenture; (D) impact, directly or indirectly, the lien of the Senior Indenture (E) eliminate the exclusion from gross income of interest on the 2019 Bonds or obligations of a character similar to the 2019 Bonds; or (F) require the 2019 Bonds to be registered under the 1933 Act or under the 1934 Act, or require the Senior Indenture to be qualified under the 1939 Act and as to the foregoing, in the sole and reasonable judgment of Bond Counsel cause Bond Counsel not to issue its opinion as to the tax exempt status of the 2019 Bonds for federal income tax purposes. On the Preliminary Closing Date, Bond Counsel has advised the Commission and the Underwriters in writing that assuming that no Change in Law has occurred, it expects to be able to issue on the Closing Date an opinion substantially in the form attached to the Official Statement as APPENDIX D. Issuance of the 2019 Bonds on the Closing Date is further conditioned on the receipt of a supplemental opinion of Bond Counsel, opinion of Chief Counsel to the Commission, and an opinion Underwriters' Counsel as to certain additional legal matters.

The Purchaser acknowledges and agrees that it is obligated to take delivery of and pay for the Purchased 2019 Bonds on the Closing Date unless the Representative terminates the Bond Purchase Agreement. The Purchaser is not a third party beneficiary under the Bond Purchase Agreement and has no rights to enforce, or cause the Representative or the Underwriters to enforce, any of the terms thereof. The Purchaser acknowledges and agrees that it will not be able to withdraw its order as described herein, and will not otherwise be excused from performance of its obligations to take delivery of and pay for the Purchased 2019 Bonds on the Closing Date because of market or credit changes, including, but not limited to: (a) changes in the ratings assigned to the 2019 Bonds between the date hereof and the Closing Date, so long as the 2019 Bonds are not rated below investment grade by at least one rating agency rating the 2019 Bonds as of the Closing Date, and (b) changes in the financial condition, operations, performance, properties or prospects of the Commission from the date hereof to the Closing Date, unless the Bond Purchase Agreement is terminated by the Representative as permitted thereby. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased 2019 Bonds in accordance with the terms hereof, which obligation shall survive even if the Purchaser elects to sell the Purchased 2019 Bonds following the date hereof and prior to the Closing Date.

The Purchaser represents and warrants that, as of the date of this Agreement, the Purchaser is not prohibited from purchasing the Purchased 2019 Bonds hereby agreed to be purchased by it under the laws of the jurisdiction to which it is subject.

This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors. The Purchaser agrees that the Representative and each other Underwriter shall be deemed to be a third party beneficiary of this Agreement. The Purchaser agrees that a fully executed copy of this Agreement may be provided to the Representative.

This Agreement may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument.

It is understood that the acceptance by the Underwriter of any Agreement (including this one) is in the Underwriter's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis.

If this Agreement is acceptable to the Underwriter, it is requested that the Underwriter sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Underwriter and the Purchaser when such counterpart is mailed or delivered to the Purchaser. This Agreement does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Agreement and all matters arising hereunder shall be governed by the laws of the State of New York.

[NAME OF INVESTOR]

By: ________________________________
Name: ______________________________
Title: _______________________________

Accepted: ____________________, 2018

[UNDERWRITER]

By: ________________________________
Name: ______________________________
Title: _______________________________

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