



**PENNSYLVANIA TURNPIKE COMMISSION**  
**TO**  
**COMMERCE BANK, NATIONAL ASSOCIATION**  
**AS TRUSTEE**

**SUBORDINATE TRUST INDENTURE**

**Dated as of April 1, 2008**



<b>ARTICLE IV TOLLS, REVENUES AND FUNDS.....</b>	<b>28</b>
SECTION 4.01 <i>Commission Payments .....</i>	<i>28</i>
SECTION 4.02 <i>Rate Covenant .....</i>	<i>30</i>
SECTION 4.03 <i>Creation of Funds .....</i>	<i>31</i>
SECTION 4.04 <i>Commission Payments Fund.....</i>	<i>32</i>
SECTION 4.05 <i>Administrative Expenses Fund.....</i>	<i>32</i>
SECTION 4.06 <i>Debt Service Fund.....</i>	<i>32</i>
SECTION 4.07 <i>Debt Service Reserve Fund .....</i>	<i>33</i>
SECTION 4.08 <i>Rebate Fund .....</i>	<i>35</i>
SECTION 4.09 <i>Guaranteed Bonds Payments Fund. ....</i>	<i>35</i>
SECTION 4.10 <i>Residual Fund.....</i>	<i>35</i>
SECTION 4.11 <i>Moneys Set Aside for Principal and Interest Held in Trust. ....</i>	<i>36</i>
SECTION 4.12 <i>Additional Security.....</i>	<i>36</i>
<b>ARTICLE V DEPOSITARIES AND INVESTMENTS OF MONEYS.....</b>	<b>36</b>
SECTION 5.01 <i>Depositary.....</i>	<i>36</i>
SECTION 5.02 <i>Investment of Moneys.....</i>	<i>37</i>
<b>ARTICLE VI PARTICULAR COVENANTS.....</b>	<b>38</b>
SECTION 6.01 <i>Payment of Principal, Interest and Premium. ....</i>	<i>38</i>
SECTION 6.02 <i>Limitations on Issuance of Additional Subordinate Indenture Bonds and Execution of Approved Swaps.....</i>	<i>38</i>
SECTION 6.03 <i>Covenant as to Lease .....</i>	<i>41</i>
SECTION 6.04 <i>Covenant as to Act 44 – Guaranteed Bonds . ....</i>	<i>41</i>
SECTION 6.05 <i>Tax Covenants.....</i>	<i>42</i>
SECTION 6.06 <i>Security Agreement; Financing Statements. ....</i>	<i>42</i>
SECTION 6.07 <i>Further Instruments and Action.....</i>	<i>42</i>
<b>ARTICLE VII EVENTS OF DEFAULT AND REMEDIES.....</b>	<b>42</b>
SECTION 7.01 <i>Events of Default.....</i>	<i>43</i>
SECTION 7.02 <i>Remedies.....</i>	<i>43</i>
SECTION 7.03 <i>Additional Remedies.....</i>	<i>43</i>
SECTION 7.04 <i>Marshaling of Assets.....</i>	<i>44</i>
SECTION 7.05 <i>Trustee May File Proofs of Claim.....</i>	<i>44</i>
SECTION 7.06 <i>Possession of Subordinate Indenture Bonds Not Required. ....</i>	<i>45</i>
SECTION 7.07 <i>Notice and Opportunity to Cure Certain Defaults.....</i>	<i>45</i>

SECTION 7.08	<i>Priority of Payment Following Event of Default.</i>	45
SECTION 7.09	<i>[Subordinate Turnpike Revenue Bonds] Bondholders May Direct Proceedings.</i>	46
SECTION 7.10	<i>Limitations on Rights of Subordinate Indenture Bondholders.</i>	46
SECTION 7.11	<i>Unconditional Right of Subordinate Indenture Bondholder to Receive Payment.</i>	47
SECTION 7.12	<i>Restoration of Rights and Remedies.</i>	47
SECTION 7.13	<i>Rights and Remedies Cumulative.</i>	47
SECTION 7.14	<i>Delay or Omission Not Waiver.</i>	47
SECTION 7.15	<i>Waiver of Defaults.</i>	48
SECTION 7.16	<i>Notice of Events of Default.</i>	48
<b>ARTICLE VIII THE TRUSTEE</b>		48
SECTION 8.01	<i>Duties and Responsibilities of the Trustee.</i>	48
SECTION 8.02	<i>Certain Rights of the Trustee.</i>	50
SECTION 8.03	<i>Trustee Not Responsible for Recitals.</i>	51
SECTION 8.04	<i>Trustee May Own Subordinate Indenture Bonds.</i>	52
SECTION 8.05	<i>Compensation and Expenses of the Trustee.</i>	52
SECTION 8.06	<i>Qualifications of Trustee.</i>	53
SECTION 8.07	<i>Resignation or Removal of Trustee; Appointment of Successor Trustee.</i>	53
SECTION 8.08	<i>Acceptance of Appointment by Successor Trustee.</i>	54
SECTION 8.09	<i>Merger, Succession or Consolidation of Trustee.</i>	54
SECTION 8.10	<i>Notices to Subordinate Indenture Bondholders; Waiver.</i>	54
SECTION 8.11	<i>Paying Agents and Authenticating Agents.</i>	56
<b>ARTICLE IX SUPPLEMENTAL INDENTURES</b>		56
SECTION 9.01	<i>Supplemental Indentures Without Subordinate Indenture Bondholders' Consent.</i>	56
SECTION 9.02	<i>Supplemental Indentures Requiring Subordinate Indenture Bondholders' Consent.</i>	57
SECTION 9.03	<i>Consents of Subordinate Indenture Bondholders and Opinions.</i>	58
SECTION 9.04	<i>Exclusion of Certain Subordinate Indenture Bonds for the Purpose of Consent, etc.</i>	59
SECTION 9.05	<i>Notation on Subordinate Indenture Bonds.</i>	59

SECTION 9.06	<i>Delivery of Counsel's Opinion with Respect to Supplemental Indentures.</i>	59
SECTION 9.07	<i>Effect of Supplemental Indentures.</i>	59
<b>ARTICLE X DISCHARGE AND DEFEASANCE</b>		60
SECTION 10.01	<i>Discharge.</i>	60
SECTION 10.02	<i>Defeasance; Deposit of Funds for Payment of Subordinate Indenture Bonds.</i>	60
SECTION 10.03	<i>Notice of Defeasance.</i>	62
<b>ARTICLE XI MISCELLANEOUS PROVISIONS</b>		62
SECTION 11.01	<i>Successorship of Commission.</i>	62
SECTION 11.02	<i>Successorship of Paying Agents.</i>	62
SECTION 11.03	<i>Notices.</i>	63
SECTION 11.04	<i>Holidays.</i>	63
SECTION 11.05	<i>Counterparts.</i>	64
SECTION 11.06	<i>Applicable Law.</i>	64
SECTION 11.07	<i>Limitation of Liability of Officials of the Commission.</i>	64
SECTION 11.08	<i>Successors and Assigns.</i>	64
SECTION 11.09	<i>Form of Documents Delivered to Trustee.</i>	64
SECTION 11.10	<i>Consent of Holders.</i>	65

## SUBORDINATE TRUST INDENTURE

This Subordinate Trust Indenture (as supplemented or amended, the "Subordinate Indenture"), dated as of April 1, 2008, is made by and between the PENNSYLVANIA TURNPIKE COMMISSION, an instrumentality of the Commonwealth of Pennsylvania (hereinafter sometimes called the "Commission"), and COMMERCE BANK, NATIONAL ASSOCIATION, a national banking association duly organized and validly existing under and by virtue of the laws of the U.S. and having a corporate trust office in the City of Philadelphia, Pennsylvania (said banking association and any bank or trust company appointed as successor trustee under this Subordinate Indenture being hereinafter sometimes called the "Trustee").

### WITNESSETH:

WHEREAS, the Commission, by virtue of an Act of the General Assembly of Pennsylvania approved July 18, 2007, No. 2007-44 ("Act 44"), is authorized and empowered (1) to make Payments to PennDot; (2) to issue turnpike revenue or other bonds, notes or other obligations of the Commission for the purpose of making Payments to PennDot in accordance with Act 44; and (3) to pay the principal of and interest on such bonds, notes or other obligations solely from the revenues of the Commission or from such funds as may be available to the Commission for that purpose; and

WHEREAS, the Commission has determined it is necessary and desirable to make Payments to PennDot pursuant to Act 44 and the Lease; and

WHEREAS, the obligations of the Commission to make Payments as required under Act 44 are payable only as permitted by any financing documents, financial covenants, liquidity policies or agreements in effect by the Commission; and

WHEREAS, Section 8915.3(7) of Act 44 requires the Lease to provide (and Section 11.4 of the Lease does so provide) that the obligation of the Commission to pay the Annual Base Payments, the Annual Additional Payments and Annual Surplus Payments (each as defined in the Lease) shall be a subordinate obligation of the Commission payable from amounts in the General Reserve Fund of the Commission only as permitted by any financing documents, financial covenants, liquidity policies or agreements in effect at the Commission; and

WHEREAS, Section 9511.11 of Act 44 is a pledge by the Commonwealth to an individual or entity that acquires a Guaranteed Bond (as defined in the Subordinate Indenture): (1) to secure the portion of the Motor License Fund monies to be distributed, subject to certain conditions, to holders of the Guaranteed Bonds; and (2) to not limit or alter the rights vested in the Commission or the Trustee of the Guaranteed Bonds to the appropriation and distribution of such money; and

WHEREAS, by virtue of the Act approved May 21, 1937, P.L. 774, as amended by Acts approved on various dates, including May 24, 1945 P.L. 972, February 26, 1947, P.L. 17, May 23, 1951, P.L. 335, August 14, 1951, P.L. 1232 and September 30, 1985, P.L. 240 and by Act 44 (said Acts, as amended, and any successor acts, as amended, being hereinafter sometimes

collectively called the “Enabling Acts”), the Commission is authorized to issue bonds, to enter into this Subordinate Indenture and to do or cause to be done all the acts and things herein provided or required to be done as hereinafter covenanted; and

WHEREAS, Act 44 provides that the Commission Revenue Bonds bear the facsimile signature of such officers as the Commission determines and does not provide for the signature or approval by the Governor of the Commonwealth for the Revenue Bonds; and

WHEREAS, as provided in Act 44, the Commission is authorized to provide, by resolution, for the issuance of “Special Revenue Bonds” of the Commission, in an aggregate principal amount not exceeding \$5,000,000,000, exclusive of original issue discount, for the purpose of paying the Cost of the Department (as defined in Act 44) and Bond-Related Expenses (as defined in Act 44); and

WHEREAS, the Guaranteed Bonds constitute “Special Revenue Bonds” as defined in Act 44 and, as provided in Act 44, no more than \$600,000,000 in aggregate principal amount of Guaranteed Bonds, exclusive of original issue discount, may be issued in any calendar year and Guaranteed Bonds issued to refund prior Guaranteed Bonds shall not be deemed to count against the total or annual maximum issuance volume; and

WHEREAS, on or as of the date of this Subordinate Indenture, the Commission is issuing its Subordinated Turnpike Revenue Bonds, Series A of 2008, in an aggregate principal amount of \$244,855,000 (the “Original Subordinate Indenture Bonds”); and

WHEREAS, the execution and delivery of this Subordinate Indenture have been duly authorized by a resolution of the Commission; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth and by the rules and regulations of the Commission to happen, exist and be performed precedent to and in connection with the execution and delivery of this Subordinate Indenture have happened, exist and have been performed as so required, in order to make this Subordinate Indenture a valid and binding trust indenture for the security of the Subordinate Indenture Bonds and other obligations secured hereunder in accordance with its terms; and

WHEREAS, the Trustee has accepted the trusts created by this Subordinate Indenture and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS SUBORDINATE INDENTURE WITNESSETH, that in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and to secure the payment of the Subordinate Indenture Bonds, Parity Obligations and other obligations secured hereunder, and the performance and observance by the Commission of all the covenants, agreements and conditions expressed or implied herein or contained in the Subordinate Indenture Bonds, the Commission pledges and assigns to the Trustee and grants to the Trustee, a security interest in all right, title and interest of the Commission in and to (i) the Commission Payments, (ii) all monies deposited into accounts or funds (other than the Rebate Fund) created by this Subordinate Indenture and held by or on behalf of the Trustee, (iii) any insurance proceeds and other moneys required to be deposited herein, (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 this Subordinate Indenture, other than the Rebate Fund (collectively, the "Trust Estate") for the equal and proportionate benefit and security of all Subordinate Indenture Bonds and other Parity Obligations, all of which, regardless of the time or times of their delivery or maturity, (subject to the provisions of Section 4.04 which requires that payment of debt service on the Revenue Bonds shall be superior to payment of debt service on the Guaranteed Bonds,) shall be of equal rank without preference, priority or distinction as to lien or otherwise of any Subordinate Indenture Bond or other Parity Obligation over any other Subordinate Indenture Bond or other Parity Obligation, except as otherwise permitted by or provided for in this Subordinate Indenture, and except that any funds held by the Trustee for the payment of specific Subordinate Indenture Bonds or other Parity Obligations which are deemed to have been paid and any funds deposited with the Trustee hereunder specifically to be held in escrow or otherwise to provide additional security or an additional source of payment for specified Subordinate Indenture Bonds or other Parity Obligations shall be held and used only to pay or provide security for the Subordinate Indenture Bonds or other Parity Obligations for which such deposit was made and shall not be held as security on a parity for all Subordinate Indenture Bonds or other Parity Obligations. Notwithstanding the foregoing, the Guarantee Repayment Fund is hereby pledged to the Trustee solely for the purposes set forth in Section 4.09; the Guaranteed Bonds Receipts Account is hereby pledged to the Trustee solely for the purposes set forth in Section 4.06, the Guaranteed Bonds Account of the Debt Service Fund is hereby pledged to the Trustee solely for the benefit of the Holders of the Guaranteed Bonds and Guaranteed Bonds Parity Obligations; the Revenue Bonds Account of the Debt Service Fund is hereby pledged to the Trustee solely for the benefit of the Holders of the Revenue Bonds and Revenue Bonds Parity Obligations; and the Debt Service Reserve Fund is hereby pledged to the Trustee solely for the purposes set forth in Section 4.07.

Although the Trustee is a fiduciary solely of the Owners of the Subordinate Indenture Bonds and other Parity Obligations, the Trustee may not be a fiduciary of other Secured Owners. Upon compliance with the provisions of this Subordinate Indenture, the Parity Obligations of such other Secured Owners shall be secured by the same collateral, namely the Trust Estate, on a parity (on an equal and ratable basis) with the Subordinate Indenture Bonds, except as provided herein.

## **ARTICLE I DEFINITIONS**

**SECTION 1.01**      *Definitions of Words and Terms.* In addition to words and terms elsewhere defined in this Subordinate Indenture, the following words and terms as used in this Subordinate Indenture shall have the following meanings unless the context clearly indicates otherwise:

"Act 44" -- shall have the meaning given to such term in the Recitals and shall include all amendments and any successor act, as amended.

"Additional Subordinate Indenture Bonds" -- Subordinate Indenture Bonds of any Series, other than the Original Subordinate Indenture Bonds, authorized to be issued pursuant to Section 2.13 of this Subordinate Indenture.

“Administrative Expenses” -- costs and fees in connection with the Subordinate Indenture Bonds and Parity Obligations including, without limitation, costs and fees of the Trustee, Consultants, Counsel, Bond Counsel and the Commission.

“Administrative Expenses Fund” -- the fund created by Section 4.03.

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

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

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

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

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

“Applicable Long-Term Indebtedness” – includes Subordinate Indenture Bonds, Additional Subordinate Indenture Bonds and Parity Obligations.

“Approved Swap Agreement” -- shall have the meaning set forth in Section 2.14.

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

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

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

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

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

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

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

“Beneficial Owner” -- the beneficial owner of any Subordinate Indenture Bond which is held by a nominee.

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

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

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

“Book-Entry-Only System” -- a system similar to the system described herein pursuant to which bonds are registered in book-entry form.

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

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

“Class” -- the Revenue Bonds or their Holders, collectively, or the Guaranteed Bonds or their Holders, collectively, or any future type of Subordinate Indenture Bond, unique in its security or purposes in relation to other Subordinate Indenture Bonds, or its Holders, collectively.

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

“Commonwealth” -- the Commonwealth of Pennsylvania.

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

“Commission Payments” -- the covenant by the Commission and the payments made by the Commission, all as set forth in Section 4.01, with respect to payments to be made to the Trustee.

“Commission Payments Fund” -- the fund created by Section 4.03.

“Conditional Redemption” -- shall have the meaning set forth in Section 3.02.

“Consultant” -- a Person who shall be independent, appointed by the Commission as needed, qualified and having a nationwide and favorable reputation for skill and experience in such work for which the Consultant was appointed. In those situations in which a Consultant is

appointed to survey risks and to recommend insurance coverage, such Consultant may be a broker or agent with whom the Commission transacts business.

“Counsel” -- an attorney or law firm (who may, without limitation, be counsel for the Commission, the Commonwealth or other governmental entity or agency of the Commonwealth) not unsatisfactory to the Trustee.

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

“Debt Service Fund” -- the fund created by Section 4.03.

“Debt Service Reserve Fund” -- the fund created by Section 4.03.

“Debt Service Reserve Fund Bonds” -- shall mean the Long-Term Indebtedness specified by the Commission in this or any Supplemental Indenture that is secured by the Debt Service Reserve Fund as described in Section 4.07.

“Debt Service Reserve Requirement” -- the amount equal to the lesser of (1) Maximum Annual Debt Service on account of all the Debt Service Reserve Fund Bonds, (2) 10% of the aggregate Outstanding principal amount of all the Debt Service Reserve Fund Bonds, and (3) 125% of average Annual Debt Service for all Debt Service Reserve Fund Bonds for each Fiscal Year for the remaining life of such Bonds, provided in any such case that such amount does not exceed what is permitted by the Code.

“Defeasance Securities” --

- (a) Cash,
- (b) Government Obligations,
- (c) Government Obligations which have been stripped by the U.S. Treasury and CATS, TIGRS and similar securities,
- (d) Resolution Funding Corp. strips which have been stripped by the Federal Reserve Bank of New York,
- (e) Pre-refunded obligations of a state or municipality rated in the highest rating category by the Rating Agency, and

(f) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

- (1) Farmers Home Administration  
Certificates of beneficial ownership
- (2) Federal Financing Bank
- (3) General Services Administration  
Participation certificates
- (4) U.S. Maritime Administration  
Guaranteed Title XI financing
- (5) U.S. Department of Housing and Urban Development  
Project Notes Local Authority Bonds New Communities  
Debentures - U.S. government guaranteed debentures
- (6) (6). U.S. Public Housing Notes and Bonds  
- U.S. government guaranteed public housing notes and Bonds

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

“Depository Participants” -- any Person for which the Securities Depository holds Subordinate Indenture Bonds as securities depository.

“DSRF Security” -- shall have the meaning set forth in Section 4.07.

“DTC” -- shall have the meaning given to such term in Section 2.12.

“Enabling Acts” -- shall have the meaning given to such term in the Recitals.

“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 in Section 7.01 hereof and such other events specified in any Supplemental Indentures.

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

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

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

“Fixed Rate Bonds” – Subordinate Indenture Bonds issued at a fixed interest rate.

“General Reserve Fund” – the General Reserve Fund created under the Senior Indenture.

“Government Obligations” --

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the U.S.,

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

(c) any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in clause (a) or (b) above, which obligations are held by a bank or trust company organized and existing under the laws of the U.S. or any state thereof in the capacity of custodian,

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

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

“Guarantee Repayment Fund” -- the fund created by Section 4.03.

“Guaranteed Bonds ” -- Bonds issued pursuant to Section 2.03 and authorized pursuant to Section 9511.4 of Act 44 which are secured by Commonwealth Motor License Fund payments but are subordinate to Revenue Bonds with respect to their claim on Commission Payments.

“Guaranteed Bonds Account” -- the account created by Section 4.06.

“Guaranteed Bonds Parity Obligations” -- Guaranteed Bonds and all other obligations agreed by the Commission to be on a parity therewith with respect to their claim on Commission Payments.

“Guaranteed Bonds Payments” -- payments received from the Commonwealth’s Motor License Fund pursuant to Act 44 for the purpose of paying debt service on Guaranteed Bonds.

Guaranteed Bonds Receipts Account – the account created by Section 4.06.

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

“Indebtedness” – any obligation or debt incurred for money borrowed.

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

“Interest Sub-Account – the account created by Section 4.06.

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

“Lease” -- the Lease and Funding Agreement dated as of October 14, 2007, as it may be amended, between the Commission and PennDot.

“Lease Rental Payments -- lease rental payments required by the Lease.

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

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



“Maximum Annual Debt Service” – at any point in time, the maximum amount of annual Debt Service on all applicable Long-Term Indebtedness paid or payable in the then current or any future Fiscal Year.

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

“Motor License Fund” – the Commonwealth Motor License Fund.

“Original Subordinate Indenture Bonds” – shall have the meaning given to such term in the recitals.

“Outstanding” or “outstanding” in connection with Subordinate Indenture Bonds -- all Subordinate Indenture Bonds which have been authenticated and delivered under this Subordinate Indenture, except:

(a) Subordinate Indenture Bonds theretofore cancelled or delivered to the Trustee for cancellation under Section 2.10;

(b) Subordinate Indenture Bonds which are deemed to be no longer Outstanding in accordance with Section 10.02; and

(c) Subordinate Indenture Bonds in substitution for which other Subordinate Indenture Bonds have been authenticated and delivered pursuant to Article II.

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

“Parity Obligations” -- Revenue Bonds Parity Obligations and Guaranteed Bonds Parity Obligations as separately secured in accordance herewith.

“Parity Swap Agreement” -- shall have the meaning set forth in Section 2.14.

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

“Paying Agent” -- with respect to any series of Subordinate Indenture Bonds, that Person appointed pursuant to Section 8.11 hereof to make payments to Subordinate Indenture Bondholders of interest and/or principal pursuant to the terms of the Subordinate Indenture, which initially shall be the Trustee.

“Payments” -- Lease, grant or other payments to PennDot pursuant to the provisions of Act 44 or the Lease.

“PennDot” -- Pennsylvania Department of Transportation.

“Permitted Investments” -- (to the extent permitted by law)

- (a) Government Obligations;
- (b) obligations issued or guaranteed as to full and timely payment of principal and interest by any agency or Person controlled or supervised by and acting as an instrumentality of the U.S., pursuant to authority granted by the U.S. Congress;
- (c) obligations of the Governmental National Mortgage Association, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, Maritime Administration and Public Housing Authorities, provided that the full and timely payment of the principal and interest on such obligations shall be unconditionally guaranteed by the U.S.;
- (d) obligations of the Federal Intermediate Credit Corporation and of the Federal National Mortgage Association;
- (e) obligations of the Federal Banks for Cooperation;
- (f) obligations of Federal Land Banks;
- (g) obligations of Federal Home Loan Banks; provided that the obligations described in clauses (c) through (f) above shall constitute Permitted Investments only to the extent that the Rating Agency has assigned a rating to such obligations which is not lower than the highest rating assigned by such Rating Agency to any series of Subordinate Indenture Bonds then Outstanding;
- (h) certificates of deposit of any bank, savings and loan or trust company organized under the laws of the U.S. or any state thereof, including the Trustee or any holder of the Subordinate Indenture Bonds, provided that such certificates of deposit shall be fully collateralized (with a prior perfected security interest), to the extent they are not insured by the Federal Deposit Insurance Corporation, by Permitted Investments described in (a), (b), (c), (d), (e), (f) or (g) above having a market value at all times equal to the uninsured amount of such deposit;
- (i) Money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, including funds for which the Trustee, its parent, its affiliates or its subsidiaries provide investment advisory or other management services, and which are rated by S&P and Moody’s in one of their two highest rating categories;
- (j) investment agreements (which term, for purposes of this clause, shall not include repurchase agreements) with a Qualified Financial Institution;

(k) repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York (“Repurchasers”), including but not limited to the Trustee and any of its affiliates, provided that each such repurchase agreement results in transfer to the Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified Permitted Investments described in (a), (b), (c), (d), (e), (f) or (g) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the Repurchaser) as the agent solely of, or in trust solely for the benefit of, the Trustee, provided that Government Obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such Government Obligations or the repurchase price thereof set forth in the applicable repurchase agreement;

(l) Bonds or notes issued by any state or municipality which are rated by S&P, Moody’s and Fitch in one of their two highest rating categories;

(m) Commercial paper rated in the highest short term, note or commercial paper Rating Category by S&P, Moody’s and Fitch;

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

(o) Corporate bonds and medium term notes rated at least “AA-” by Moody’s and S&P;

(p) Asset-backed securities rated in the highest rating category by Moody’s and S&P; or

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

“Person” -- an individual, public body, a public instrumentality, a corporation, a limited liability company, a partnership, limited liability partnership, an association, a joint stock company, a trust and any unincorporated organization.

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

“Principal Sub-Account”-- – the account created by Section 4.06.

“Project” or “Cost”-- any financing which is authorized by the Enabling Acts or which may be hereafter authorized by law.

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

“Projected Debt Service Coverage Ratio – for the immediately two following Fiscal Years, the ratio determined by dividing the projected amounts to be paid into the General Reserve Fund for each of such years by the Projected Annual Debt Service for each of such years.

“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 Section 4.02.

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

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

“Rebate Fund” -- the fund created by Section 4.03.

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

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

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

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

“Residual Fund” – the fund created by Section 4.03.

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

“Revenue Bonds Account” -- the account created by Section 4.06.

“Revenue Bonds” -- bonds issued pursuant to, and defined in, Section 2.02 and which are not secured by Commonwealth Motor License Fund Payments but have a senior claim on Commission Payments.

“Revenue Bonds Parity Obligations” -- Revenue Bonds and all other obligations agreed by the Commission to be on a parity therewith.

“S&P” -- Standard & Poor’s, 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 an Subordinate Indenture Bondholder of any Subordinate Indenture Bonds, each Parity Swap Agreement Counterparty providing a Parity Swap Agreement, each Bank providing a Credit Facility, each Bond Insurer providing a Bond insurance policy with respect to a Parity Obligation, each provider of a DSRF Security and holders of other Parity Obligations.

“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.

“Senior Indenture” – the Amended and Restated Trust Indenture originally dated as of July 1, 1986 and amended and restated as of March 1, 2001 between the Commission and U.S. Bank National Association, as successor trustee, as it may be amended, supplemented or replaced, in connection with the Commission’s main line toll revenue bonds.

“Senior Indenture Trustee” – the legal person that is the trustee under the Senior Indenture whether by contract or operation of law.

“Short-Term Indebtedness” -- all Indebtedness which matures in less than 365 days and is designated as Short-Term Indebtedness pursuant to Section 6.02(b). In the event a Bank has extended a line of credit or the Commission has undertaken a commercial paper or similar program, only amounts actually borrowed under such line of credit or program and repayable in less than 365 days shall be considered Short-Term Indebtedness and the full amount of such commitment or program shall not be treated as Short-Term Indebtedness to the extent that such facility remains undrawn.

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

“Subordinate Indenture Bond” or “Subordinate Indenture Bonds” -- Original Subordinate Indenture Bonds and all other indebtedness of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, issued as Additional Subordinate Indenture Bonds under Article II, other than Additional Subordinate Indenture Bonds issued as Subordinated Indebtedness.

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

“Subordinate Indenture Bond Register” -- the register maintained pursuant to Section 2.08.

“Subordinate Indenture Bond Registrar” -- with respect to any series of Subordinate Indenture Bonds, that Person which maintains the Subordinate Indenture Bond Register or such other entity designated by the Subordinate Indenture Bond Registrar to serve such function and initially shall be the Trustee.

“Subordinated Indebtedness” -- Indebtedness incurred pursuant to Section 6.02(b).

“Supplemental Indenture” -- any supplemental indenture to this Subordinate Indenture, now or hereafter duly authorized and entered into in accordance with the provisions of Article IX hereto.

“Swap Agreement” -- shall have the meaning set forth in Section 2.14.

“System” -- what are commonly referred to as the “Main Line” and the “Northeast Extension” of the Commission and any other roads for which the Commission has operational responsibility and is collecting Tolls, unless the Commission identifies such roads in a writing addressed to the Trustee (other than the “Main Line” and the “Northeast Extension”) as not being part of the System for the purposes of this Subordinate Indenture. Notwithstanding the foregoing, no portion of Interstate 80 shall be deemed to be a portion of the “System” unless the Commission affirmatively makes such election in a writing to the Trustee.

“Tender Indebtedness” -- any Indebtedness or portion thereof:

(a) the terms of which include (1) an option or an obligation on the part of the Secured Owner to tender all or a portion of such Indebtedness to the Commission, the Trustee, the Paying Agent or another fiduciary or agent for payment or purchase and (2) a requirement on the part of the Commission to purchase or cause to be purchased such Indebtedness or portion thereof if properly presented; and

(b) which is rated in either (1) one of the two highest long-term Rating Categories by the Rating Agency or (2) the highest short-term, note or commercial paper Rating Category by the Rating Agency.

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

“Trust Estate” -- shall have the meaning set forth in the “Granting Clause” hereto.

“Trustee” -- the Trustee under this Subordinate Indenture at the time in question, whether the initial Trustee or a successor.

“U.S.” -- United States of America.

“Variable Rate Indebtedness” -- any Indebtedness the interest rate on which fluctuates from time to time subsequent to the time of incurrence. Variable Rate Indebtedness may include, without limitation, (a) “auction rate” Indebtedness, that is, Variable Rate Indebtedness (1) the interest rate applicable to which (after an initial period following the issuance thereof or the conversion thereof to such an interest rate mode) is reset from time to time through an auction or bidding system and (2) which the Commission has no obligation to repurchase in connection with the resetting of the interest rate applicable thereto except to the extent proceeds are available for such purpose either from the remarketing of such Variable Rate Indebtedness or from such other sources as identified in the Supplemental Indenture pursuant to which such Variable Rate Indebtedness was issued, (b) Tender Indebtedness, (c) commercial paper Indebtedness which is intended to be reissued and refinanced periodically, or (d) other forms of Indebtedness on which the interest fluctuates or is subject to being set or reset from time to time.

SECTION 1.02 *Rules of Interpretation.* For purposes of this Subordinate Indenture, except as otherwise expressly provided or the context otherwise requires:

(a) The words “herein,” “hereof” and “hereunder” and other similar words refer to this Subordinate Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The definitions in this Article are applicable whether the terms defined are used in the singular or the plural.

(c) All accounting terms which are not defined in this Subordinate Indenture have the meanings assigned to them in accordance with then applicable generally accepted accounting principles.

(d) Any pronouns used in this Subordinate Indenture include both the singular and the plural and cover both genders.

(e) Any terms defined elsewhere in this Subordinate Indenture have the meanings attributed to them where defined.

(f) The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent, or control or affect the meaning or construction, of any provisions or sections hereof.

(g) Any references to Section numbers are to Sections of this Subordinate Indenture unless stated otherwise.

(h) Any references to “principal amount” shall mean the principal amount of any Subordinate Indenture Bonds plus the accreted amount on any Subordinate Indenture Bond which constitutes a capital appreciation or similar Subordinate Indenture Bond, as more fully provided in the Supplemental Indenture pursuant to which such capital appreciation or similar Subordinate Indenture Bonds are issued.

**ARTICLE II  
AUTHORIZATION, EXECUTION,  
AUTHENTICATION, REGISTRATION AND DELIVERY OF SUBORDINATE  
INDENTURE BONDS**

**SECTION 2.01**      *Issuance of Subordinate Indenture Bonds; Form and Terms Thereof.* Subject to the provisions hereof, all Subordinate Indenture Bonds shall be issued substantially and shall contain such maturities, payment terms, interest rate provisions, redemption or prepayment features and other provisions as shall be set forth in the Supplemental Indenture providing for the issuance of such Subordinate Indenture Bonds. Subordinate Indenture Bonds shall include Revenue Bonds, Guaranteed Bonds and such other related Bonds as the Commission may determine.

**SECTION 2.02**      *Subordinate Turnpike Revenue Bonds.* Subordinate Turnpike Revenue Bonds (“Revenue Bonds”) shall be issued hereunder for the purpose of making Payments to PennDot to finance transit programs and other purposes pursuant to Act 44. The Revenue Bonds shall be senior in right of payment to the Guaranteed Bonds.

**SECTION 2.03**      *Subordinate Guaranteed Turnpike Revenue Bonds.* Subordinate Guaranteed Turnpike Revenue Bonds (“Guaranteed Bonds”) shall be issued hereunder for the purpose of making Lease Rental Payments to PennDot for the purposes of financing highway and bridge construction and paying other Costs of the Department (as defined in Act 44). The payment of debt service on the Guaranteed Bonds shall be junior in right of payment to the payment of debt service on the Revenue Bonds and the restoration of any deficiency in the Debt Service Reserve Fund for the Revenue Bonds pursuant to Section 4.07.

**SECTION 2.04**      *Limited Obligations.* The Subordinate Indenture Bonds shall be limited obligations of the Commission, payable solely from the Trust Estate. The Subordinate



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

SECTION 2.05        *Execution of Subordinate Indenture Bonds; Payment.* The Subordinate Indenture Bonds shall be signed by the manual or facsimile signature of the Chairman of the Commission and attested by the manual or facsimile signature of the Secretary/Treasurer or Assistant Secretary/Assistant Treasurer of the Commission. Guaranteed Bonds shall also be signed by the manual or facsimile signature of the Governor of the Commonwealth. The Subordinate Indenture Bonds must bear the official seal of the Commission or a facsimile thereof affixed to or imprinted on the Subordinate Indenture Bonds. In case any officer whose signature or a facsimile of whose signature shall appear on any Subordinate Indenture Bond shall cease to be such officer, such signature or facsimile shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office.

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

SECTION 2.06        *Motor License Fund Payments.* Section 9511.11 of Act 44 provides for payments by the Commonwealth to the Trustee from certain amounts in the Commonwealth's Motor License Fund in the event of a failure to make regularly scheduled deposits to a debt service fund established for any Guaranteed Bonds .

SECTION 2.07        *Authentication of Subordinate Indenture Bonds.* The Subordinate Indenture Bonds shall bear a certificate of authentication to the effect that the Trustee certifies that such Subordinate Indenture Bond is one of the Subordinate Indenture Bonds described in the Subordinate Indenture referred to therein, duly executed by the Trustee. The Trustee shall authenticate each Subordinate Indenture Bond with the manual signature of a Responsible Officer of the Trustee, but it shall not be necessary for the same Responsible Officer to

authenticate all of the Subordinate Indenture Bonds of a Series. Only such authenticated Subordinate Indenture Bonds shall be entitled to any right or benefit under this Subordinate Indenture. Such certificate on any Subordinate Indenture Bond issued hereunder shall be conclusive evidence that the Subordinate Indenture Bond has been duly issued and is secured by the provisions hereof.

**SECTION 2.08**      *Registration of Transfer and Exchange of Subordinate Indenture Bonds; Persons Treated as Subordinate Indenture Bondholders.* The Trustee shall act as initial Subordinate Indenture Bond registrar (the "Subordinate Indenture Bond Registrar") and in such capacity shall maintain an Subordinate Indenture Bond register (the "Subordinate Indenture Bond Register") for the registration and transfer of Subordinate Indenture Bonds. Upon surrender of any Subordinate Indenture Bonds at the designated office of the Trustee, as the Subordinate Indenture Bond Registrar, together with an assignment duly executed by the current Subordinate Indenture Bondholder of such Subordinate Indenture Bonds or such Subordinate Indenture Bondholder's duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, such Subordinate Indenture Bonds may, at the option of the Subordinate Indenture Bondholder, be exchanged for an equal aggregate principal amount of Subordinate Indenture Bonds of the same Series and maturity, of Authorized Denominations and bearing interest at the same rate and in the same form as the Subordinate Indenture Bonds surrendered for exchange, registered in the name or names designated on the assignment; provided the Trustee is not required to exchange or register the transfer of Subordinate Indenture Bonds after the giving of notice calling such Subordinate Indenture Bond for redemption, in whole or in part. The Commission shall execute and the Trustee shall authenticate any Subordinate Indenture Bonds whose execution and authentication is necessary to provide for exchange of Subordinate Indenture Bonds pursuant to this Section and the Commission may rely on a representation from the Trustee that such execution is required.

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

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

**SECTION 2.09**      *Temporary Subordinate Indenture Bonds.* Prior to the preparation of definitive Subordinate Indenture Bonds of a Series, the Commission may issue temporary Subordinate Indenture Bonds in registered form and in such denominations as the Commission may determine but otherwise in substantially the form provided for definitive Subordinate Indenture Bonds of such Series with appropriate variations, omissions and insertions. The

Commission shall promptly prepare, execute and deliver to the Trustee before the first Interest Payment Date for such Subordinate Indenture Bonds, definitive Subordinate Indenture Bonds and, upon presentation and surrender of Subordinate Indenture Bonds in temporary form, the Trustee shall authenticate and deliver in exchange therefor definitive Subordinate Indenture Bonds of the same maturity for the same aggregate principal amount. Until exchanged for definitive Subordinate Indenture Bonds, Subordinate Indenture Bonds in temporary form shall be entitled to the lien and benefit of this Subordinate Indenture.

**SECTION 2.10**      *Mutilated, Lost or Destroyed Subordinate Indenture Bonds.* If any Subordinate Indenture Bond has been mutilated, lost or destroyed, the Commission shall execute, and the Trustee shall authenticate and deliver to the Subordinate Indenture Bondholder, a new Subordinate Indenture Bond of like date and tenor in exchange and substitution for, and upon cancellation of, such mutilated Subordinate Indenture Bond or in lieu of and in substitution for such lost or destroyed Subordinate Indenture Bond but only if the Subordinate Indenture Bondholder has paid the reasonable expenses and charges of the Commission and the Trustee in connection therewith and, in the case of a lost or destroyed Subordinate Indenture Bond, (a) filed with the Trustee evidence satisfactory to the Trustee that such Subordinate Indenture Bond was lost or destroyed and (b) furnished to the Trustee and the Commission indemnity satisfactory to each. If any such Subordinate Indenture Bond has matured or been called for redemption and is payable, instead of issuing a new Subordinate Indenture Bond the Trustee may pay the same without issuing a replacement Subordinate Indenture Bond.

If, after the delivery of such replacement Subordinate Indenture Bond, the original Subordinate Indenture Bond in lieu of which such replacement Subordinate Indenture Bond was issued is presented for payment or registration, the Trustee shall seek to recover such replacement Subordinate Indenture Bond from the Person to whom it was delivered or any Person taking therefrom and shall be entitled to recover from the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Trustee or the Commission in connection therewith.

**SECTION 2.11**      *Cancellation and Disposition of Subordinate Indenture Bonds.* The Commission may deliver Subordinate Indenture Bonds to the Trustee for cancellation at any time and for any reason and the Trustee is hereby authorized to cancel such Subordinate Indenture Bonds. All Subordinate Indenture Bonds that have been paid (whether at maturity, by acceleration or upon redemption) or delivered to the Trustee for cancellation shall not be reissued. Unless otherwise directed by the Commission, the Trustee shall treat such Subordinate Indenture Bonds in accordance with its document retention policies or as may be directed by state law.

**SECTION 2.12**      *Securities Depository Provisions.* Unless otherwise provided in a Supplemental Indenture, Subordinate Indenture Bonds shall be Book Entry Bonds. All Book Entry Bonds shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") or any successor Securities Depository. The Commission and the Trustee acknowledge that they have executed and delivered a Letter of Representations with DTC. All payments of principal of, redemption premium, if any, and interest on the Book Entry Bonds and all notices with respect thereto, including notices of full or partial redemption, shall be made and given at the times and in the manner set out in the Letter of Representations. The terms and

provisions of the Letter of Representations shall govern in the event of any inconsistency between the provisions of this Subordinate Indenture and the Letter of Representations. The Letter of Representations may be amended without Subordinate Indenture Bondholder consent.

Except to the extent provided in a Supplemental Indenture, the book entry registration system for all of the Book Entry Bonds may be terminated and certificates delivered to and registered in the name of the Beneficial Owners, under either of the following circumstances:

(a) DTC notifies the Commission and the Trustee that it is no longer willing or able to act as Securities Depository for the Book Entry Bonds and a successor Securities Depository for the Book Entry Bonds is not appointed by the Commission prior to the effective date of such discontinuation; or

(b) The Commission determines that continuation of the book entry system through DTC (or a successor Securities Depository) is not in the best interest of the Commission.

In the event a successor Securities Depository is appointed by the Commission, the Book Entry Bonds will be registered in the name of such successor Securities Depository or its nominee. In the event certificates are required to be issued to Beneficial Owners, the Trustee and the Commission shall be fully protected in relying upon a certificate of DTC or any DTC participant as to the identity of and the principal amount of Book Entry Bonds held by such Beneficial Owners.

The Beneficial Owners of Subordinate Indenture Bonds will not receive physical delivery of certificates except as provided herein. For so long as there is a Securities Depository for Subordinate Indenture Bonds, all of such Subordinate Indenture Bonds shall be registered in the name of the nominee of the Securities Depository, all transfers of beneficial ownership interests in such Subordinate Indenture Bonds will be made in accordance with the rules of the Securities Depository, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of such Subordinate Indenture Bonds is to receive, hold or deliver any certificate. The Commission and the Trustee shall have no responsibility or liability for transfers of beneficial ownership interests in such Subordinate Indenture Bonds.

The Commission and the Trustee will recognize the Securities Depository or its nominee as the Subordinate Indenture Bondholder of Book Entry Bonds for all purposes, including receipt of payments, notices and voting; provided the Trustee may recognize votes by or on behalf of Beneficial Owners as if such votes were made by Subordinate Indenture Bondholders of a related portion of the Subordinate Indenture Bonds when such votes are received in compliance with an omnibus proxy of the Securities Depository or otherwise pursuant to the rules of the Securities Depository or the provisions of the Letter of Representations or other comparable evidence delivered to the Trustee by the Subordinate Indenture Bondholders or as provided in Sections 8.10 and 11.10 of this Subordinate Indenture.

With respect to Book Entry Bonds, the Commission and the Trustee shall be entitled to treat the Person in whose name such Subordinate Indenture Bond is registered as the absolute owner of such Subordinate Indenture Bond for all purposes of this Subordinate Indenture, and neither the Commission nor the Trustee shall have any responsibility or obligation to any

Beneficial Owner of such Book Entry Bond. Without limiting the immediately preceding sentence, neither the Commission nor the Trustee shall have any responsibility or obligation with respect to (a) the accuracy of the records of any Securities Depository or any other Person with respect to any ownership interest in Book Entry Bonds, (b) the delivery to any Person, other than a Subordinate Indenture Bondholder, of any notice with respect to Book Entry Bonds, including any notice of redemption or refunding, (c) the selection of the particular Subordinate Indenture Bonds or portions thereof to be redeemed or refunded in the event of a partial redemption or refunding of part of the Subordinate Indenture Bonds Outstanding or (d) the payment to any Person, other than an Subordinate Indenture Bondholder, of any amount with respect to the principal of, redemption premium, if any, or interest on Book Entry Bonds.

**SECTION 2.13**      *Additional Subordinate Indenture Bonds.* The Commission will not issue or incur any other Indebtedness having a parity lien on the Trust Estate except for Additional Subordinate Indenture Bonds issued pursuant to this Section and other Parity Obligations. Additional Subordinate Indenture Bonds may be issued and the Trustee shall authenticate and deliver such Additional Subordinate Indenture Bonds when there have been filed with the Trustee the following:

(a) A copy certified by a Commission Official of the resolution or resolutions of the Commission authorizing (1) the execution and delivery of a Supplemental Indenture providing for, among other things, the date, rate or rates of interest on, interest payment dates, maturity dates and redemption provisions of such Additional Subordinate Indenture Bonds, and (2) the issuance, sale, execution and delivery of the Additional Subordinate Indenture Bonds;

(b) An original executed counterpart of the Supplemental Indenture;

(c) An opinion or opinions of Bond Counsel, addressed to the Commission and the Trustee, to the effect that (1) issuance of the Additional Subordinate Indenture Bonds is permitted under Subordinate Indenture and this Subordinate Indenture, (2) each of the Supplemental Indenture and the Additional Subordinate Indenture Bonds has been duly authorized, executed and delivered and is a valid, binding and enforceable obligation of the Commission, subject to bankruptcy, equitable principles and other standard legal opinion exceptions and (3) subject to the last paragraph of this Section, interest on the Additional Subordinate Indenture Bonds is not included in gross income for federal income tax purposes under the Code;

(d) A request and authorization of the Commission, signed by a Commission Official, to the Trustee to authenticate and deliver the Additional Subordinate Indenture Bonds to such Person or persons named therein after confirmation of payment to the Trustee for the account of the Commission of a specified sum (which may include directions as to the disposition of such of such sum);

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

Service Reserve Requirement if the Additional Subordinate Indenture Bonds constitute Debt Service Reserve Fund Bonds);

(f) A certificate of the Commission, signed by a Commission Official, specifying the amount of each Class of Subordinate Indenture Bonds Outstanding after issuance of the Additional Subordinate Indenture Bonds, identifying the Additional Subordinate Indenture Bonds as Revenue Bonds or Guaranteed Bonds, Short-Term Indebtedness, Long-Term Indebtedness or Subordinated Indebtedness and demonstrating with reasonable detail that the provisions of Section 703 of the Senior Indenture and of Section 6.02(a) or (b) hereof, have been met for the issuance of such Additional Subordinate Indenture Bonds; and

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

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

SECTION 2.14 *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 hereunder, the Commission shall file with the Trustee the following on or before entering into the Swap Agreement (in which event, such Swap Agreement shall constitute an "Approved Swap Agreement"):

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

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

(c) An opinion of Bond Counsel addressed to the Commission and to the Trustee, to the effect that execution of the Swap Agreement is permitted under the laws of the Commonwealth and will not adversely affect the exclusion from gross income from interest on any Subordinate Indenture Bonds (or any other Commission bonds to which such Swap Agreement relates) for federal income tax purposes; provided that if the Swap Agreement relates to Subordinate Indenture Bonds being issued and the Swap Agreement is entered into prior to the

issuance of such Subordinate Indenture Bonds, the portion of the opinion of Bond Counsel referring to tax-exempt status of the Subordinate Indenture Bonds need not be delivered until such Subordinate Indenture Bonds are issued;

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

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

(f) Evidence that the provisions of Section 6.02(c) 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 any or all of its obligations thereunder be on parity with certain other Subordinate Indenture Bonds and certain other Parity Obligations, it shall file with the Trustee the items set forth above, together with a supplemental indenture granting such parity position (in which event, such Swap Agreement shall constitute a "Parity Swap Agreement"). Upon entering into a Parity Swap Agreement, unless otherwise provided in the supplemental indenture, the Commission shall pay to the Trustee for deposit into the Interest Account the net amount payable, if any, to the Parity Swap Agreement Counterparty as if such amounts were additional amounts of interest due; and the Trustee shall pay on behalf of the Commission to the Parity Swap Agreement Counterparty, to the extent required under the Parity Swap Agreement, amounts deposited in the Interest Account. Net amounts received by the Commission or the Trustee from the counterparty pursuant to a Parity Swap Agreement shall be deposited to the credit of the Interest Account for the related Series of Subordinate Indenture Bonds or to such other account as designated by a Commission Official.

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

**SECTION 2.15**      *Conversions of Variable Rate Indebtedness to Fixed Rate Indebtedness.* The Commission may convert Variable Rate Indebtedness to a fixed rate if permitted pursuant to the terms thereof and if the Commission was in compliance with the Rate Covenant for the most recently completed Fiscal Year. If the Commission did not meet the Rate Covenant for such Fiscal Year, the Commission must treat the proposed conversion as if it constituted the issuance of Additional Subordinate Indenture Bonds by meeting the requirements set forth in Section 6.02(a) (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).

**ARTICLE III**  
**REDEMPTION OF SUBORDINATE INDENTURE BONDS**

SECTION 3.01      *Redemption of Subordinate Indenture Bonds.* The Subordinate Indenture Bonds of any Series or Sub-Series issued under the provisions of this Subordinate Indenture shall be subject to redemption, in whole or in part, and at such times and prices as may be provided in the Supplemental Indenture pursuant to which such Subordinate Indenture Bonds are issued.

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

SECTION 3.02      *Notice of Redemption.*

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

The Trustee, at the expense of the Commission, shall send notice of any redemption, identifying the Subordinate Indenture Bonds to be redeemed, the redemption date and the



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

(b) In addition to the foregoing, the redemption notice shall contain with respect to each Subordinate Indenture Bond being redeemed, (1) the CUSIP number, (2) the date of issue, (3) the interest rate, (4) the maturity date, and (5) any other descriptive information determined by the Trustee to be needed to identify the Subordinate Indenture Bonds. If a redemption is a Conditional Redemption, the notice shall so state. The Trustee also shall send each notice of redemption to (i) any Rating Service then rating the Subordinate Indenture Bonds to be redeemed; (ii) all of the registered clearing agencies known to the Trustee to be in the business of holding substantial amounts of bonds of a type similar to the Subordinate Indenture Bonds; (iii) all Nationally Recognized Municipal Securities Information Repositories, a Pennsylvania State Information Depository and any similar entities which are required recipients by reason of continuing disclosure undertakings or regulatory requirements, such services to be identified by the Trustee, and (iv) one or more other national information services that disseminate notices of redemption of bonds such as the Subordinate Indenture Bonds, such services to be identified by the Trustee.

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

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

**SECTION 3.03**      *Purchase of Subordinate Indenture Bonds at Any Time.* The Trustee, upon the written request of the Commission, shall purchase Subordinate Indenture Bonds as specified by the Commission in the open market at a price not exceeding the price specified by the Commission. Such purchase of Subordinate Indenture Bonds shall be made with funds available under this Subordinate Indenture or provided by the Commission in such written request. Upon purchase by the Trustee, such Subordinate Indenture Bonds shall be treated as delivered for cancellation pursuant to Section 2.10. Nothing in this Subordinate Indenture shall prevent the Commission from purchasing Subordinate Indenture Bonds on the open market without the involvement of the Trustee and delivering such Subordinate Indenture Bonds to the Trustee for cancellation pursuant to Section 2.10. Subordinate Indenture Bonds purchased pursuant to this Section which are subject to a mandatory sinking fund redemption schedule may be credited against future mandatory sinking fund redemption payments. The principal amount of Subordinate Indenture Bonds to be redeemed by optional redemption under this Subordinate Indenture may be reduced by the principal amount of Subordinate Indenture Bonds purchased by the Commission and delivered to the Trustee for cancellation at least fifteen (15) days prior to the last date on which the notice of Redemption can be mailed.

**SECTION 3.04**      *Costs of Redemptions.* The payment of the necessary costs and expenses of such redemptions, including, without limiting the generality of the foregoing, all reasonable legal fees, costs of advertisements, printing costs, brokerage charges and charges of the Trustee, if any, incident to such redemption, shall be payable by the Commission from moneys in the General Reserve Fund or from such other source as is identified in a certificate of a Commission Official.

## **ARTICLE IV TOLLS, REVENUES AND FUNDS**

### **SECTION 4.01**      *Commission Payments*

(a) The Commission covenants, after payment of all required debt service on all Parity Obligations and Subordinated Indebtedness (each as defined in the Senior Indenture) issued under the Senior Indenture and subject to the provisions of the Senior Indenture, to pay to the Trustee, and to instruct the Senior Trustee to pay to the Trustee, out of the General Reserve Fund such amounts as are required by Sub-Sections 4.01(b) (1), (2), (3) and (4) below and by Section 4.07 or by a Supplemental Indenture thereto to pay, at the times specified, required payments with respect to all bonds issued under the Subordinate Indenture, Supplemental Indentures thereto and Parity Obligations hereunder. Accordingly, the Commission shall instruct, or furnish a debt service schedule to, the Senior Trustee providing for the payment to the Subordinate Trustee out of funds held in the General Reserve Fund monies to pay such amounts as are required by Sub-Sections 4.01(b)(1), (2), (3) and (4) below and by Section 4.07 with respect to the outstanding bonds issued under the Subordinate Indenture, a Supplement thereto, Parity Obligations thereunder and all other payments required thereunder at such times on such terms as are set forth hereunder or in a Supplemental Indenture (collectively, the "Commission Payments"). The Trustee shall make the Commission Payments to the Subordinate Trustee in accordance with such instructions and provisions.

(b) In addition to other payments and General Reserve Fund withdrawals required hereunder, by a Supplemental Indenture or pursuant to Revenue Bonds Parity Obligations or Guaranteed Bonds Parity Obligations, and in addition to any deposit to the Debt Service Fund required to provide sufficient funds for any principal or interest payment which has not been provided for pursuant to this Section 4.01, the Commission, as more specifically set forth in the Subordinate Indenture, shall withdraw, or arrange for the withdrawal, from the General Reserve Fund and deposit to the Commission Payments Fund the amounts hereinafter specified which shall be applied by the Trustee for the purposes for which the same shall be deposited:

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

(2) On or before the first Business Day of each calendar month commencing on the first Business Day of the twelfth month prior to the next succeeding principal payment date, an amount which equals one-twelfth ( $1/12$ ) of the amount necessary to pay, and for the purpose of paying, 115% the principal amount of any Fixed Rate Bonds issued as Revenue Bonds maturing on the next succeeding maturity date (or, in the case of the period from the date of issuance of such Fixed Rate Bonds to the first date on which principal is due on such Fixed Rate Bonds, a monthly amount equal to 115% of 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), which amount shall be deposited promptly in the Commission Payments Fund.

(3) On or before the fifteenth Business Day of each calendar month commencing on the fifteenth Business Day of the sixth month prior to the next succeeding Interest Payment Date, but not before the payments required by Section 4.01(1) and (2) above, an amount which equals the amount necessary to pay, and for the purpose of paying, one-sixth ( $1/6$ ) of 100% of the interest due on any Fixed Rate Bonds, issued as Guaranteed Bonds, on the next succeeding Interest Payment Date including any amount due to the Bond Insurer in respect thereto (or, in the case of the period from the date of issuance of such Fixed Rate Bonds to the first Interest Payment Date for the applicable Fixed Rate Bonds, a monthly amount equal to 100% of 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), which amount shall be deposited promptly in the Commission Payments Fund.

(4) On or before the fifteenth Business Day of each calendar month commencing on the fifteenth Business Day of the twelfth month prior to the next succeeding principal payment date, but not before the payments required by Section 4.01(1) and (2) above,

an amount which equals one-twelfth (1/12) of the amount necessary to pay, and for the purpose of paying, 100% of the principal amount of any Fixed Rate Bonds issued as Guaranteed Bonds maturing on the next succeeding maturity date (or, in the case of the period from the date of issuance of such Fixed Rate Bonds to the first date on which principal is due on such Fixed Rate Bonds, a monthly amount equal to 100% of 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), which amount shall be deposited promptly in the Commission Payments Fund.

(c) In the event of any failure by the Commission to make any of the payments required by Section 4.01 (b)(1) or (2) required to be deposited in the Interest Sub-Account or Principal Sub-Account for the Revenue Bonds, in addition to other remedies hereunder, the Trustee shall promptly, after utilizing any available funds in the Residual Fund or the applicable Account of the Debt Service Reserve Fund, transfer to such Sub-Accounts from any balances in the Interest Sub-Account or Principal Sub-Account for the Subordinated Guaranteed Bonds such amounts as are necessary to correct such deficiencies.

(d) In the event of any failure by the Commission to make any of the payments required by Section 4.01(b) (3) or (4) required to be deposited in the Interest Sub-Account or Principal Sub-Account for the Guaranteed Bonds, the Trustee shall immediately send notice, by electronic format or otherwise, to PennDot, with a copy to the Commission and the Treasurer of the Commonwealth, in the form attached hereto as Exhibit A, to make payment out of the Motor License Fund pursuant to Subordinate Indenture for payment to the Guaranteed Bonds Receipts Account in the amount of any such failure by the Commission to make payment for such time until the Commission resumes full payment.

#### SECTION 4.02 *Rate Covenant.*

(a) The Commission covenants that it will establish and maintain schedules of Tolls for traffic over the System as required by the Senior Indenture and, in addition, so that the amount paid into the General Reserve Fund of the Senior Indenture in each Fiscal Year, after deducting any liquidity reserve or other required holdback or deposit then in effect, whether by contract or other management policy or procedure 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 such Fiscal Year on account of all Outstanding Revenue Bonds and Revenue Bonds Parity Obligations;

plus

(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;

plus

(3) any payment by the Commission required by Section 4.07 for restoring any deficiency in the Debt Service Reserve Fund.

The foregoing covenant is referred to herein as the "Rate Covenant".

(b) The Commission's failure to meet the Rate Covenant shall not constitute an Event of Default under this Subordinate Indenture if (1) no Event of Default occurred under Sections 7.01(a) or (b) as a result of such failure and (2) the Commission promptly after determining that the Rate Covenant was not met retains a Consultant at the expense of the Commission to make written recommendations as to appropriate revisions to the schedules of Tolls necessary or appropriate to meet the Rate Covenant and advises the Trustee in writing of such retention. Anything in this Subordinate Indenture to the contrary notwithstanding, if the Commission shall comply with the recommendations of the Consultant in respect of Tolls to the extent permitted by law, it will not constitute an Event of Default under the provisions of this Subordinate Indenture if the Commission fails to meet the Rate Covenant during the succeeding Fiscal Year as long as no Event of Default has occurred under Sections 7.01(a) or (b). If the Commission does not comply with the recommendations of the Consultant in respect of Tolls, the Trustee may, and upon the request of the holders of not less than twenty-five per centum (25%) in principal amount of the Subordinate Indenture Bonds of any Class then outstanding and upon being indemnified to its satisfaction shall, institute and prosecute in a court of competent jurisdiction any appropriate action to compel the Commission to revise the schedules of Tolls. The Commission covenants that it will adopt and charge Tolls in compliance with any final order or decree entered in any such proceeding.

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

In preparing its recommendations, the Consultant may rely upon written estimates of Revenues prepared by the other Consultants of the Commission. Copies of such written estimates signed by such Consultants shall be attached to such recommendations. The Commission covenants 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.

Any Consultant retained or designated in accordance with the Senior Indenture shall be deemed acceptable as a Consultant for purposes of this Subordinate Indenture.

SECTION 4.03 *Creation of Funds.* In addition to any funds created by Supplemental Indentures, the following funds are hereby created and amounts deposited therein shall be held in trust by the Trustee until applied as hereinafter directed:

- (a) Commission Payments Fund;
- (b) Administrative Expenses Fund;

- (c) Debt Service Fund;
- (d) Debt Service Reserve Fund;
- (e) Guarantee Repayment Fund;
- (f) Rebate Fund; and
- (g) Residual Fund.

SECTION 4.04      *Commission Payments Fund*

(a) There is hereby created a Commission Payments Fund. The Commission covenants that all Commission Payments will be deposited with the Trustee or in the name of the Trustee with a depository or depositories to the credit of the Commission Payments Fund.

(b) Except as otherwise provided in this Section, transfers from the Commission Payments Fund shall be made to the following funds and in the following order of priority:

- (1) Rebate Fund;
- (2) Administrative Expenses Fund;
- (3) Revenue Bonds Account of the Debt Service Fund;
- (4) Guaranteed Bonds Account of the Debt Service Fund;
- (5) Debt Service Reserve Fund;
- (6) Guarantee Repayment Fund; and
- (7) Residual Fund.

SECTION 4.05      *Administrative Expenses Fund.* There is hereby created an Administrative Expenses Fund. The Trustee is hereby directed to deposit into the Administrative Expenses Fund from the Commission Payments Fund such amounts as are needed for the payment of Administrative Expenses.

In the event of a deficiency in the Rebate Fund, arbitrage rebate, yield reduction or similar payments may be made from amounts in the Administrative Expenses Fund with respect to Subordinate Indenture Bonds.

SECTION 4.06      *Debt Service Fund.* There are hereby created separate accounts in the Debt Service Fund to be known as the "Revenue Bonds Account" and the "Guaranteed Bonds Account". Each such Account shall have an "Interest Sub-Account" and "Principal Sub-Account" for each Series or Sub-Series of tax exempt and taxable Subordinate Indenture Bonds issued pursuant to Supplemental Indentures. There is also hereby created a Guaranteed Bonds Receipts Account. Any payments by the Commonwealth from the Commonwealth's Motor

License Fund pursuant to Subordinate Indenture with respect to the Guaranteed Bonds shall be deposited into the Guaranteed Bonds Receipts Account for payment by the Trustee of principal and interest on the Guaranteed Bonds. To the extent required for payment of Annual Debt Service, the Trustee shall make payment, on the dates required for such payments, from the Commission Payments Fund into the Revenue Bonds Account and the Guaranteed Bonds Account of the Debt Service fund of such required amounts.

The Trustee and the Commission may create such additional accounts and sub-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 Subordinate Indenture Bonds secured by such Credit Facility are to be paid (and upon such payment, amounts on deposit in the Principal and Interest Accounts for such Subordinate Indenture Bonds shall be used to repay the provider of the Credit Facility for such payments), and (b) an account into which payments by the Commission to any Parity Swap Counterparty are to be deposited and from which payments to such Parity Swap Counterparty are to be paid.

The moneys in the Interest and Principal Accounts shall be held by the Trustee in trust for the benefit of the applicable Series of Subordinate Indenture Bonds, to the extent the foregoing are payable from such accounts, and, to said extent and pending application, shall be subject to a lien and charge in favor of the Owners of the applicable Series of Subordinate Indenture Bonds until paid out or transferred as hereinafter provided. There shall be withdrawn from the Interest Account (and 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 Subordinate Indenture Bonds as the same shall become due, except to the extent such interest, principal or other amounts are payable from a fund or account other than the Debt Service Fund as provided in any Supplemental Indenture.

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

#### SECTION 4.07      *Debt Service Reserve Fund.*

A special account within the Debt Service Reserve Fund may be created with respect to each Series or Sub-Series of Debt Service Reserve Fund Bonds issued under this Subordinate Indenture and any Supplemental Indenture.

In each Fiscal Year, after first having made the deposits provided by Section 4.06, the Commission shall pay out of the General Reserve Fund into the Commission Payments Fund and the Trustee shall transfer from the Commission Payments Fund on or before the last day of each month to the credit of the Debt Service Reserve Fund (a) the amount, if any, required to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Requirement which restoration, as implied by the Rate Covenant contained in Section 4.02, 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.

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

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 Commission Payments Fund or used to reduce the principal amount of any DSRF Security.

In the event the Trustee shall be required to withdraw funds from the Debt Service Reserve Fund to restore a deficiency in the Debt Service Fund arising with respect to Debt Service Reserve Fund Bonds, the funds shall be allocated, subject to the provisions of Section 2.03, 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 Debt Service Reserve Fund Bonds being downgraded) (each, a "DSRF Security") payable to the Trustee in an amount equal to the difference between the Debt Service Reserve Requirement and the amounts then on deposit in the Debt Service Reserve Fund. The DSRF Security shall be payable (upon the giving of notice as required thereunder) on any Interest Payment Date on which moneys will be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of the principal of or interest on any Debt Service Reserve Fund 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.



SECTION 4.08      *Rebate Fund.* The Commission covenants to calculate and to pay directly to the government of the U.S. all amounts due for payment of “arbitrage rebate” under Section 148(f) of the Code with respect to any Subordinate Indenture Bonds. Nevertheless, the Commission in the future may deposit with the Trustee or direct the Trustee to deposit in the Rebate Fund amounts held in any Fund hereunder for any or all Series of Subordinate Indenture Bonds (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate) if (a) required under any amendments to Section 148(f) of the Code or (b) the Commission otherwise determines that the funding of the Rebate Fund is necessary or appropriate. The Rebate Fund is a trust fund but the amounts therein do not constitute part of the Trust Estate. Amounts on deposit in the Rebate Fund may be used solely to make payments to the U.S. under Section 148 of the Code and to pay costs related to the calculation of the amounts due. Upon satisfaction of the Commission’s covenants described above, any amounts remaining in the Rebate Fund shall be deposited in the Commission Payments Fund.

SECTION 4.09      *Guarantee Repayment Fund.* There is hereby created a Guarantee Repayment Fund. Based on such time schedule as is agreed by the Commission and PennDot and furnished to the Trustee, the Trustee shall deposit into the Guarantee Repayment Fund out of the Commission Payments Fund and the Residual Fund such amounts as are necessary and available to repay, and the Trustee is hereby instructed to repay out of the Guarantee Repayment Fund, to the Commonwealth’s Motor License Fund any debt service payments which are made out of the Motor License Fund.

SECTION 4.10      *Residual Fund.* There is hereby created a Residual Fund. After making all payments required hereunder or under a Supplemental Indenture, the Trustee shall at least each June 1 deposit into the Residual Fund out of the Commission Payments Fund such amounts from the Commission Payments Fund as are in excess of current debt service and other required payments and deposits pursuant to the Subordinate Indenture.

(a)      Moneys in the Residual Fund may be expended by the Commission to restore deficiencies in any funds or accounts created under this Subordinate Indenture (including without limitation the Revenue Bonds Principal and Interest Sub-Accounts) and, absent any such deficiency, for any of the following purposes, with no one item having priority over any of the others:

- (1)      To purchase or redeem Bonds;
- (2)      To secure and pay the principal or redemption price of and interest on any Parity Obligations; or
- (3)      To further any corporate purpose.

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

(1) the name of the Person, firm or corporation, to whom payment is to be made or, if the payment is to be made to a fund or account held by the Trustee under this Subordinate Indenture or to a fund or account held by the Commission and not subject to the Subordinate Indenture, the name of such fund or account,

(2) the amount to be paid, and

(3) the purpose for which the payment is to be made.

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

**SECTION 4.11** *Moneys Set Aside for Principal and Interest Held in Trust.* All moneys which the Trustee shall have set aside (or deposited with any paying agent) for the purpose of paying any of the Subordinate Indenture Bonds hereby secured, either at the maturity thereof or upon call for redemption, shall be held in trust for the respective holders of the applicable Series of such Subordinate Indenture Bonds. However, any moneys which shall be so held or deposited by the Trustee, and which shall remain unclaimed by the holders of such Subordinate Indenture Bonds for the period of five years after the date on which such Subordinate Indenture Bonds shall have become payable, shall be paid to the Commission upon its written request or to such officer, board or body as may then be entitled by law to receive the same; thereafter the holders of such Subordinate Indenture Bonds shall look only to the Commission or to such officer, board or body, as the case may be, for payment and then only to the extent of the amounts so received without any interest thereon, and the Trustee shall have no responsibility with respect to such moneys.

**SECTION 4.12** *Additional Security.* Except as otherwise provided or permitted herein, the Trust Estate securing Subordinate Indenture Bonds issued under the terms of this Subordinate Indenture shall be shared on a parity with other Parity Obligations as provided herein. The Commission may, however, in its discretion, provide additional security or credit enhancement for specified Parity Obligations with no obligation to provide such additional security or credit enhancement to other Parity Obligations, except that no additional security or credit enhancement shall be provided unless there shall have been first delivered to the Trustee an opinion of Bond Counsel that the exclusion from gross income of interest on any Subordinate Indenture Bonds for federal income tax purposes will not be adversely affected thereby. Moreover, the Commission may provide in a Supplemental Indenture that Subordinate Indenture Bonds issued thereunder are not secured, or are secured only in part or only under certain circumstances, by the Trust Estate.

## **ARTICLE V DEPOSITARIES AND INVESTMENTS OF MONEYS**

**SECTION 5.01** *Depositary.* Except as otherwise provided herein, all moneys received by the Commission under the provisions of this Subordinate Indenture shall be deposited with the Trustee or with one or more Depositaries. All moneys deposited under the provisions of this Subordinate 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 this Subordinate 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 hereunder shall, to the extent not insured, be secured in the manner required or permitted by applicable law.

**SECTION 5.02**      *Investment of Moneys.* Moneys held in any of the funds or accounts hereunder may be retained uninvested, if deemed necessary by the Commission, as trust funds and secured as provided in Section 5.01 or may be invested in Permitted Investments. All investments shall be made by the Trustee upon the oral request of the Commission, which is confirmed in writing by a Commission Official specifying the account or fund from which moneys are to be invested and designating the specific Permitted Investments to be acquired.

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

Investments acquired with the moneys in any fund or account shall be a part of such fund or account and, for the purposes of determining the amount in such fund or account, shall be valued at their then fair market value. The interest or income received on an investment shall remain in the fund or account to which the investment is credited except 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 this Subordinate Indenture, and the proceeds thereof shall be deposited by the Trustee in the appropriate fund or account. Neither the Trustee nor the Commission shall be liable or responsible for any depreciation in the value of the Permitted Investments or for any losses incurred upon any unauthorized disposition thereof.

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

**ARTICLE VI  
PARTICULAR COVENANTS**

SECTION 6.01 *Payment of Principal, Interest and Premium.* The Commission covenants that it will promptly pay, by disbursement to the Trustee which is authorized to make the required payments, the principal of, premium, if any, and the interest on every Subordinate Indenture Bond and other Parity Obligations issued or agreed by the Commission to be parity under the provisions of this Subordinate Indenture at the places, on the dates and in the manner provided herein and in said Subordinate Indenture Bonds and other Parity Obligations and will promptly pay all Administrative Expenses and any payments required to be made by the Commission to the Commonwealth's Motor License Fund. Except as otherwise provided in this Subordinate Indenture, all such monies are payable solely from Commission Payments, which Commission Payments are hereby pledged to the payment thereof in the manner and to the extent provided herein. Neither the general credit of the Commission nor the general credit nor the taxing power of the Commonwealth or any political subdivision, agency or instrumentality thereof is pledged for the payment of the obligations described in this Section 6.01.

SECTION 6.02 *Limitations on Issuance of Additional Subordinate Indenture Bonds and Execution of Approved Swap*

(a) Long-Term Indebtedness.

(1) The Commission agrees that it will not issue any Additional Subordinate Indenture Bonds constituting Long-Term Indebtedness unless prior to or contemporaneously with the incurrence thereof, the provisions of Section 703 of the Senior Indenture and Section 4.02 of this Subordinate Indenture are met after taking into account as part of the calculations the issuance of such Additional Subordinate Indenture Bonds hereunder and there are delivered to the Trustee:

(i) a certificate of a Commission Official certifying that the amount paid into the General Reserve Fund under the Senior Indenture for the most recent Fiscal Year preceding the delivery of such certificate for which audited financial statements are available divided by the Annual Debt Service on Outstanding Revenue Bonds including any Revenue Bonds to be issued at that time, and on Outstanding Revenue Bonds Parity Obligations, including Revenue Bonds Parity Obligations to be issued at that time, was not less than 1.15 ;

and

(ii) a certificate of a Commission Official certifying that the amount paid into the General Reserve Fund under the Senior Indenture for the most recent Fiscal

Year preceding the delivery of such certificate for which audited financial statements are available divided by the Annual Debt Service on Outstanding Guaranteed Bonds including any Guaranteed Bonds to be issued at that time, and on Outstanding Guaranteed Bonds Parity Obligations, including Guaranteed Bonds to be issued at that time, was not less than 1.00;

or

(iii) a report of a Consultant to the effect that the Projected Debt Service Coverage Ratio is not less than [1.10] for the Outstanding Bonds, including any Bonds to be issued at that time, and Parity Obligations.

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

(3) If the additional Series of Subordinate Indenture Bonds are refunding Subordinate Indenture Bonds issued to refund other Subordinate Indenture Bonds, the following shall be delivered:

(i) Evidence satisfactory to the Trustee that the Commission has made provision as required by this Subordinate Indenture for the payment or redemption of all Subordinate Indenture Bonds to be refunded;

(ii) A written determination by the Trustee or by a firm of certified independent public accountants or other qualified firm acceptable to the Commission and the Trustee that the proceeds (excluding accrued interest) of the refunding Subordinate Indenture Bonds, together with any other money to be deposited for such purpose with the Trustee, or in escrow for the benefit of the Trustee, upon the issuance of the refunding Bonds and the investment income to be earned on funds held by, or in escrow for the benefit of, the Trustee for the payment or redemption of other Subordinate Indenture Bonds will be sufficient without reinvestment to pay, whether upon redemption or at maturity, the principal of and premium, if any, and interest on the Subordinate Indenture Bonds to be refunded and the estimated expenses incident to the refunding; and

(iii) Either a written determination by the Trustee or by a firm of certified independent public accountants or other qualified firm acceptable to the Commission and the Trustee that after the issuance of the refunding Subordinate Indenture Bonds and the provision for payment or redemption of all Subordinate Indenture Bonds to be refunded, Debt Service for each Fiscal Year in which there will be Outstanding Subordinate Indenture Bonds (not including Subordinate Indebtedness) of any Series not to be refunded will not be more than Debt Service for the Fiscal Year would have been respectively in each case on all Outstanding Revenue Bonds and on all Outstanding Guaranteed Bonds (in each case not including Subordinate Indebtedness) immediately before the issuance of the refunding Bonds, including the Subordinate Indenture Bonds, to be refunded.

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

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

(2) the other items listed in Section 2.12 (as the same may be modified to reflect the fact that such Indebtedness is Subordinated Indebtedness).

Such Subordinated Indebtedness and the payment thereof may be secured by a lien and pledge (a) subordinate to that of the Subordinate Indenture Bonds or any Series thereof on the Commission Payments or (b) prior to, on a parity with or subordinate to, the Subordinate Indenture Bonds or any Series thereof on Other Revenues, in which event the Commission and the Trustee may establish such other accounts under the Subordinate Indenture as they deem necessary or appropriate.

(c) Approved Swap Agreements. The Commission agrees that it will not enter into any Approved Swap Agreement unless prior to or contemporaneously with the incurrence thereof, the provisions of Section 2.14 are met and there is delivered to the Trustee one of the certificates or reports required in subsection (b) above, which takes into account the expected payments by and to the Commission pursuant to such Approved Swap Agreement in calculating Annual Debt Service.

SECTION 6.03 *Covenant as to Lease.* The Commission covenants it will not agree to any amendments or supplements to the Lease or waivers thereunder which adversely affect the holders of the Subordinate Indenture Bonds. The Commission covenants, as set forth in the Lease, that its obligations to pay Lease Rental Payments shall be subordinate obligations of the Commission, payable from amount in the General Reserve Fund only as permitted by any financing documents, financial covenants, liquidity policies or agreements in effect of the Commission. The Commission agrees that Lease Rental Payments will not be made at any when there is an outstanding uncured Event of Default under the Senior Indenture or this Subordinate Indenture.

SECTION 6.04 *Covenants as to Act 44 – Guaranteed Bonds.* The Commission covenants, as required by Act 44, that (i) it will not issue Guaranteed Bonds in an aggregate amount exceeding \$5,000,000,000, including unless otherwise authorized by Act of the Pennsylvania General Assembly; and (ii) it will not issue Guaranteed Bonds in an amount exceeding \$600,000,000 in any calendar year unless otherwise authorized by Act of the Pennsylvania General Assembly.

In the event of an amendment to Act 44 or enactment of other legislation providing that the Motor License Fund will become the primary payment source for debt service on the Guaranteed Bonds, the Commission may elect to substitute the Motor License Fund for the Commission Payments as the primary source of payment of debt service on the Guaranteed Bonds; provided, however, that the Commission may make such election only if it (i) obtains confirmation from the Rating Agencies that such change will not adversely affect the ratings on the Guaranteed Bonds and on the Revenue Bonds that remain outstanding after such change, and (ii) causes to be delivered an opinion of Bond Counsel that such change will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Guaranteed Bonds.

The Commission covenants that it will seek to enforce the covenants of the Commonwealth in Act 44 with respect to the Guaranteed Bonds and the Commonwealth's Motor License Fund. The Commission also covenants that it will seek to enforce to the extent possible and as permitted by applicable law, and that it will not take any action in violation of, Sections 8915.3(7) and 9511.11(C) of Act 44. The Trustee may, and the Trustee, upon receipt of written direction from the holders of not less than twenty-five percent (25%) in principal amount of the Guaranteed Bonds then outstanding and upon being indemnified to its satisfaction shall, institute and prosecute in a court of competent jurisdiction any appropriate action to enforce the covenants of the Commonwealth in Act 44.

The Commission covenants that it will seek to continue the Commonwealth's Motor License Fund in full force and effect without change which would materially adversely affect the Guaranteed Bonds. The Commission shall take such action as may be desirable or necessary to prevent or remedy the occurrence of any such change by petitioning the Governor and the General Assembly and taking appropriate legal action.

SECTION 6.05 Tax Covenants.

(a) The Commission covenants that it will neither make nor direct the Trustee to make any investment or other use of the proceeds of any Series of tax exempt Subordinate Indenture Bonds issued hereunder that would cause such Series of tax exempt Subordinate Indenture Bonds to be “arbitrage bonds”, as that term is defined in Section 148(a) of the Code, and that it will comply with the requirements of the Code throughout the term of such Series of tax exempt Subordinate Indenture Bonds. The Trustee covenants that in those instances where it exercises discretion over the investment of funds, it shall not knowingly make any investment inconsistent with the foregoing covenants.

(b) Notwithstanding the foregoing, the Commission hereby reserves the right to elect to issue one or more Series of Additional Subordinate Indenture Bonds, the interest on which is not exempt from federal income taxation. If such election is made prior to the issuance of such Additional Subordinate Indenture Bonds, then the covenants contained in this Section shall not apply to such Series of Subordinate Indenture Bonds.

(c) The Commission covenants that it (1) will take, or use its best efforts to require to be taken, all actions that may be required of the Commission for the interest on the Subordinate Indenture Bonds to be and remain not included in gross income for federal income tax purposes and (2) will not take or authorize to be taken any actions within its control that would adversely affect that status under the provisions of the Code.

SECTION 6.04 *Security Agreement; Financing Statements.* In addition to the assignment by the Commission of its rights in the Trust Estate to the Trustee, the Commission hereby acknowledges that in order to more fully protect, perfect and preserve the rights of the Trustee, the Subordinate Indenture Bondholders and owners of Parity Obligations in the Trust Estate, the Commission grants to the Trustee a security interest in the Trust Estate and the proceeds thereof. The Commission agrees to cooperate with the Trustee in filing financing statements, and continuations thereof, in such manner and in such places as may be required by law in order to perfect such security interest. In the event that the Trustee becomes aware of a change in law which might affect such filing, the Trustee, at the expense of the Commission, may obtain an opinion of Counsel setting forth what actions, if any, the Commission or the Trustee should take in order to protect, perfect and preserve such security interest. The Commission shall cooperate with the Trustee in taking such actions, including the execution of any necessary financing statements and continuations thereof.

SECTION 6.05 *Further Instruments and Action.* The Commission covenants that it will, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of this Subordinate Indenture.

**ARTICLE VII  
EVENTS OF DEFAULT AND REMEDIES**



SECTION 7.01 *Events of Default.* Each of the following is an “Event of Default” with respect to a particular Series hereunder:

- (a) Default in the payment of any installment of principal, redemption premium, if any, interest or other amount due on that particular Class of Subordinate Indenture Bonds when the same becomes due and payable;
- (b) Default in the payment by the Commission of any other Parity Obligation of that particular Class;
- (c) With respect only to Guaranteed Bonds and subject to the provisions of Section 7.07, default in the performance or breach of the covenants contained in Section 6.04;
- (d) Subject to the provisions of Section 7.01(c) and Section 7.07, default in the performance or breach of any other covenant, warranty or representation of the Commission contained in this Subordinate Indenture (other than a default under subsections (a) and (b) of this Section);
- (e) The occurrence of any Event of Default under any Supplemental Indenture with respect to that particular Class; or
- (f) (1) The occurrence of an Event of Bankruptcy of the Commission; (2) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Commission or of any substantial portion of its property, which appointment shall not have been rescinded or stayed within ninety (90) days after taking effect; or (3) the ordering of the winding up or liquidation of the affairs of the Commission.

SECTION 7.02 *Remedies.*

(a) The Trustee, upon the occurrence of an Event of Default may, and upon the written request of the holders of not less than a majority in aggregate principal amount of the Revenue Bonds Outstanding and subject, to the requirements of Section 8.02(e), shall proceed to protect and enforce its rights and the rights of the holders of the applicable Series of Subordinate Indenture Bonds under this Subordinate Indenture by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in this Subordinate Indenture or in aid of the execution of any power herein 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 applicable Series of Subordinate Indenture Bondholders under the applicable Series of Subordinate Indenture Bonds or this Subordinate Indenture.

(b) Without limiting the generality of the foregoing, the Trustee shall at all times have the power to institute and maintain such proceedings as it may deem expedient: (1) to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Subordinate Indenture, and (2) to protect its interests and the interests of the Subordinate Indenture Bondholders in the Trust Estate and in the issues, profits, revenues and other income arising therefrom, including the power to maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order which may be unconstitutional or

otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair the Trust Estate or be prejudicial to the interests of the Subordinate Indenture Bondholders or the Trustee.

(c) The Trustee, upon the occurrence of an Event of Default may, and upon the written request of the holders of not less than a majority in aggregate principal amount of the Guaranteed Bonds Outstanding, appoint a co-trustee to represent the holders of the Guaranteed Bonds .

(d) Notwithstanding anything to the contrary contained herein, the Trustee shall proceed to protect and enforce its rights under Section 4.01 and the rights of the holders of the applicable Series of Subordinate Indenture Bonds under Section 4.01 by a suit or suits in equity or at law, either for the specific performance or mandamus of any covenant or agreement contained in Section 4.01 in a manner that the Trustee in reliance, upon the advice of Counsel, may deem most effective to protect and enforce any of its rights under Section 4.01 or the interests or of the applicable Series of Subordinate Indenture Bondholders under Section 4.01.

#### SECTION 7.03 *Marshaling of Assets.*

Upon the occurrence of an Event of Default, all moneys in all Funds (other than moneys in the Rebate Fund and the Guarantee Repayment Fund) shall be available to be utilized by the Trustee in accordance with this Article. The rights of the Trustee under Section 8.02 shall be applicable. During the continuance of any such Event of Default, all provisions of this Subordinate Indenture relating to the utilization of Funds, including but not limited to those set out in Article IV, shall be superseded by this Article. Subsequent to the curing or waiver of any such Event of Default, the provisions of this Subordinate Indenture relating to utilization of Funds, including the provisions of Article IV, shall be reinstated.

#### SECTION 7.04 *Trustee May File Proofs of Claim.*

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

(1) to file and prove a claim for the whole amount of the principal, redemption premium, if any, and interest owing and unpaid in respect of the Subordinate Indenture Bonds then Outstanding or for breach of this Subordinate Indenture and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel) and of the holders allowed in such proceeding; and

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

and any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel, and any other amounts due the Trustee under Section 8.05.

(b) No provision of this Subordinate Indenture empowers the Trustee to authorize or consent to or accept or adopt on behalf of any Subordinate Indenture Bondholders any plan of reorganization, arrangement, adjustment or composition affecting any of the Subordinate Indenture Bonds or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any holder in any proceeding described in subsection (a) of this Section.

**SECTION 7.05**      *Possession of Subordinate Indenture Bonds Not Required.* All rights under this Subordinate Indenture and the Subordinate Indenture Bonds may be enforced by the Trustee without possession of any Subordinate Indenture Bonds or the production of them at trial or other proceedings. Any proceedings instituted by the Trustee may be brought in its name for itself or as representative of the Subordinate Indenture Bondholders without the necessity of joining Subordinate Indenture Bondholders as parties, and any recovery resulting from such proceedings shall, subject to Section 7.08, be for the ratable benefit of the Subordinate Indenture Bondholders.

**SECTION 7.06**      *Notice and Opportunity to Cure Certain Defaults.* No default under Section 7.01(c) or 7.01(d) 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 applicable Series of Subordinate Indenture Bonds Outstanding, and the Commission shall have had thirty (30) days after receipt of such notice to correct such default or cause such default to be corrected, and shall have failed to do so. In the event, however, that the default is such that it cannot be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the Commission within such period and diligently pursued (as determined by the Trustee) until the default is corrected.

**SECTION 7.07**      *Priority of Payment Following Event of Default.*

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

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

(b) second, to the payment to the persons entitled thereto of the unpaid principal of any of the applicable Series of Subordinate Indenture Bonds which shall have become due with interest on such Subordinate Indenture 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 Subordinate Indenture 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

(c) third, to the payment of any other amounts then owing hereunder, and, after said deposit into the Debt Service Fund, there shall be paid the Subordinated Indebtedness issued or incurred by the Commission pursuant to Section 703(b).

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

**SECTION 7.08**      *Revenue Bondholders May Direct Proceedings.* The owners of a majority in aggregate principal amount of the Revenue Bonds Outstanding shall, subject to the requirements of Section 8.02(e), 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 hereunder, provided that such direction shall not be in conflict with any rule of law or this Subordinate Indenture and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unduly prejudicial to the rights of Subordinate Indenture Bondholders not parties to such direction or would subject the Trustee to personal liability or expense. 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 Section.

**SECTION 7.09**      *Limitations on Rights of Subordinate Indenture Bondholders.*

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

(b) The provisions of subsection (a) of this Section are conditions precedent to the exercise by any Subordinate Indenture Bondholder of any remedy hereunder. The exercise of such rights is further subject to the provisions hereof. No one or more Subordinate Indenture Bondholders shall have any right in any manner whatever to enforce any right under this Subordinate Indenture, except in the manner herein provided. All proceedings at law or in equity with respect to an Event of Default shall be instituted and maintained in the manner herein provided for the equal and ratable benefit of the Subordinate Indenture Bondholders of all Subordinate Indenture Bonds Outstanding.

SECTION 7.10 *Unconditional Right of Subordinate Indenture Bondholder to Receive Payment.* Notwithstanding any other provision of this Subordinate Indenture, any Subordinate Indenture Bondholder shall have the absolute and unconditional right to receive payment of principal of, redemption premium, if any, and interest on the Subordinate Indenture Bonds on and after the due date thereof, and to institute suit for the enforcement of any such payment.

SECTION 7.11 *Restoration of Rights and Remedies.* If the Trustee or any Subordinate Indenture Bondholder has instituted any proceeding to enforce any right or remedy under this Subordinate Indenture, and any such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Subordinate Indenture Bondholder, then the Commission, the Trustee and the Subordinate Indenture Bondholders, subject to any determination in such proceeding, shall be restored to their former positions hereunder, and all rights and remedies of the Trustee and the Subordinate Indenture Bondholders shall continue as though no such proceeding had been instituted.

SECTION 7.12 *Rights and Remedies Cumulative.* No right or remedy herein 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 hereunder or now or hereafter existing at law, in equity or otherwise. The assertion or employment of any right or remedy hereunder shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 7.13 *Delay or Omission Not Waiver.* No delay or omission by the Trustee or any Subordinate Indenture Bondholder to exercise any right or remedy accruing upon

any Event of Default shall impair any such right or remedy or constitute a waiver of such Event of Default. Every right and remedy given by this Article or by law to the Trustee or the Subordinate Indenture Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or the Subordinate Indenture Bondholders, as the case may be.

**SECTION 7.14**      *Waiver of Defaults.*

(a) The holders of a majority in aggregate principal amount of each Series of Outstanding Subordinate Indenture Bonds may, by written notice to the Trustee and subject to the requirements of Section 8.02(e), waive any existing default or Event of Default with respect to that particular Series and its consequences, except an Event of Default under Section 7.01(a) or (b). Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes. No waiver of any default or Event of Default shall extend to or effect any subsequent default or Event of Default or shall impair any right or remedy consequent thereto.

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

**SECTION 7.15**      *Notice of Events of Default.* If an Event of Default occurs of which the Trustee has or is deemed to have notice under Section 8.02(h), the Trustee shall give Immediate Notice thereof to the Commission. Within 90 days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to each Subordinate Indenture Bondholder then Outstanding, provided, however, that except in the instance of an Event of Default under Section 7.01(a) or (b), the Trustee may withhold such notice if and so long as the Trustee in good faith determines that the withholding of such notice does not materially adversely affect the interests of any Class of Subordinate Indenture Bondholders, and provided, further, that notice to Subordinate Indenture Bondholders of any Event of Default under Section 7.01(c) and (d) shall be subject to the provisions of Section 7.07 and shall not be given until the grace period has expired.

**ARTICLE VIII**  
**THE TRUSTEE**

**SECTION 8.01**      *Duties and Responsibilities of the Trustee.*

(a) Prior to the occurrence of an Event of Default of which it has or is deemed to have notice hereunder, and after the curing or waiver of any Event of Default which may have occurred:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Subordinate Indenture, and no implied covenants or obligations shall be read into this Subordinate Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee that conform to the requirements of this Subordinate Indenture; but the Trustee is under a duty to examine such certificates and opinions to determine whether they conform to the requirements of this Subordinate Indenture.

(b) In case an Event of Default of which the Trustee has or is deemed to have notice hereunder has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Subordinate Indenture, and use the same degree of care and skill in their exercise, as a prudent Person would exercise or use in the conduct of such Person's own affairs.

(c) No provision of this Subordinate Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct, except that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee is not liable for any error of judgment made in good faith by a Responsible Officer, unless it is proven that the Trustee was grossly negligent in ascertaining the pertinent facts;

(3) the Trustee is not liable with respect to any action it takes or omits to be taken by it in good faith in accordance with the direction of the Subordinate Indenture Bondholders under any provision of this Subordinate Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Subordinate Indenture; and

(4) no provision of this Subordinate Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) The Trustee shall maintain records of all investments and disbursements of proceeds in the funds and accounts established pursuant to this Subordinate Indenture through the date ending six (6) years following the date on which all the Subordinate Indenture Bonds have been retired.

(e) Whether or not expressly so provided, every provision of this Subordinate Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of this Section.

SECTION 8.02 *Certain Rights of the Trustee.* Except as otherwise provided in Section 901:

(a) the Trustee may rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Commission under this Subordinate Indenture shall be sufficiently evidenced by a certificate of a Commission Official (unless other evidence thereof is specifically prescribed) and any resolution of the Commission may be sufficiently evidenced by a copy thereof certified by a Commission Official, as appropriate;

(c) whenever in the administration of this Subordinate Indenture the Trustee deems it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate of a Commission Official;

(d) the Trustee may consult with Counsel and the written advice of such Counsel or an opinion of Counsel shall be full and complete authorization and protection for any action taken, suffered or omitted by it in good faith and in accordance with such advice or opinion;

(e) the Trustee is under no obligation to exercise any of the rights or powers vested in it by this Subordinate Indenture at the request or direction of any of the Subordinate Indenture Bondholders unless such holders have offered to the Trustee security or indemnity satisfactory to the Trustee as to its terms, coverage, duration, amount and otherwise with respect to the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction principal amount;

(f) the Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, Subordinate Indenture Bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may deem necessary or advisable and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the Commission, in person or by agent or attorney;

(g) the Trustee may execute any of its trusts or powers or perform any duties under this Subordinate Indenture either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement as provided in Section 8.02, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it;



(h) the Trustee is not required to take notice or deemed to have notice of any default or Event of Default hereunder, except Events of Default under Section 8.01(a) and (b), unless a Responsible Officer of the Trustee has actual knowledge thereof or has received notice in writing of such default or Event of Default from the Commission or the holders of at least 25% in aggregate principal amount of the Outstanding Subordinate Indenture Bonds of any Class, and in the absence of any such notice, the Trustee may conclusively assume that no such default or Event of Default exists;

(i) the Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Subordinate Indenture;

(j) in the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Subordinate Indenture Bondholders, each representing less than a majority in aggregate principal amount of the Subordinate Indenture Bonds Outstanding, pursuant to the provisions of this Subordinate Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken;

(k) the Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Subordinate Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the defeasance or discharge of this Subordinate Indenture and final payment of the Subordinate Indenture Bonds;

(l) the permissive right of the Trustee to take the actions permitted by this Subordinate Indenture shall not be construed as an obligation or duty to do so; and

(m) except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Subordinate Indenture Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Subordinate Indenture Bonds.

SECTION 8.03 *Trustee Not Responsible for Recitals.* The recitals contained in this Subordinate Indenture and in the Subordinate Indenture Bonds (other than the certificate of authentication on the Subordinate Indenture Bonds) are statements of the Commission and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value, condition or sufficiency of any assets pledged or assigned as security for the Subordinate Indenture Bonds, the right, title or interest of the Commission therein, the security provided thereby or by this Subordinate Indenture, the technical or financial feasibility of any Project, the compliance of any Project with the Enabling Acts, or the tax exempt status of any Subordinate Indenture Bonds. The Trustee is not accountable for the use or application by the Commission of any of the proceeds of the Subordinate Indenture Bonds, or for the use or application of any moneys paid over by the Trustee in accordance with any provision of this Subordinate Indenture.

SECTION 8.04 *Trustee May Own Subordinate Indenture Bonds.* The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold and deal in any of the Subordinate Indenture Bonds and may join in any action which any Subordinate Indenture Bondholder may be entitled to take with like effect as if it were not Trustee. The Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction with the Commission and may act as depository, trustee or agent for any committee of Subordinate Indenture Bondholders secured hereby or other obligations of the Commission as freely as if it were not Trustee. The provisions of this Section shall extend to affiliates of the Trustee.

SECTION 8.05 *Compensation and Expenses of the Trustee.* The Commission covenants and agrees:

(a) to pay to the Trustee compensation for all services rendered by it hereunder and under the other agreements relating to the Subordinate Indenture Bonds to which the Trustee is a party in accordance with terms agreed to from time to time and, subsequent to default, in accordance with the Trustee's then current fee schedule for default administration (the entirety of which compensation shall not be limited by any provision of law regarding compensation of a trustee of an express trust);

(b) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Subordinate Indenture, any other agreement relating to the Subordinate Indenture Bonds to which it is a party or in complying with any request by the Commission or the Rating Agency, including the reasonable compensation, expenses and disbursements of its agents and Counsel, except any such expense, disbursement or advance attributable to the Trustee's gross negligence or bad faith; and

(c) to indemnify, defend and hold the Trustee harmless from and against any loss, liability or expense incurred without gross negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the office of Trustee under this Subordinate Indenture, including the costs of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

In the event the Trustee incurs expenses or renders services in any proceedings under Bankruptcy Law relating to the Commission, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under Bankruptcy Law.

As security for the performance of the obligations of the Commission under this Section, the Trustee shall have a lien prior to the lien securing the Subordinate Indenture Bonds, which it may exercise through a right of setoff, upon all property or funds held or collected by the Trustee pursuant to this Subordinate Indenture (other than moneys in the Rebate Fund or the Guarantee Repayment Fund). The obligations of the Commission to make the payments described in this Section shall survive discharge of this Subordinate Indenture, the resignation or removal of the Trustee and payment in full of the Subordinate Indenture Bonds.

SECTION 8.06 *Qualifications of Trustee.* There shall at all times be a trustee hereunder which shall be a corporation or banking association organized and doing business under the laws of the U.S. or of any state, authorized under such laws to exercise corporate trust powers, which has a combined capital and surplus of at least \$50,000,000, or is an affiliate of, or has a contractual relationship with, a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed trustee, and which is subject to supervision or examination by federal or state banking authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or the requirements of such banking authority, then for purposes of this Section, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign promptly in the manner and with the effect specified in this Article.

SECTION 8.07 *Resignation or Removal of Trustee; Appointment of Successor Trustee.*

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 8.08.

(b) The Trustee may resign at any time by giving written notice to the Commission. Upon receiving such notice of resignation, the Commission shall promptly appoint a successor Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any Subordinate Indenture Bondholder may petition a court of competent jurisdiction for the appointment of a successor Trustee.

(c) Prior to the occurrence and continuance of an Event of Default hereunder, or after the curing or waiver of any such Event of Default, the Commission or the holders of a majority in aggregate principal amount of the Outstanding Subordinate Indenture Bonds [of each Class], may remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default hereunder, the holders of a majority in aggregate principal amount of each Class of Outstanding Subordinate Indenture Bonds may remove the Trustee and shall appoint a successor Trustee. In each instance, such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the Commission or such holders, as the case may be, and delivered to the Trustee, the Commission, the holders of the Outstanding Subordinate Indenture Bonds and the successor Trustee.

(d) If at any time: (1) the Trustee shall cease to be eligible and qualified under Section 8.06 and shall fail or refuse to resign after written request to do so by the Commission or the holder of any Subordinate Indenture Bond, or (2) the Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take charge or control of the Trustee, its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in either such case (i) the Commission may remove the Trustee and appoint a successor Trustee in accordance with the

provisions of subsection (c) of this Section; or (ii) any holder of a Subordinate Indenture Bond then Outstanding may, on behalf of the holders of all Outstanding Subordinate Indenture Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

(e) The Commission shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to each holder of Subordinate Indenture Bonds then Outstanding as listed in the Subordinate Indenture Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

SECTION 8.08 *Acceptance of Appointment by Successor Trustee.*

(a) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Commission and the predecessor Trustee an instrument accepting its appointment. The resignation or removal of the retiring Trustee shall thereupon become effective, and the successor Trustee shall, without further act, deed or conveyance become vested with all the estates, properties, rights, powers and duties of the predecessor Trustee. Upon the request of the Commission or the successor Trustee, the predecessor Trustee shall execute and deliver an instrument transferring to the successor Trustee all the estates, properties, rights, powers and duties of the predecessor Trustee under this Subordinate Indenture, and shall duly assign, transfer, deliver and pay over to the successor Trustee all of the Trust Estate and moneys and other property then held under this Subordinate Indenture, subject, however, to the lien provided for in Section 8.05. The successor Trustee shall promptly give written notice of its appointment to PennDot and the holders of all Subordinate Indenture Bonds Outstanding in the manner prescribed herein, unless such notice has previously been given.

(b) No successor Trustee shall accept appointment as provided in this Section unless, as of the date of such acceptance, it is eligible and qualified under the provisions of Section 8.06.

SECTION 8.09 *Merger, Succession or Consolidation of Trustee.* Any corporation or association: (a) into which the Trustee is merged or with which it is consolidated; (b) resulting from any merger or consolidation to which the Trustee is a party; or (c) succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor Trustee without the execution or filing of any document or the taking of any further action; provided, however, the Trustee shall give written notice to the Commission at least sixty (60) days prior to the effective date of the proposed merger, consolidation or transaction. Any such successor must be eligible and qualified under the provisions of Section 8.06.

SECTION 8.10 *Notices to Subordinate Indenture Bondholders; Waiver.* Where this Subordinate Indenture provides for notice to Subordinate Indenture Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Subordinate Indenture Bondholder affected by each event, at his or her address as it appears on the Subordinate Indenture Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. In any case where notice to Subordinate Indenture Bondholders is

given by mail, neither the failure to mail such notice, nor any default in any notice so mailed to any particular Subordinate Indenture Bondholder shall affect the sufficiency of such notice with respect to other Subordinate Indenture Bondholders. Where this Subordinate Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Subordinate Indenture Bondholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

For so long as the Subordinate Indenture Bonds are registered solely in the name of the Securities Depository or its nominee, where this Subordinate Indenture provides for notice to the Subordinate Indenture Bondholders of the existence of, or during the continuance of, any Event of Default, the Trustee, at the expense of the Commission, shall: (a) establish a record date (the "Record Date") for determination of the Persons entitled to receive such notice; (b) request a securities position listing from the Securities Depository showing the Depository Participants holding positions in the Subordinate Indenture Bonds affected by such notice as of the Record Date for such notice; (c) mail, first class postage prepaid, copies of the notice as provided above to each Depository Participant identified in the securities position listing as holding a position in the Subordinate Indenture Bonds as of the Record Date for the notice, to each nationally recognized municipal securities information repository (within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934), and to any Person identified to the Trustee as a nonobjecting beneficial owner pursuant to the immediately following clause; (d) request that the Depository Participant retransmit the notice to all Persons for which it served as nominee on the Record Date, including nonobjecting beneficial owners, or retransmit the notice to objecting beneficial owners and provide a listing of nonobjecting beneficial owners for whom the Depository Participant served as nominee on the Record Date to the Trustee, (e) provide on behalf of the Commission and not as its agent, an undertaking to pay to any Depository Participant or other nominee (other than the Securities Depository) the reasonable costs of transmitting the notice to Persons for whom the Depository Participant acts as nominee; and (f) provide as many copies of the notice as may be requested by any nominee owner of the Subordinate Indenture Bonds. Any default in performance of the duties required by this paragraph shall not affect the sufficiency of notice to the Subordinate Indenture Bondholders given in accordance with the first paragraph of this Section, nor the validity of any action taken under this Subordinate Indenture in reliance on such notice to Subordinate Indenture Bondholders.

Where this Subordinate Indenture provides for notice to the Subordinate Indenture Bondholders of any event, the form of the notice shall prominently include a title block, separate from the body of the notice, which shall include the following information: (a) the complete title of the Subordinate Indenture Bonds; (b) the complete name of the Commission; (c) the entire nine digit CUSIP number of each affected maturity of the Subordinate Indenture Bonds (which may be appended to such notice); (d) the Record Date, and (e) a summary that is no more than the maximum number of characters permitted by the Securities Depository.

Any notice required or permitted by this Subordinate Indenture to be given to the Securities Depository shall be given to it in the manner provided by this Section for giving notice to Subordinate Indenture Bondholders, and also shall be given in such electronic format as

reasonably requested by the Securities Depository and shall be sent to: The Depository Trust Company, Proxy Department, 55 Water Street, 25th Floor, New York, New York 10041 0099, (telecoppy: (212) 855 5181), or such other address as may be specified by the Securities Depository in writing to the Trustee.

SECTION 8.11 *Paying Agents and Authenticating Agents.* The Commission may appoint at its expense one or more Paying Agents and Authenticating Agents to act as agent of the Trustee in performing any of the duties and obligations imposed under this Subordinate Indenture or any Supplemental Indenture, and separate appointments may be made for the Subordinate Indenture Bonds of each Series. The Trustee may be appointed to serve in any such capacity.

Each Paying Agent and Authenticating Agent shall signify its acceptance of the duties and obligations imposed upon it by this Subordinate Indenture or any Supplemental Indenture by executing and delivering to the Commission and to the Trustee a written acceptance thereof.

The Commission, in its discretion, may discharge any Paying Agent and/or Authenticating Agent, subject to the provisions of Section 11.02.

## ARTICLE IX SUPPLEMENTAL INDENTURES

SECTION 9.01 *Supplemental Indentures Without Subordinate Indenture Bondholders' Consent.* The Commission and the Trustee may from time to time and at any time enter into Supplemental Indentures, without the consent of or notice to any Subordinate Indenture Bondholder, to effect any one or more of the following:

- (a) cure any ambiguity, defect or omission or correct or supplement any provision herein or in any Supplemental Indenture;
- (b) provide for earlier or larger deposits to the Revenue Bonds Account or Guaranteed Bonds Account of the Debt Service Fund;
- (c) grant to or confer upon the Trustee for the benefit of the Subordinate Indenture Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Subordinate Indenture Bondholders or the Trustee which are not contrary to or inconsistent with this Subordinate Indenture as then in effect or to subject to the pledge and lien of this Subordinate Indenture additional revenues, properties or collateral including Defeasance Obligations;
- (d) add to the covenants and agreements of the Commission in this Subordinate Indenture other covenants and agreements thereafter to be observed by the Commission or to surrender any right or power herein reserved to or conferred upon the Commission which are not contrary to or inconsistent with this Subordinate Indenture as then in effect;
- (e) by action taken on or before the issuance by the Commission of the first Series or Sub-Series of Guaranteed Bonds, modify, alter, supplement or amend Section 6.04.

- (f) permit the appointment of a co trustee under this Subordinate Indenture;
- (g) modify, alter, supplement or amend this Subordinate Indenture in such manner as shall permit the qualification of this Subordinate Indenture, if required, under the Trust Indenture Act of 1939, the Securities Act of 1933, state securities laws or any similar statute;
- (h) cure formal defects or omissions that, if not cured, would cause interest on Subordinate Indenture Bonds to be includible in gross income for federal income tax purposes;
- (i) make any other change herein that is determined by the Trustee not to be materially adverse to the interests of the Subordinate Indenture Bondholders;
- (j) identify particular characteristics of Subordinate Indenture Bonds for purposes not inconsistent with this Subordinate Indenture including, without limitation, credit or liquidity support, remarketing, serialization, mandatory tender for purchase and defeasance;
- (k) implement the issuance of Additional Subordinate Indenture Bonds, or the incurrence of other Parity Obligations or of Subordinated Indebtedness permitted hereunder; or
- (l) if all Subordinate Indenture Bonds in a Series are Book Entry Bonds, amend, modify, alter or replace any Letter of Representations as provided in Section 2.11 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 this Subordinate Indenture.

**SECTION 9.02** *Supplemental Indentures Requiring Subordinate Indenture Bondholders' Consent.* The Commission and the Trustee, at any time and from time to time, may execute and deliver a Supplemental Indenture for the purpose of making any modification or amendment to this Subordinate Indenture, but only with the written consent, given as provided in Section 9.03, of the holders of at least a majority in aggregate principal amount of the Revenue Bonds Outstanding at the time such consent is given, and in case such modification adversely affects the holders of the Guaranteed Bonds, of PennDot; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Subordinate Indenture Bonds so affected remain Outstanding, the consent of the holders of such Subordinate Indenture Bonds shall not be required and such Subordinate Indenture Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Subordinate Indenture Bonds under this Section. Notwithstanding the foregoing, no modification or amendment contained in any such Supplemental Indenture shall permit any of the following, without the consent of each Subordinate Indenture Bondholder whose rights are affected thereby:

- (a) a change in the terms of stated maturity or redemption of any Subordinate Indenture Bond or of any installment of interest thereon;

(b) a reduction in the principal amount of or redemption premium on any Subordinate Indenture Bond or in the rate of interest thereon or a change in the coin or currency in which such Subordinate Indenture Bond is payable;

(c) the creation of a lien on or a pledge of any part of the Trust Estate which has priority over or parity with (to the extent not permitted hereunder) the lien or pledge granted to the Subordinate Indenture Bondholders hereunder (but this provision shall not apply to the release of any part of the Trust Estate as opposed to the creation of a prior or parity lien or pledge);

(d) the granting of a preference or priority of any Subordinate Indenture Bond or Subordinate Indenture Bonds over any other Subordinate Indenture Bond or Subordinate Indenture Bonds, except to the extent permitted herein;

(e) a reduction in the aggregate principal amount of Subordinate Indenture Bonds of which the consent of the Subordinate Indenture Bondholders is required to effect any such modification or amendment; or

(f) a change in the provisions of this Section.

Notwithstanding the foregoing, the holder of any Subordinate Indenture Bond may extend the time for payment of the principal of or interest on such Subordinate Indenture Bond; provided, however, that upon the occurrence of an Event of Default, funds available hereunder for the payment of the principal of and interest on the Subordinate Indenture Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full. Notice of any Supplemental Indenture executed pursuant to this Section shall be given to the Subordinate Indenture Bondholders promptly following the execution thereof.

**SECTION 9.03**      *Consents of Subordinate Indenture Bondholders and Opinions.*  
Each Supplemental Indenture executed and delivered pursuant to the provisions of Section 9.02 shall take effect only when and as provided in this Section 9.03. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Subordinate Indenture Bondholders for their consent thereto in form satisfactory to the Trustee, shall be sent by the Trustee to Subordinate Indenture 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 hereinafter. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Subordinate Indenture Bondholders of the percentage of Subordinate Indenture Bonds specified in Section 9.2 given as provided in Section 11.10, and (b) the opinion of Counsel described in Section 9.06. Any such consent shall be binding upon the Subordinate Indenture Bondholder giving such consent and upon any subsequent holder of such Subordinate Indenture Bonds and of any Subordinate Indenture Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Subordinate Indenture Bondholder has notice thereof), unless such consent is revoked in writing by the Subordinate Indenture Bondholder giving such consent or a subsequent holder of such



Subordinate Indenture Bonds by filing such revocation with the Trustee prior to the date the Trustee receives the material required in subsections (a) and (b) of this Section.

Notwithstanding anything else herein, if a Supplemental Indenture is to become effective under Section 9.02 on the same date as the date of issuance of Additional Subordinate Indenture Bonds, the consents of the underwriters or purchasers of such Additional Subordinate Indenture Bonds shall be counted for purposes of Section 9.02 and this Section.

**SECTION 9.04**        *Exclusion of Certain Subordinate Indenture Bonds for the Purpose of Consent, etc.* Subordinate Indenture 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 Subordinate Indenture Bonds provided for in this Article. At the time of any consent or other action taken under this Article or elsewhere in this Subordinate Indenture, the Commission shall furnish the Trustee a certificate of a Commission Official, upon which the Trustee may rely, describing all Subordinate Indenture Bonds so to be excluded.

**SECTION 9.05**        *Notation on Subordinate Indenture Bonds.* Subordinate Indenture Bonds authenticated and delivered after the effective date of any action taken as provided in this Article may, and, if the Commission so determines, shall bear a notation by endorsement or otherwise in form approved by the Trustee as to such action and, upon demand of the holder of any Outstanding Subordinate Indenture Bond at such effective date and presentation of such Subordinate Indenture Bond for the purpose at the office of the Trustee, or upon any transfer of any Subordinate Indenture Bond Outstanding at such effective date, suitable notation shall be made on such Subordinate Indenture Bond or upon any Subordinate Indenture Bond issued upon any such transfer by the Trustee as to any such action.

If the Commission shall so determine, new Subordinate Indenture Bonds so modified as in the opinion of the Trustee and the Commission to conform to such action shall be prepared, authenticated and delivered, and upon demand of the holder of any Subordinate Indenture Bond then Outstanding shall be exchanged, without cost to such Subordinate Indenture Bondholder for Subordinate Indenture Bonds then Outstanding, upon surrender of such Subordinate Indenture Bonds or Subordinate Indenture Bonds of an equal aggregate principal amount and of the same Series, maturity and interest rate, in any Authorized Denomination.

**SECTION 9.06**        *Delivery of Counsel’s Opinion with Respect to Supplemental Indentures.* Subject to the provisions of Section 8.01, the Trustee in executing a supplemental indenture may rely, and shall be fully protected in relying, on an opinion of Counsel acceptable to it stating that (a) the execution of such Supplemental Indenture is authorized or permitted by this Subordinate Indenture and (b) 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 Subordinate Indenture Bonds, the interest on which is not included in gross income for federal income tax purposes.

**SECTION 9.07**        *Effect of Supplemental Indentures.* Upon the execution and delivery of any Supplemental Indenture under this Article, this Subordinate Indenture shall be

modified in accordance therewith, and such Supplemental Indenture shall form a part of this Subordinate Indenture for all purposes; and every holder of any Subordinate Indenture Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

## **ARTICLE X DISCHARGE AND DEFEASANCE**

### **SECTION 10.01**      *Discharge.*

(a) If the principal of any Subordinate Indenture Bonds and the interest due or to become due thereon, together with any redemption premium required by redemption of any of the Subordinate Indenture Bonds prior to maturity, shall be paid, or is caused to be paid, or is provided for under Section 10.02, at the times and in the manner to which reference is made in the Subordinate Indenture Bonds, according to the true intent and meaning thereof, or the outstanding Subordinate Indenture Bonds shall have been paid and discharged in accordance with this Article, and

(b) all of the covenants, agreements, obligations, terms and conditions of the Commission under this Subordinate Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Subordinate Indenture Bond Registrar and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions hereof, 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 this Subordinate Indenture and the Trust Estate and shall execute such documents to evidence such release as may be reasonably required by the Commission and shall turn over to the Commission, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds hereunder except for amounts required to pay such Subordinate Indenture Bonds or held pursuant to Section 4.08.

### **SECTION 10.02**      *Defeasance; Deposit of Funds for Payment of Subordinate Indenture Bonds.*

If the Commission deposits with the Trustee moneys or Defeasance Obligations which, together with the earnings thereon, are sufficient to pay the principal amount of and redemption premium on any particular Subordinate Indenture Bond or Subordinate Indenture Bonds becoming due, either at maturity, by means of mandatory sinking fund redemption or by call for optional redemption or otherwise, together with all interest accruing thereon to the due date or Redemption Date, and pays or makes provision for payment of all fees, costs and expenses of the Commission and the Trustee due or to become due with respect to such Subordinate Indenture Bonds, all liability of the Commission with respect to such Subordinate Indenture Bond or Subordinate Indenture Bonds shall cease, such Subordinate Indenture Bond or Subordinate Indenture Bonds shall be deemed not to be Outstanding hereunder and the holder or holders of such Subordinate Indenture Bond or Subordinate Indenture Bonds shall be restricted exclusively to the moneys or Defeasance Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to such Subordinate Indenture Bond or Subordinate Indenture Bonds, and the Trustee shall hold such moneys, Defeasance Obligations and earnings

in trust for such holder or holders. In determining the sufficiency of the moneys and Defeasance Obligations deposited pursuant to this Section, the Trustee shall receive, at the expense of the Commission, and may rely upon: (a) a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to the Commission and the Trustee; provided, however, that the Trustee may waive the requirement for the provision of such verification report if the Subordinate Indenture Bonds which are being defeased will be paid and cancelled within 90 days and the Trustee can calculate the interest to be paid on such Subordinate Indenture Bonds to and including such payment or redemption date; and (b) an opinion of Bond Counsel to the effect that (1) all conditions set forth in this Article have been satisfied and (2) that defeasance of any Subordinate Indenture Bonds will not cause interest on the Subordinate Indenture Bonds to be includable in gross income for federal income tax purposes. Upon such defeasance, all rights of the Commission, including its right to provide for optional redemption or prepayment of any Subordinate Indenture Bonds on dates other than planned pursuant to such defeasance, shall cease unless specifically retained by filing a written notification thereof with the Trustee at the time the Defeasance Obligations are deposited with the Trustee.

At such times as any Subordinate Indenture Bonds shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Subordinate Indenture, except for the purposes of any such payment from such money or Defeasance Obligations.

SECTION 10.03      *Notice of Defeasance.*

(a) In case any of the Subordinate Indenture Bonds, for the payment of which moneys or Defeasance Obligations have been deposited with the Trustee pursuant to Section 10.02, are to be redeemed on any date prior to their maturity, the Commission shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Subordinate Indenture Bonds on the redemption date for such Subordinate Indenture Bonds.

(b) In addition to the foregoing notice, in the event such Subordinate Indenture Bonds to be redeemed are not by their terms subject to redemption within the next succeeding 60 days, the Trustee shall give further notice to the Subordinate Indenture Bondholders that the deposit required by Section 10.02 has been made with the Trustee and that said Subordinate Indenture Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date or dates upon which moneys are to be available for the payment of the principal of and redemption premium, if any, on said Subordinate Indenture Bonds; such further notice shall be given promptly following the making of the deposit required by Section 10.02; and such further notice also shall be given in the manner set forth in Section 3.02; but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of the deposit.

(c) If the Commission has retained any rights pursuant to Section 10.02, notice thereof shall be sent to Subordinate Indenture Bondholders of such Subordinate Indenture Bonds as soon as practicable and not later than any notice required by subsections (a) or (b) of this Section.

**ARTICLE XI**  
**MISCELLANEOUS PROVISIONS**

SECTION 11.01      *Successorship of Commission.* In the event of the dissolution of the Commission, all of the covenants, stipulations, obligations and agreements contained in this Subordinate Indenture by or on behalf of or for the benefit of the Commission shall bind or inure to the benefit of the successor or successors of the Commission from time to time and any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law. The word "Commission" as used in this Subordinate Indenture shall include such successor or successors.

SECTION 11.02      *Successorship of Paying Agents.* Any commercial bank, national banking association or trust company with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Subordinate Indenture. If the position of any Paying Agent shall become vacant for any reason, the Commission shall, within thirty (30) days thereafter, appoint a commercial bank, national banking association or trust company as Paying Agent to fill such vacancy; provided, however, that if the Commission shall fail to appoint such Paying Agent within said period, the Trustee shall make such appointment.

SECTION 11.03 *Notices.* Except as otherwise provided herein, all notices, certificates or other communications hereunder shall be in writing and shall be deemed given upon receipt, by hand delivery, mail, overnight delivery, telecopy or other electronic means addressed as follows:

Commission: Pennsylvania Turnpike Commission  
700 South Eisenhower Boulevard  
Middletown, PA 17057

P.O. Box 67676  
Harrisburg, PA 17106-7676  
Attention: Director of Treasury  
Management

Trustee: Commerce Bank, National Association  
Corporate Trust Services  
101 North Second Street  
Harrisburg, PA 17101  
Attention: Mary Beth Smith

PennDot: Pennsylvania Department of Transportation  
Keystone Building  
400 North street  
Harrisburg, PA 17120  
Attention: Secretary of Transportation

In case by reason of the suspension of regular mail service, it shall be impracticable to give notice by first class mail of any event to any Subordinate Indenture Bondholder or the Commission when such notice is required to be given pursuant to any provisions of this Subordinate Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be sufficient giving of such notice. The Commission and the Trustee may, by notice pursuant to this Section, designate any different addresses to which subsequent notices, certificates or other communications shall be sent. A duplicate copy of each notice, approval, consent, request, complaint, demand or other communication given hereunder by the Commission or the Trustee to any one of the others shall also be given to the others. For purposes of this Section and the definition of Immediate Notice, "electronic means" shall mean telecopy or facsimile transmission or other similar electronic means of communication which produces evidence of transmission. Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt.

SECTION 11.04 *Holidays.* If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Subordinate Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Subordinate Indenture and no interest shall accrue on the payment so deferred during the intervening period.

SECTION 11.05 *Counterparts.* This Subordinate Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall constitute an original, but all of which, when taken together, shall constitute but one and the same instrument, and shall become effective when copies hereof shall be delivered to each of the parties hereto, which copies, when taken together, bear the signatures of each of the parties hereto.

SECTION 11.06 *Applicable Law.* This Subordinate Indenture shall be governed in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the U.S. and of the Commonwealth.

SECTION 11.07 *Limitation of Liability of Officials of the Commission.* No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, agent or employee of the Commission in his individual capacity, and neither the members of the Commission nor any official executing the Subordinate Indenture Bonds shall be liable personally on the Subordinate Indenture Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. Notwithstanding anything to the contrary contained herein, the Trustee, the Subordinate Indenture Bondholders and any other party entitled to seek payment from the Commission under or to enforce this Subordinate Indenture and the Subordinate Indenture Bonds will be entitled to look solely to the Trust Estate, and such collateral, if any, as may now or hereafter be given to secure the payment of the obligations of the Commission under this Subordinate Indenture and the Subordinate Indenture Bonds, and no other property or assets of the Commission or any officer or director of the Commission shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies hereunder, or for any payment required to be made under this Subordinate Indenture and the Subordinate Indenture Bonds, or for the performance of any of the covenants or warranties contained herein.

SECTION 11.08 *Successors and Assigns.* All the covenants, promises and agreements in this Subordinate Indenture contained by or on behalf of the Commission, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 11.09 *Form of Documents Delivered to Trustee.* In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate of a Commission Official or the Commission may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, Counsel, unless such official or officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, a Commission Official stating that the information with respect to such factual matters is in the possession of

the Commission, unless such Counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Subordinate Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 11.10 *Consent of Holders.* Any consent, request, direction, approval, objection or other instrument required by this Subordinate Indenture to be signed and executed by the Subordinate Indenture Bondholders may be in any number of concurrent writings of similar tenor and must be signed or executed by such Subordinate Indenture Bondholders in person or by an agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Subordinate Indenture Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Subordinate Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any Person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the Person signing such writing acknowledged the execution thereof, or by an affidavit of any witness to such execution.

(b) The Trustee may establish a record date for the purpose of identifying Subordinate Indenture Bondholders entitled to issue any such consent, request, direction, approval or instrument.

IN WITNESS WHEREOF, the Pennsylvania Turnpike Commission has caused this Subordinate Indenture to be executed by its Chairman and its official seal to be impressed hereon and attested by its Secretary and Treasurer, and Commerce Bank, National Association, as Trustee, has caused this Subordinate Indenture to be executed on its behalf by its President or a Vice President and its corporate seal to be impressed hereon and attested by its Secretary or an Assistant Secretary, all as of the day and year first above written.


**PENNSYLVANIA TURNPIKE  
COMMISSION**

By: 

Chairman

(Seal)

ATTEST:

  
\_\_\_\_\_

**COMMERCE BANK, NATIONAL  
ASSOCIATION**

As Trustee

By: 

(Seal)

ATTEST:

  
\_\_\_\_\_



**EXHIBIT A**  
**NOTICE TO TRUSTEE**  
**REGARDING**  
**PAYMENTS OUT OF MOTOR LICENSE FUND**

**(Not Applicable)**