

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

**\$322,685,000**

**PENNSYLVANIA TURNPIKE COMMISSION**

**\$124,730,000 OIL FRANCHISE TAX SENIOR REVENUE BONDS, SERIES A OF 2003**

**\$197,955,000 OIL FRANCHISE TAX SUBORDINATED REVENUE BONDS, SERIES B OF 2003**

**Dated:** August 1, 2003

**Due:** December 1, as shown on inside front cover

The Oil Franchise Tax Senior Revenue Bonds, Series A of 2003 (the "2003 Fixed Rate Senior Bonds") and the Oil Franchise Tax Subordinated Revenue Bonds, Series B of 2003 ("2003 Fixed Rate Subordinated Bonds" and, together with the 2003 Fixed Rate Senior Bonds, the "2003 Fixed Rate Bonds") will bear interest from August 1, 2003 payable on December 1, 2003 and on each June 1 and December 1 thereafter. The Record Date for interest payments shall be the close of business on the fifteenth day of the calendar month immediately preceding the Interest Payment Date. Except with respect to the Subordinated Bonds Debt Service Reserve Fund, Senior Bonds and Additional Senior Bonds are senior in right of payment and security to the Subordinated Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Security for the Bonds; Remedies - Additional Bonds" and APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS."

The 2003 Fixed Rate Bonds are being issued pursuant to a First Supplemental Indenture dated as of August 1, 2003 (the "First Supplement") to the Trust Indenture dated as of August 1, 1998 (as amended and supplemented, the "Indenture") between the Pennsylvania Turnpike Commission (the "Commission") and National City Bank of Pennsylvania, as trustee (the "Trustee"). Manufacturers & Traders Trust Company has been named as Paying Agent for the 2003 Fixed Rate Bonds (the "Paying Agent"). The 2003 Fixed Rate Bonds will be fully registered bonds and, when issued, will be registered in the name of CEDE & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2003 Fixed Rate Bonds. Beneficial ownership interests in the 2003 Fixed Rate Bonds will be recorded in book-entry-only form in denominations of \$5,000 or any integral multiple thereof. So long as CEDE & Co. is the registered owner of the 2003 Fixed Rate Bonds, principal of, premium, if any, and interest on the 2003 Fixed Rate Bonds will be paid to CEDE & Co., as nominee of DTC, which will, in turn, remit such principal, interest and premium to the Participants and Indirect Participants for subsequent disbursement to the Beneficial Owners, as described herein. Purchasers will not receive certificates representing their ownership interests in the 2003 Fixed Rate Bonds purchased.

The 2003 Fixed Rate Bonds are subject to optional and mandatory redemption prior to maturity as more fully set forth herein.

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

Payment of the principal of and interest on the 2003 Fixed Rate Senior Bonds and the 2003 Fixed Rate Subordinated Bonds when due will be insured by two financial guaranty insurance policies to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 2003 Fixed Rate Bonds.



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

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**UBS FINANCIAL SERVICES INC.**

**J.P. MORGAN SECURITIES, INC.**

**Arthurs, Lestrangle & Company, Inc.**

**Commonwealth Securities and Investments, Inc.**

**First Securities Investments, Inc.**

**Goldman, Sachs & Co.**

**Janney Montgomery Scott LLC**

**Legg Mason Wood Walker  
Incorporated**

**Loop Capital Markets, LLC**

**Mellon Financial Markets, LLC**

**Morgan Stanley & Co.  
Incorporated**

**Raymond James & Associates, Inc.**

**RBC Dain Rauscher**

**Wachovia Bank, National Association**

**\$322,685,000**  
**PENNSYLVANIA TURNPIKE COMMISSION**

**\$124,730,000 OIL FRANCHISE TAX SENIOR REVENUE BONDS**  
**SERIES A OF 2003**

**Amounts, Maturities, Interest Rates and Yields    Base CUSIP Number: 709221**

<u>Due December 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP</u>	<u>Due December 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP</u>
2003	\$5,640,000	2.500%	0.80%	EL5	2014	\$5,265,000	5.250%	4.22%*	EY7
2004	3,450,000	3.000	1.10	EM3	2015	5,550,000	5.250	4.34*	EZ4
2005	3,555,000	3.000	1.45	EN1	2016	5,845,000	5.250	4.42*	FA8
2006	3,665,000	3.000	1.97	EP6	2017	6,160,000	5.250	4.52*	FB6
2007	3,795,000	4.000	2.46	EQ4	2018	6,490,000	5.250	4.60*	FC4
2008	3,950,000	4.000	2.83	ER2	2019	6,845,000	5.250	4.67*	FD2
2009	1,855,000	4.000	3.18	ES0	2020	7,205,000	5.000	4.84*	FE0
2009	2,250,000	3.250	3.18	ET8	2021	7,575,000	5.000	4.92*	FF7
2010	4,285,000	5.000	3.57	EU5	2022	7,975,000	5.250	4.88*	FG5
2011	4,505,000	5.000	3.82	EV3	2023	8,405,000	5.250	4.93*	FH3
2012	4,740,000	5.250	4.00	EW1	2024	10,730,000	5.000	5.07	FJ9
2013	4,995,000	5.250	4.12	EX9					

(Plus Accrued Interest)

**\$197,955,000 OIL FRANCHISE TAX SUBORDINATED REVENUE BONDS**  
**SERIES B OF 2003**

**Amounts, Maturities, Interest Rates and Yields    Base CUSIP Number: 709221**

<u>Due December 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP</u>	<u>Due December 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP</u>
2003	\$4,525,000	2.500%	0.80%	FK6	2016	\$4,610,000	5.250%	4.44%*	FY6
2004	3,095,000	3.000	1.15	FL4	2017	4,860,000	5.250	4.54*	FZ3
2005	3,170,000	2.000	1.48	FM2	2018	5,125,000	5.250	4.62*	GA7
2006	3,230,000	2.000	2.00	FN0	2019	5,400,000	5.250	4.69*	GB5
2007	3,300,000	2.375	2.49	FP5	2020	5,685,000	5.000	4.86*	GC3
2008	3,395,000	2.750	2.86	FQ3	2021	5,970,000	5.000	4.94*	GD1
2009	3,490,000	3.125	3.21	FR1	2022	6,290,000	5.250	4.90*	GE9
2010	3,605,000	3.500	3.60	FS9	2023	6,625,000	5.250	4.95*	GF6
2011	3,740,000	3.750	3.85	FT7	2024	6,970,000	5.000	5.09	GG4
2012	3,890,000	4.000	4.02	FU4	2025	7,460,000	5.000	5.11	GH2
2013	4,050,000	4.000	4.13	FV2	2032	16,440,000	4.750	5.13	GL3
2014	4,215,000	4.125	4.25	FW0					
2015	4,395,000	4.250	4.35	FX8					

**\$20,000,000 5.50% Term Bonds due December 1, 2028 to yield 4.79%\*    CUSIP: GJ8**

**\$54,420,000 5.00% Term Bonds due December 1, 2031 to yield 5.13%    CUSIP: GK5**

(Plus Accrued Interest)

\*Priced to 12/1/2013 Par Call Date

**PENNSYLVANIA TURNPIKE COMMISSION**

**COMMISSIONERS**

**MITCHELL RUBIN**  
Chairman

**TIMOTHY J. CARSON**  
Vice Chairman

**JAMES J. DODARO**  
Secretary-Treasurer

**PASQUALE T. DEON, SR.**

**ALLEN BIEHLER**

\*\*\*\*\*

**JOSEPH G. BRIMMEIER**  
Chief Executive Officer

**KEVIN F. LONGENBACH**  
Chief Operating Officer

**J. BLAIR FISHBURN**  
Chief Financial Officer

**ALEXANDER R. JANSEN**  
Chief Engineer

**WILLIAM A. CHESNUTT**  
Chief Counsel

\*\*\*\*\*

**NATIONAL CITY BANK OF PENNSYLVANIA**  
Trustee and Authenticating Agent

**MANUFACTURERS & TRADERS TRUST COMPANY**  
Paying Agent

\*\*\*\*\*

**CONSULTANTS**

**HOPKINS & COMPANY**  
**PENN CAPITAL ADVISORS**  
Financial Advisors

No dealer, broker, salesman or other person has been authorized by the Commission or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2003 Fixed Rate Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Commission and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the Commission. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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

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## OFFICIAL STATEMENT

**\$322,685,000**

**PENNSYLVANIA TURNPIKE COMMISSION**

**\$124,730,000 OIL FRANCHISE TAX SENIOR REVENUE BONDS**

**SERIES A OF 2003**

**\$197,955,000 OIL FRANCHISE TAX SUBORDINATED REVENUE BONDS**

**SERIES B OF 2003**

### INTRODUCTION

This Official Statement, which includes the cover page, the inside cover page and the Appendices hereto, is furnished by the Pennsylvania Turnpike Commission (the "Commission"), an instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth"), in connection with the issuance of \$322,685,000 aggregate principal amount of the Commission's \$124,730,000 Oil Franchise Tax Senior Revenue Bonds, Series A of 2003, ("2003 Fixed Rate Senior Bonds") and \$197,955,000 Oil Franchise Tax Subordinated Revenue Bonds, Series B of 2003, ("2003 Fixed Rate Subordinated Bonds" and, together with the 2003 Fixed Rate Senior Bonds, the "2003 Fixed Rate Bonds"). The outstanding 1998 Bonds (described below), the 2003 Fixed Rate Bonds, the 2003 Multi-Modal Senior Bonds (as hereinafter defined) and any Additional Bonds issued under the provisions of the Indenture are herein called the "Bonds." All capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the definitions set forth in APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS." All references herein to the Enabling Acts, Chapters 90 and 95 of Title 75 of the Pennsylvania Consolidated Statutes, the 1998 Bonds, the 2003 Fixed Rate Bonds, the 2003 Multi-Modal Senior Bonds, the Indenture and the Continuing Disclosure Agreement are qualified in their entirety by reference to the complete texts thereof. All statements in this Official Statement involving matters of opinion, estimates, forecasts, projections or the like, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized.

**INDENTURE AND ENABLING ACTS.** The 2003 Fixed Rate Bonds are being issued pursuant to the Indenture and pursuant to an Act of the General Assembly of Pennsylvania approved May 21, 1937, P.L. 774, Act 211, as amended and supplemented by several Acts of the General Assembly approved on various dates, including the Act of May 24, 1945, P.L. 972; the Act of February 26, 1947, P.L. 17; the Act of May 23, 1951, P.L. 335; the Act of August 14, 1951, P.L. 1232; the Act of September 30, 1985, P.L. 240, No. 61 ("Act 61"); and the Act of August 5, 1991, P.L. 238, No. 26 ("Act 26") (collectively, the "Enabling Acts"). The Act of April 17, 1997, No. 3 ("Act 3") revises certain of the provisions of Act 26 which contains the appropriation of the Commission Allocation of the Oil Franchise Tax. See "OIL FRANCHISE TAX - Act 3."

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

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

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

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

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

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

The Commission is also issuing, on the same date as the issuance of the 2003 Fixed Rate Bonds, its \$160,000,000 aggregate principal amount of Oil Franchise Tax Multi-Modal Senior Revenue Bonds, Series C of 2003 (the "2003 Multi-Modal Senior Bonds") pursuant to a separate Official Statement dated August 5, 2003 and a Second Supplemental Indenture dated as of August 1, 2003 to the Indenture. With respect to the 2003 Multi-Modal Senior Bonds, the Commission will, on the same date, enter into two floating to fixed interest rate swap agreements (the "Swap Agreement") which will constitute a Parity Swap Agreement under the Indenture.

**AMENDMENTS TO INDENTURE.** The purchasers of the 2003 Fixed Rate Bonds and the 2003 Multi-Modal Senior Bonds, constituting greater than fifty percent of the (i) the 1998 Senior Bonds, the 2003 Fixed Rate Senior Bonds and the 2003 Multi-Modal Senior Bonds in the aggregate, and (ii) the 1998 Subordinated Bonds and the 2003 Fixed Rate Subordinated Bonds in the aggregate, respectively, outstanding on the Series Issue Date, their successors and assigns, shall be deemed for purposes of the Indenture to have approved and consented irrevocably to the amendments to the Indenture set forth in APPENDIX B, "SUMMARIES OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS; DEFINITIONS OF CERTAIN TERMS" (the "Amendments") and the effectiveness of the Amendments by purchasing the 2003 Fixed Rate Senior Bonds, the 2003 Fixed Rate Subordinated Bonds and the 2003 Multi-Modal Senior Bonds respectively.



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

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

**REDEMPTION.** The 2003 Fixed Rate Bonds are subject to optional and mandatory redemption prior to maturity as more fully set forth herein. See "DESCRIPTION OF THE 2003 FIXED RATE BONDS - Optional Redemption-Mandatory Redemption."

**FINANCIAL GUARANTY INSURANCE.** Payment of the principal of and interest on the 2003 Fixed Rate Bonds when due will be insured by two separate financial guaranty policies to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 2003 Fixed Rate Bonds. One such policy shall insure payments of principal and interest when due on the 2003 Fixed Rate Senior Bonds. The second such policy shall insure payments of principal and interest when due on the 2003 Fixed Rate Subordinated Bonds. See "FINANCIAL GUARANTY INSURANCE."

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

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

**OTHER COMMISSION INDEBTEDNESS.** Approximately \$1.147 billion of Turnpike Revenue Bonds (the "Turnpike Revenue Bonds") are outstanding under the Trust Indenture originally dated as of July 1, 1986 and amended and restated as of March 1, 2001, as supplemented (the "Turnpike Toll Revenue Indenture"). **The Turnpike Revenue Bonds are secured by tolls, receipts, revenues and other moneys from the Pennsylvania Turnpike System (collectively, the "Turnpike Revenues") separate and distinct from the security for the 2003 Fixed Rate Bonds and do not and will not have any claim on the Commission Allocation or Trust Estate. Likewise the holders of the 2003 Fixed Rate Bonds will have no claim on Turnpike Revenues.**

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

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

## DESCRIPTION OF THE 2003 FIXED RATE BONDS

The 2003 Fixed Rate Bonds will be dated August 1, 2003 and will bear interest from that date at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the 2003 Fixed Rate Bonds will be payable on December 1, 2003 and semi-annually thereafter on each June 1 and December 1 (each an "Interest Payment Date"). Nevertheless, 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 Interest Payment Date specified above; provided that interest accruing from a June 1 or December 1 which is not a Business Day to such Interest Payment Date which is the next succeeding Business Day shall not be paid on such Interest Payment Date, but shall be payable on the next succeeding Interest Payment Date. Interest on the 2003 Fixed Rate Bonds will be calculated on the basis of a 360-day year of equal 30-day months.

The 2003 Fixed Rate Bonds are being issued as fully registered bonds and, when issued, will be registered in the name of CEDE & Co. as nominee of DTC. Purchases of beneficial interests in the 2003 Fixed Rate Bonds will be made in book-entry-only form (without certificates) in the denomination of \$5,000 or any integral multiple thereof.

So long as the 2003 Fixed Rate Bonds shall be in book-entry-only form, the principal and redemption price of, and interest on, such 2003 Fixed Rate Bonds will be paid to CEDE & Co., as nominee for DTC and as registered owner of the 2003 Fixed Rate Bonds, for distribution by DTC to the DTC Participants and, in turn, to Beneficial Owners as described under "BOOK-ENTRY-ONLY SYSTEM."

The Indenture and all provisions thereof are incorporated by reference in the text of the 2003 Fixed Rate Bonds, and the 2003 Fixed Rate Bonds provide that each registered owner, Beneficial Owner, DTC Participant or Indirect Participant (as such terms are defined hereinafter) in DTC by acceptance of a 2003 Fixed Rate Bond (including receipt of a book-entry credit evidencing an interest therein) assents to all of such provisions as an explicit and material portion of the consideration running to the Commission to induce it to issue such 2003 Fixed Rate Bond.

### Optional Redemption

The 2003 Fixed Rate Senior Bonds maturing on or after December 1, 2014 are subject to redemption prior to maturity at any time on and after December 1, 2013, as a whole or in part by lot, at the option of the Commission at par, plus accrued interest to the date of redemption, all in the manner provided by the Indenture.

The 2003 Fixed Rate Subordinated Bonds maturing on or after December 1, 2014 are subject to redemption prior to maturity at any time on and after December 1, 2013, as a whole or in part by lot, at the option of the Commission at par, plus accrued interest to the date of redemption, all in the manner provided by the Indenture.

### Mandatory Redemption

The 2003 Fixed Rate Senior Bonds are not subject to mandatory redemption prior to maturity.

The 2003 Fixed Rate Subordinated Bonds maturing on December 1, 2028 and December 1, 2031 are subject to mandatory redemption prior to maturity, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, in direct order of maturities and within each maturity by lot, on December 1 of each year as set forth below, in the respective principal amounts listed opposite each such year:

2003 Fixed Rate Subordinated Bonds stated to mature on December 1, 2028

<u>Year</u>	<u>Principal Amount</u>
2026	\$7,830,000
2027	8,275,000
2028*	3,895,000

\*Maturity

2003 Fixed Rate Subordinated Bonds stated to mature on December 1, 2031

<u>Year</u>	<u>Principal Amount</u>
2028	\$9,625,000
2029	14,215,000
2030	14,915,000
2031*	15,665,000

\*Maturity

**Redemption Procedures**

If the 2003 Fixed Rate Bonds are to be redeemed in part, the maturities of the 2003 Fixed Rate Bonds to be redeemed shall be selected by the Commission and if less than all 2003 Fixed Rate Bonds of a maturity are to be redeemed, the 2003 Fixed Rate Bonds within a maturity shall be selected by lot by the Trustee or in such manner as the Trustee in its discretion may determine, provided, however, that the portion of any 2003 Fixed Rate Bond to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof, and that, in selecting portions of 2003 Fixed Rate Bonds for redemption, the Trustee shall treat each 2003 Fixed Rate Bond as representing that number of 2003 Fixed Rate Bonds which is obtained by dividing the principal amount thereof by \$5,000. See "DESCRIPTION OF THE 2003 FIXED RATE BONDS-Optional Redemption-Mandatory Redemption."

**Notice of Redemption**

So long as DTC or its nominee is the Bondholder, the Commission and the Trustee will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting. Conveyances of notices and other communications by DTC to direct participants and to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

The Trustee shall give notice of redemption to the Bondholder not less than thirty (30) days nor more than forty days prior to the date fixed for redemption. So long as DTC or its nominees is the Bondholder, any failure on the part of DTC, or failure on the part of a nominee of a beneficial owner (having notice from a participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption, or of any other action premised on such notice.

If the Book Entry Only System is discontinued, notice of any such redemption shall be given by first-class mail, postage prepaid, to all registered owners of 2003 Fixed Rate Bonds to be redeemed at their last address as shown on the registration books of the Commission not less than thirty (30) days nor more than forty-five (45) days prior to the date fixed for redemption. In connection with any such notice, the CUSIP numbers assigned to the 2003 Fixed Rate Bonds may be used but reliance may be placed only on the identification number thereon. Failure to mail such notice or any defect of the notice so mailed or the mailing thereof shall not affect the validity of the proceedings for such redemption.

## ESTIMATED SOURCES AND USES OF FUNDS<sup>(1)</sup>

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

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

<sup>(1)</sup>Figures Rounded.

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

## PLAN OF FINANCING

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

## SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

### Sources of Payment; Oil Franchise Tax

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

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

## **Security for the Bonds; Remedies**

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

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

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

## **Financial Guaranty Insurance**

Payment of principal of and interest on the 2003 Fixed Rate Bonds when due will be insured by two separate financial guaranty insurance policies to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 2003 Fixed Rate Bonds. One such policy shall insure payment of principal and interest when due on the 2003 Fixed Rate Senior Bonds. The Second such policy shall insure payment of principal and interest when due on the 2003 Fixed Rate Subordinated Bonds. See "FINANCIAL GUARANTY INSURANCE."

## **Flow of Funds**

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

The Indenture also creates a Senior Bonds Debt Service Fund and a Subordinated Bonds Debt Service Fund and, within such funds, Interest Accounts, Principal Accounts, and the Insured Swap Payment Account. The Commission

Allocation and any other Tax Revenues received by the Trustee, whether directly from the Commonwealth or received by the Commission and paid to the Trustee, are to be deposited into the Revenue Fund. The Indenture provides that the Trustee shall withdraw from the Revenue Fund and deposit to the applicable accounts in the debt service funds, on an equal monthly basis, such amounts as shall be sufficient to make the required semi-annual interest payments and the required annual redemption or maturity payments on the Bonds.

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

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

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

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

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

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

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

### **Subordinated Bonds Debt Service Reserve Fund**

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

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

In lieu of the deposit of money into the Subordinated Bonds Debt Service Reserve Fund, the Commission may, with the written consent of the Bond Insurer, cause to be provided a surety bond or surety bonds or an insurance policy or policies (which surety bond, the issuer hereof, and the amount thereof shall be approved in writing by the Bond Insurer) payable to the Trustee for the benefit of the holders of the Subordinated Bonds or a letter of credit in an amount equal to the difference between the Subordinated Bonds Debt Service Reserve Requirement and the amounts then on deposit in the Subordinated Bonds Debt Service Reserve Fund. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of one Business Day's notice) on any Interest Payment Date on which moneys will be required to be withdrawn from the Subordinated Bonds Debt Service Reserve Fund and applied to the payment of the principal of or interest on the Subordinated Bonds to the extent that such withdrawals cannot be made from amounts credited to the Subordinated Bonds Debt Service Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues result in such issues being rated in the highest rating category by each Rating Agency. The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category by the Rating Agency, and the letter of credit itself shall be rated in the highest category of such Rating Agency.

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

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

### **Revenue Fund Excess Balance and Oil Franchise Tax General Fund**

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

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

### **Additional Bonds**

The Indenture provides for the issuance of Additional Senior Bonds and Additional Subordinated Bonds. The Additional Bonds may be issued under and secured by the Indenture at any time or times for the purpose of paying the

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

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

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

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

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

### **Additional Bonds for Refunding Purposes**

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

### **OIL FRANCHISE TAX**

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



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

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

### **Commission Allocation**

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

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

### **Pledge and Appropriation**

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

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

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

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

The Trustee or the holders of not less than 25% of the principal amount of the Bonds then outstanding may, and the Trustee shall, upon the request of the holders of not less than 10% in principal amount of Bonds then outstanding, and

upon being indemnified to its satisfaction, institute and prosecute any appropriate action to enforce the pledge and appropriation of the Commonwealth with respect to the Oil Franchise Tax.

### **Act 3**

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

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

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

### **Liquid Fuels and Fuels as the Subjects of Oil Franchise Tax**

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

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

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

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

### **Collection and Calculation of Oil Franchise Tax**

The Commonwealth Department of Revenue (the "Department of Revenue") is charged with the enforcement of the provisions of Chapters 90 and 95 of Title 75 of the Pennsylvania Consolidated Statutes. All taxes, interest and penalties imposed by Chapter 95 of Title 75 of the Pennsylvania Consolidated Statutes are to be deposited in the Motor

License Fund and that amount resulting from the 55 mills is allocated, as described above, under the caption "OIL FRANCHISE TAX."

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

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

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**Amounts of Oil Franchise Tax Collected**

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

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

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

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

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

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

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

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

### Historical Consumption Amounts

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

#### HISTORICAL GALLONAGE CONSUMPTION FOR OIL FRANCHISE TAX GASOLINE AND DIESEL FUELS

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

Source: Pennsylvania Department of Revenue

<sup>(1)</sup> Through January 31, 2003 (Seven Months)

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

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

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

<sup>(1)</sup> Figures rounded.

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

### Estimated Debt Service Coverage

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

## HISTORICAL AND PROJECTED COVERAGE<sup>(1)</sup>

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

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

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

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

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

### Factors Affecting Use of Liquid Fuels and Fuels

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

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

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

## FINANCIAL GUARANTY INSURANCE

The following information under this heading “FINANCIAL GUARANTY INSURANCE” has been provided to the Commission by MBIA Insurance Corporation. Two separate policies shall be issued in substantially the same form. One such policy shall insure payment of principal and interest when due on the 2003 Fixed Rate Senior Bonds. The Second such policy shall insure payment of principal and interest when due on the 2003 Fixed Rate Subordinated Bonds. Reference is made to APPENDIX D for a specimen of MBIA’s policy.

### **The MBIA Insurance Corporation Policy**

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

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

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

### **MBIA**

MBIA Insurance Corporation (“MBIA” or the “Bond Insurer”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and



individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

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

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

### **MBIA Information**

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

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

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

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

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

### **Financial Strength Ratings of MBIA**

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

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

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

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

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

## THE COMMISSION

### Organization

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

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

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

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

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

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

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

## **Executive Personnel**

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

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

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

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

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

## **PENNSYLVANIA TURNPIKE SYSTEM**

### **General**

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

The Turnpike Mainline connects with the Ohio Turnpike at its western terminus and with the New Jersey Turnpike at its eastern terminus. Its total length is approximately 360 miles. The Turnpike Mainline commences on the eastern boundary of Pennsylvania at the Delaware River Bridge which connects the Pennsylvania Turnpike System to the New Jersey Turnpike. The Turnpike Mainline traverses the state in a westerly direction generally paralleling the southern border of the state immediately north of Philadelphia and south of Harrisburg to the vicinity of Somerset. West of Somerset, the highway follows a northwesterly direction to the northeast of Pittsburgh and to the Ohio state line, south of Youngstown, Ohio.

The Northeast Extension is approximately 110 miles in length and connects the Turnpike Mainline and the area north of Scranton. The Northeast Extension meets the Turnpike Mainline at a point north of Plymouth Meeting, a suburb of Philadelphia, and traverses the eastern portion of Pennsylvania in a northerly direction through Allentown and Scranton to its northern terminus where it connects with U.S. Route 6 and Interstate Route 81.

The Pennsylvania Turnpike was constructed prior to development of the National Interstate Highway System but portions have been designated as Interstate Routes. No Federal Highway Trust Fund moneys have been utilized, however, in the construction of the Turnpike Mainline, Northeast Extension, Beaver Valley Expressway or Amos K. Hutchinson Bypass section of the Turnpike. The Turnpike Mainline has been designated as Interstate Route 276 between the area where Interstate Route 95 crosses the Pennsylvania Turnpike System between Exits 351 and 358 and the Valley Forge Interchange, Exit 326. The portion of the Turnpike Mainline west of the Valley Forge Interchange to the western terminus at the Ohio State line has been designated as Interstate Route 76. In addition, the Turnpike Mainline segment

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

The Pennsylvania Turnpike System was constructed and opened to traffic in sections. The original Turnpike Mainline section between Irwin and Carlisle, Exits 67 through 266, respectively, was opened in 1940. Ten years later, in 1950, the 100-mile section between Carlisle and King of Prussia, Exits 226 through 326, was completed and opened for traffic. After 1950, construction of new sections of the Pennsylvania Turnpike System occurred at more frequent intervals with the Turnpike Mainline segment in service as of May, 1956. The initial section of the Northeast Extension between the Turnpike Mainline and the temporary interchange just south of the Lehigh Tunnel was opened in 1955. The final section, from such interchange to Scranton, was completed and opened for traffic in November, 1957.

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

## **CAPITAL IMPROVEMENT PROGRAM**

### **Authorized Projects**

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

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

### **Mon/Fayette Expressway and Southern Beltway**

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

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

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

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

#### **OTHER COMMISSION INDEBTEDNESS**

Currently approximately \$1.147 billion of Turnpike Revenue Bonds (the "Turnpike Revenue Bonds") are outstanding under the Turnpike Toll Revenue Indenture. The Turnpike Revenue Bonds are secured by tolls, receipts, revenues and other moneys from the Pennsylvania Turnpike System (collectively, the "Turnpike Revenues") separate and distinct from the security for the 2003 Fixed Rate Bonds and do not and will not have any claim on the Commission Allocation or other parts of the Trust Estate. Likewise the holders of 2003 Fixed Rate Bonds will have no claim on Turnpike Revenues.

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

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

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

DTC will act as securities depository for the 2003 Fixed Rate Bonds. The 2003 Fixed Rate Bonds will be issued only as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2003 Fixed Rate Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2003 Fixed Rate Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Fixed Rate Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transactions. Transfers of ownership interests in the 2003 Fixed Rate Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2003 Fixed Rate Bonds, except in the event that use of the book-entry system for the 2003 Fixed Rate Bonds is discontinued.

To facilitate subsequent transfers, all 2003 Fixed Rate Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2003 Fixed Rate Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Fixed Rate Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2003 Fixed Rate Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2003 Fixed Rate Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2003 Fixed Rate Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2003 Fixed Rate Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payment to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

### **FINANCIAL STATEMENTS**

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

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

### **CONTINUING DISCLOSURE**

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

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

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

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

The Commission may amend the Disclosure Agreement and waive any of the provisions thereof, but no such amendment or waiver shall be executed and effective unless (i) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the Commission or the governmental operations conducted by the Commission, (ii) the Disclosure Agreement, as modified by the amendment or waiver, would have been the written undertaking contemplated by Rule 15c2-12 at the time of original issuance of the 2003 Fixed Rate Bonds, taking into account any amendments or interpretations of Rule 15c2-12, and (iii) the amendment or waiver does not materially impair the interests of the registered owners of the 2003 Fixed Rate Bonds. Evidence of compliance with the foregoing conditions shall be satisfied by delivery of an opinion of counsel having recognized skill and experience in the issuance of municipal securities and federal securities law to the effect that the amendment or waiver satisfies the conditions set forth in the preceding sentence. Notice of any amendment or waiver shall be filed by the Commission with each Repository and the SID, if any, and shall be sent to the registered owners of the 2003 Fixed Rate Bonds.

The Disclosure Agreement will recite that it is entered into for the benefit of the registered owners from time to time of the 2003 Fixed Rate Bonds. For the purposes of the Disclosure Agreement, for so long as the 2003 Fixed Rate Bonds are registered in the name of DTC or its nominee, "registered owner" shall mean and include the holder of a book-entry credit evidencing an interest in the 2003 Fixed Rate Bonds. Holders of book-entry credits may file their names and addresses with the Commission for the purposes of receiving notices or giving direction under the Disclosure Agreement.

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

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

## **UNDERWRITING**

The 2003 Fixed Rate Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement (the "Underwriters") for whom UBS Financial Services Inc. is acting as the Representative. The Underwriters have severally agreed to purchase the 2003 Fixed Rate Bonds at an aggregate underwriting discount of \$1,941,735.95 from the initial public offering price of the 2003 Fixed Rate Bonds plus accrued interest on the 2003 Fixed Rate Bonds from August 1 to the date of delivery. The Underwriters will be obligated to purchase all of the 2003 Fixed Rate Bonds if any of such 2003 Fixed Rate Bonds are purchased. The Underwriters may offer and sell the 2003 Fixed Rate Bonds to certain dealers (including the dealers depositing such 2003 Fixed Rate Bonds into investment trusts certain of which may be sponsored or managed by one or more of the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters. The Commission has agreed to be liable to the Underwriters to the extent of all losses, claims, damages and liabilities arising out of incorrect statements or information contained in this Official Statement or material omissions therein, except for information furnished by the Underwriters, and with respect to certain other matters.

## **RELATIONSHIPS OF CERTAIN PARTIES**

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



## **RATINGS**

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

An explanation of the significance of each of such ratings may be obtained from the rating agency furnishing the same at the following addresses: Standard & Poor's Public Finance Ratings, 55 Water Street, New York, New York 10041; Moody's Investors Service, 99 Church Street, New York, NY 10007; and FitchRatings, One State Street Plaza, New York, NY 10004. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies, or any of them, if, in their or its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the 2003 Fixed Rate Bonds.

## **LITIGATION**

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

## **LEGAL MATTERS**

Certain legal matters will be passed upon by Cohen & Grigsby, P.C., Pittsburgh, Pennsylvania, Bond Counsel. A copy of the form of opinion of Bond Counsel which will be printed on the 2003 Fixed Rate Bonds is set forth in Appendix C. Certain other legal matters will be passed upon for the Underwriters by their counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania, for the Commission by its Chief Counsel, William A. Chesnutt, and for the Bond Insurer by its counsel, Kutak Rock LLP, Irvine, California.

## **TRUSTEE**

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

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

## FINANCIAL ADVISORS

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

## TAX EXEMPTION AND OTHER TAX MATTERS

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

### Federal Tax Exemption

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

### Original Issue Discount

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of any 2003 Fixed Rate Bond sold at an original issue discount (an "OID Bond"), to the extent properly allocable to each owner of such OID Bond, is excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price or principal due at maturity of such OID Bond over its initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such OID Bonds was sold.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of an OID Bond during any accrual period generally equals (i) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such OID

Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes and will increase the owner's tax basis in such OID Bond. Purchasers of any 2003 Fixed Rate Bond at an original issue discount should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such 2003 Fixed Rate Bonds.

### **Original Issue Premium**

An amount equal to the excess of the purchase price of a 2003 Fixed Rate Bond over its stated redemption price or principal due at maturity constitutes a premium on such 2003 Fixed Rate Bond. Those maturities of 2003 Fixed Rate Bonds sold at such a premium are referred to herein as "OIP Bond." A purchaser of an OIP Bond must amortize any premium over such OIP Bond's term using constant yield principles, based on the OIP Bond's yield to maturity. As premium is amortized, the purchaser's basis in such OIP Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such OIP Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any bond at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such 2003 Fixed Rate Bonds.

### **Pennsylvania Tax Exemption**

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

### **Other Tax Matters**

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

## **LEGALITY FOR INVESTMENT**

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

## MISCELLANEOUS

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

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

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

## PENNSYLVANIA TURNPIKE COMMISSION

By: /s/ Mitchell Rubin  
Chairman

**APPENDIX A**  
**SELECTED DATA**  
**ON THE COMMONWEALTH OF PENNSYLVANIA**

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**APPENDIX A**  
**SELECTED DATA**  
**ON THE COMMONWEALTH OF PENNSYLVANIA**

**General**

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

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

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

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

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

**Population**

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

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

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

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



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

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

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

**Employment**

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

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

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

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

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

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

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

(a) Wholesale and retail trade.

(b) Finance, insurance and real estate.

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

(d) Discrepancies occur due to rounding.

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

Source: US Bureau of Labor Statistics

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

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

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

(a) Wholesale and retail trade.

(b) Finance, insurance and real estate.

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

(d) Discrepancies occur due to rounding.

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

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

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

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

(a) Discrepancies occur due to rounding

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

### Unemployment

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

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

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

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

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

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

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

Source: Pennsylvania Department of Labor, Office of Employment Security

**Personal Income**

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

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

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

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

(b) Sum of States.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Market and Assessed Valuation of Real Property**

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

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



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

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

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

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**APPENDIX B**

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

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

**DEFINITIONS OF CERTAIN TERMS**

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

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

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

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

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

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

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

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

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

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

"Bond Insurer" shall mean, as to any Series of Bonds, the bond insurer undertaking to insure such Bonds, the Bond Insurer for the Series 2003 Bonds is MBIA Insurance Corporation.

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

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

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

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

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

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

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

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

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

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

"Credit Facility" shall mean any letter of credit, line of credit, standby letter of credit, indemnity or surety or municipal bond insurance policy or agreement to purchase a debt obligation or any similar extension of credit, credit enhancement or liquidity support obtained by the Commission from a financial or insurance institution, to provide for or to secure payment of principal and/or purchase price of and/or interest on Bonds pursuant to the provisions of a Supplemental Indenture under which such Bonds are issued.

"Defeasance Securities" shall mean:

1. Cash,

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

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

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

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

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

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

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

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

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

"Indenture" shall mean the Original Indenture as amended and supplemented by the First Supplemental Indenture.

"Initial Series" shall mean the Series 2003 Bonds.

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**"Series 2003 Rebate Fund"** shall mean the fund so established pursuant to Section 3.11 of this First Supplemental Indenture.

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

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

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

**"State"** means the Commonwealth of Pennsylvania.

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

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

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

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

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

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

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

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

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

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

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

## THE ORIGINAL INDENTURE AS AMENDED BY THE FIRST SUPPLEMENTAL INDENTURE

The 2003 Bonds will be issued under the First Supplemental Indenture. The following summarizes certain provisions of the First Supplemental Indenture and the Original Indenture but is not to be regarded as a full statement thereof and reference should be made to the First Supplemental Indenture and the Original Indenture themselves for all of the terms and provisions thereof.

### *Grant of Security Interest*

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

### *Limitations on Issuance of Indebtedness.*

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

### *Issuance of Additional Bonds.*

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

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

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

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

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

Such Additional Bonds shall not be authenticated by the Authenticating Agent nor delivered by the Trustee, unless there shall be filed with the Trustee the documents required by the Indenture for issuance of Additional Bonds generally and unless there shall be filed with the Trustee a Treasurer's Certificate demonstrating and

concluding that the Historic Tax Revenues were not less than 200% of the Maximum Principal and Interest Requirements on account of all Senior Bonds to be outstanding under the Original Indenture after the issuance of proposed Additional Senior Bonds and not less than 115% of the Maximum Principal and Interest Requirements on account of all Bonds to be outstanding under the Indenture after the issuance of Additional Subordinated Bonds.

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

With respect to any Additional Bonds, and in the event that there has been or is pending a substitution and/or replacement of Tax Receipts by the Commission, there shall be filed with the Trustee a confirmation from the Rating Agency that the rating on the Series 2003 Bonds and the Series 1998 Bonds will not be lower than the rating on such Series 2003 Bonds and Series 1998 Bonds, respectively, then in effect immediately prior to the issuance of such Additional Bonds.

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

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

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

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

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



### ***Subordinated Indebtedness***

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

### ***Clearing Fund***

The Original Indenture creates a special fund called the "Clearing Fund," which shall be held in trust by the Trustee until applied as hereinafter provided. There shall be deposited in the Clearing Fund all of the net proceeds of the sale of the 2003 Bonds, including accrued interest payable thereon, and the net proceeds of any other Bonds to the extent provided in any Supplemental Indenture. The amounts so deposited in the Clearing Fund shall be disbursed or transferred by the Trustee upon the furnishing of an order of the Chairman of the Commission as is provided by the Indenture. Upon the sooner of such payments and transfers finally being accomplished and that date six (6) months after the date of issuance of the 2003 Bonds (or such other date established in a Supplemental Indenture), any remaining balance shall be transferred to the Construction Fund.

### ***Construction Fund***

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

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

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

### ***Revenue Fund***

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

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

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

### ***Senior Bonds Debt Service Fund***

The Original Indenture creates a special fund called the "Senior Bonds Debt Service Fund" which shall be held in trust by the Trustee until applied as provided in the Indenture. The Indenture also creates two separate

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

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

- (1) On or before the last Business Day of each calendar month, an amount which equals the amount necessary to pay, and for the purpose of paying, (i) one-sixth ( $1/6$ ) of the interest due on the Senior Bonds on the next succeeding Interest Payment Date (or, in the case of the period from the date of issuance of the any Senior Bonds to the first Interest Payment Date for the applicable Senior Bond, a monthly amount equal to the product of the interest amount owed on such first Interest Payment Date divided by the number of months from the date of issuance of such Senior Bond to such first Interest Payment Date), which amount shall be deposited in the Interest Account and (ii) any amount due to the Series 2003 Bond Insurer with respect thereto under the terms of the Insurance Agreement which amounts shall be paid by the Trustee on behalf of the Commission in accordance with the Insurance Agreement.
- (2) On or before the last Business Day of each calendar month, an amount which equals one-twelfth ( $1/12$ ) of the amount necessary to pay (or, in the case of the period from the date of issuance of the any Senior Bonds to the first date on which principal is due on such Senior Bonds, a monthly amount equal to the product of the principal amount owed on such first principal maturity date divided by the number of months from the date of issuance of such Senior Bond to such first principal maturity date), and for the purpose of paying, the principal amount of any Senior Bonds maturing on the next succeeding maturity date occurring on or before the second Interest Payment Date following such deposit, which amount shall be deposited in the Principal Account; provided, however, that no deposit shall be made pursuant to this clause (2) on any date which would duplicate deposits are required to be made to the Senior Bonds Sinking Fund pursuant to Section 504 hereof and any Supplemental Indenture relating to Additional Senior Bonds.
- (3) On the day due pursuant to a Parity Swap Agreement, an amount necessary to pay the Insured Swap Payment, which amount shall be deposited in the Insured Swap Payment Account of the Senior Bonds Debt Service Fund.
- (4) On the dates specified in any Supplemental Indenture relating to Additional Senior Bonds, the amounts required to be deposited on said dates to the credit of the Interest Account or Principal Account pursuant to the provisions of such Supplemental Indenture for the purpose of paying the interest and the principal of such Additional Senior Bonds.

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

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

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

If at the time the Trustee is to make a withdrawal from the Senior Bonds Debt Service Fund the moneys therein shall not be sufficient for such purpose, the Trustee shall withdraw the amount of such deficiency from the moneys to the credit of the following funds or accounts in the following order: the Oil Franchise Tax General Fund and the Senior Bonds Sinking Fund.

### ***Senior Bonds Sinking Fund***

The Indenture creates a special fund called the "Senior Bonds Sinking Fund" which shall be held in trust by the Trustee until applied as directed in the Original Indenture. Contemporaneously with, and on the same order of priority as, making deposits provided for in Section 503 of the Original Indenture, and while any Senior Bonds are outstanding, the Trustee shall transfer on or before the last Business Day of each calendar month from the Revenue Fund to the Senior Bonds Sinking Fund one-twelfth of the principal amount required on the next succeeding mandatory redemption date as specified in the Senior Bonds occurring on or before the second Interest Payment Date following such deposit (or such lesser amount which, when added to the principal amount of Senior Bonds purchased by the Trustee during the Fiscal Year pursuant to the second succeeding paragraph, shall equal the above amount); and provided that if any Senior Bond which is subject to mandatory redemption is at any time redeemed pursuant to an Optional Redemption, as described in the Senior Bonds, the principal amount of Senior Bonds of each maturity so redeemed may be applied as a credit against the principal amount of Senior Bonds of such maturity which is subject to mandatory redemption at such time as the Commission shall direct.

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

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

### ***Subordinated Bonds Debt Service Fund***

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

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

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

(2) On or before the last Business Day of each calendar month an amount which equals one-twelfth (1/12) of the amount necessary to pay, and for the purpose of paying, the principal amount of any Subordinated Bonds maturing on the next succeeding maturity date (or, in the case of the period from the date of issuance of the any Subordinated Bonds to the first maturity date for the applicable Subordinated Bond, a monthly amount equal to the product of the principal amount owed on such first maturity date divided by the number of months from the date of issuance of such Subordinated Bond to such first maturity date), including any amounts due the Series 2003 Bond Insurer with respect thereto under the terms of the Insurance Agreement, which amount shall be deposited in the Principal Account; provided, however, that no deposit shall be made pursuant to this clause (2) on any date on which deposits are required to be made to the Subordinated Bonds; and

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

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

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

If at the time the Trustee is to make a withdrawal from the Subordinated Bonds Debt Service Fund the moneys therein shall not be sufficient for such purpose, the Trustee shall withdraw the amount of such deficiency from the moneys to the credit of the following funds or accounts in the following order: the Subordinated Bonds Debt Service Reserve Fund, the Oil Franchise Tax General Fund and the Subordinated Bonds Sinking Fund.

### ***Subordinated Bonds Sinking Fund***

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

to mandatory redemption is at any time redeemed pursuant to an Optional Redemption, as described in the Subordinated Bonds, the principal amount of Subordinated Bonds of each maturity so redeemed may be applied as a credit against the principal amount of Subordinated Bonds of such maturity which is subject to mandatory redemption at such time as the Commission shall direct.

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

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

#### ***Subordinated Bonds Debt Service Reserve Fund***

The Original Indenture creates a special fund called the "Subordinated Bonds Debt Service Reserve Fund" which is a common debt service reserve fund for all Subordinated Bonds under the Original Indenture. In each Fiscal Year, after first having made the deposits into the Subordinated Bonds Debt Service Fund and the Subordinated Bonds Sinking Fund described above and while any Subordinated Bonds are outstanding, the Trustee shall transfer from the Revenue Fund on or before the Business Day immediately preceding an Interest Payment Date to the credit of the Subordinated Bonds Debt Service Reserve Fund out of the balance, if any, remaining in the Revenue Fund, the amount, if any, required to make the funds deposited in the Subordinated Bonds Debt Service Reserve Fund equal the Subordinated Bonds Debt Service Reserve Requirement. The Trustee shall also transfer the amount set forth in any Supplemental Indenture under which Subordinated Bonds are issued.

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

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

Subordinated Bonds Debt Service Reserve Fund, funds pursuant to the operation of the first paragraph of this Section in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as shall provide that the amount credited to the Subordinated Debt Service Reserve Fund equals the Subordinated Bonds Debt Service Reserve Requirement.

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

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

#### ***Oil Franchise Tax General Fund***

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

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

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

### ***Series 2003 Rebate Fund***

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

### ***Depositaries of Moneys, Security for Deposits and Investments of Moneys***

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

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

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

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

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

### ***Covenants as to Tax Revenues***

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

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

### ***Other Covenants of Commission***

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

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

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

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

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

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

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

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

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

### ***Financial Statements; Available Information***

The Commission also covenants in the Indenture, in each Fiscal Year, to cause an annual audit to be made of its books and account by an independent certified public accountant of recognized by and standing. Promptly thereafter, reports of such audit shall be filed with the Commission and the Trustee, and copies of such reports shall



be mailed by the Commission to all Bondholders who shall have filed their names and addresses with the Secretary and Treasurer of the Commission for such purpose. Each annual audit report shall set forth in respect of the preceding twelve-month period the findings of such certified public accountants whether Tax Revenues under the Provision for the Indenture have been applied in accordance with the provisions of the Indenture. Such audit reports shall be open to the inspection of the Bondholders and their agents and representatives.

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

### ***Events of Default***

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

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

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

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

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

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

### ***Remedies***

Upon the happening and continuance of any event of default specified in (a) above with respect to the Senior Bonds, then and in every such case the Trustee may, and upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Senior Bonds then Outstanding shall, by a notice in writing to the Commission, declare the principal of all of the Bonds then outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Senior Bonds or in the Original Indenture to the contrary notwithstanding; provided, however, that if at any time after the principal of the Senior Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, moneys shall have accumulated in the Senior Bonds Sinking Fund sufficient to pay the principal of all matured Senior Bonds and all arrears of interest, if any, upon all the Senior Bonds then outstanding (except the principal of any Senior Bonds not then due by their terms and the interest accrued on such Senior Bonds since the last interest payment date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee, and all other amounts then payable by the Commission hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the appropriate trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Senior Bonds or in the Original Indenture (other than a default in the payment of the principal of such Senior Bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of this Trustee, then and in every such case the Trustee may, and upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Senior Bonds not then due by their terms and then outstanding shall, by written notice to the Commission, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon; and provided, further, that notwithstanding anything contained in the Original Indenture to the contrary.

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

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

### ***Application of Funds: Senior Bonds***

If at any time the moneys in the Senior Bonds Debt Service Fund or the Senior Bonds Sinking Fund shall not be sufficient to pay the principal of or the interest on the Senior Bonds or an Insured Swap Payment as the same become due and payable (either by their terms or by acceleration of maturities under the Original Indenture), such moneys, together with any moneys then in the Subordinated Bonds Debt Service Fund and Subordinated Bonds Sinking Fund and any other moneys then available or thereafter becoming available for such purpose, whether

through the exercise of the remedies provided for in the Indenture or otherwise, shall be applied as follows, subject to the payment of fees and other amounts owing to the Trustee pursuant to the Indenture:

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

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

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

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

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

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

#### ***Application of Funds: Subordinated Bonds***

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

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

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

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

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

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

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

### ***Bondholders' Right to Direct Proceedings***

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

No holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Original Indenture or for any other remedy thereunder unless such holder previously shall have given to the Trustee written notice of the event of default on account of which such suit,

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

### ***Notice of Default***

The Trustee shall mail to the registered owners of the Bonds then outstanding at their addresses as they appear on the registration books, written notice of the occurrence of any event of default set forth in clause (a) above under "Events of Default" within thirty (30) days after any such event of default shall have occurred. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice of default required by the Original Indenture.

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

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

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

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

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

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

#### ***Supplemental Indentures Without Consent of Bondholders***

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

- (a) to cure any ambiguity or formal defect or omission in the Original Indenture or in any Supplemental Indenture, including without limitation defects which would, if not cured, cause the interest on any series of Bonds to be included in gross income for federal income tax purposes when such interest is not to be so includable,
- (b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee,
- (c) to issue Additional Bonds pursuant to the Original Indenture,
- (d) to obtain, maintain or upgrade the then-current rating of the Bonds or to obtain a Credit Facility; provided, however, no amendment with respect to obtaining a Credit Facility shall grant to the provider of the Credit Facility a lien with respect to the Trust Estate superior to that of any Bondholder,
- (e) to create a common Subordinated Bonds Debt Service Reserve Fund for all Subordinated Bonds, provided that each entity which has issued a letter of credit, surety bond or bond insurance policy as to any Subordinated Bonds for all or a portion of the Subordinated Bonds Debt Service Reserve Fund shall have consented thereto, or
- (f) to make any other amendment which does not materially adversely affect the rights of the Trustee or of the Bondholders.

#### ***Supplemental Indentures With Consent of Bondholders***

Subject to the terms and provisions contained in the Original Indenture, including the rights of the Bond Insurer, and not otherwise, the holders of not less than a majority (more than fifty percent (50%)) in aggregate principal amount of the Senior Bonds then outstanding and the holders of not less than a majority in aggregate principal amount of the Subordinated Bonds then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Commission and the Trustee of such indenture or indentures supplemental to the Original Indenture as shall be deemed necessary or desirable by the Commission for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Original Indenture or in any Supplemental Indenture; provided, however, that nothing in the Indenture contained shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on any Bond issued thereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or (except as to Additional Bonds to the extent provided in the Original Indenture) on a parity with the lien or pledge created by the Original Indenture, or (d) a preference or priority of any Senior Bond or Senior Bonds over any other Senior Bond or Subordinated Bonds or any Subordinated Bond or Bonds over any other Subordinated Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture. Nothing contained in the

Original Indenture, however, shall be construed as making necessary the approval by Bondholders of the execution of any Supplemental Indenture or agreement described above under "Supplemental Indentures Without Consent of Bondholders."

### ***Defeasance***

If, when the Bonds shall have become due and payable in accordance with their terms or otherwise as provided in the Original Indenture or shall have been duly called for redemption or irrevocable instructions to call the Bonds for redemption shall have been given by the Commission to the Trustee, the whole amount of the principal and interest and the premium, if any, so due and payable upon all of the Bonds then outstanding shall be paid or there shall have been deposited with the Trustee or the Paying Agent an amount, evidenced by moneys or Defeasance Securities, certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed, except as hereinafter provided), to be sufficient for the payment, at their maturities or redemption dates, of all principal, premium, if any, and interest on the Bonds to the date of maturity or redemption, as the case may be, and provision shall also be made for paying all other sums payable under the Original Indenture hereunder by the Commission, then and in that case the right, title and interest of the Trustee shall thereupon cease, determine and become void, and the Trustee in such case, on demand of the Commission, and upon receipt of an Opinion of Counsel stating in substance that all conditions precedent provided for in the Original Indenture relating to defeasance have been satisfied, shall release the Original Indenture and shall execute such documents to evidence such release as may be reasonably required by the Commission, and shall turn over to the Commission or to such officer, board or body as may then be entitled by law to receive the same any surplus in any funds or accounts other than moneys held in the Rebate Fund or for redemption or payment of Bonds.

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

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

### ***Subordination.***

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

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

immediately after giving effect thereto, there shall exist a default in the payment of principal of, and premium, if any, or interest on any Senior Bonds.

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

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

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

#### ***Series 2003 Bond Insurer as Owner***

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

#### ***Amendments to Original Indenture***

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

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

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

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

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

In the event and to the extent that amounts payable to the Commission under such a contract are secured by the Tax Revenue on parity with the Bonds to which such contract relates, as provided for in the preceding paragraphs, the Commission shall pay to the Trustee for deposit into the Debt Service Fund Account relating to such



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

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

SECTION 913 is hereby amended in its entirety as follows:

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

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

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

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

5. Miscellaneous Amendments.

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

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**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

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[Form of Opinion of Bond Counsel]

August 14, 2003

To the Purchasers of  
the Below-Referenced Bonds:

Re: \$124,730,000 Pennsylvania Turnpike Commission Oil Franchise Tax Senior Revenue Bonds, Series A of 2003 and \$197,955,000 Oil Franchise Tax Subordinated Revenue Bonds, Series B of 2003

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance by the Pennsylvania Turnpike Commission (the "Commission") of its Oil Franchise Tax Senior Revenue Bonds, Series A of 2003, in the aggregate principal amount of \$124,730,000 (the "Senior Bonds") and its Oil Franchise Tax Subordinated Revenue Bonds, Series B of 2003, in the aggregate principal amount of \$197,955,000 (the "Subordinated Bonds" and, together with the Senior Bonds, the "Bonds") pursuant to a resolution adopted by the Commission on July 15, 2003 (the "Resolution") and pursuant to and secured by a First Supplemental Trust Indenture dated as of August 1, 2003 (the "First Supplemental Indenture"), amending and supplementing the Trust Indenture dated as of August 1, 1998 (the "Original Indenture" and, together with the First Supplemental Indenture, the "Indenture"), from the Commission to National City Bank of Pennsylvania (the "Trustee").

The Bonds are issued under and secured by the Indenture for the purpose of providing funds to pay, together with other available funds, the costs of a project consisting of providing funds: (a) to finance a portion of the costs of the turnpike extension and improvement projects designated in Act 61 (hereinafter defined); (b) to fund a Debt Service Reserve Fund; and (c) to pay the costs of issuance of the Bonds (the "Project"). Pursuant to the Indenture, the Bonds are limited obligations of the Commission, payable solely from the revenues received by the Commission pursuant to the Commission Allocation (hereinafter defined), certain funds held by the Trustee under the Indenture and any other funds, if any, of the Commission hereinafter specifically pledged to pay the principal of and interest on the Bonds.

The Commission was created under and by authority of the Act of the General Assembly of Pennsylvania approved May 21, 1937, P.L. 774 No. 211, as amended and supplemented by several Acts of the General Assembly, including, inter alia, the Act of May 24, 1945, P.L. 972; the Act of February 26, 1947, P.L. 17; the Act of May 23, 1951, P.L. 335; the Act of August 14, 1951, P.L. 1232; the Act of September 30, 1985, P.L. 240, No. 61; the Act of August 5, 1991, P.L. 238; the Act of April 15, 1992, P.L. 169; and the Act of November 24, 1992, P.L. 725. All such acts are sometimes hereafter referred to as the "Enabling Acts". Such Enabling Acts constitute the Commission as an instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth"). The General Assembly of the Commonwealth, by Act of August 5, 1991, P.L. 238, Act of April 16, 1992, P.L. 169, Act of July 2, 1993, P.L. 58 and Act of February 14, 1994, No. 3 (collectively the "Oil Franchise Tax Act"), has imposed an additional 55 mills to the "oil company franchise tax for highway construction" and directed that 14% of such additional

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55 mills (the "Commission Allocation") be distributed for toll roads designated pursuant to the Act of September 30, 1985, P.L. 240, No. 61 (such act, as amended, is hereinafter referred to as "Act 61"). Under the Oil Franchise Tax Act, the oil company franchise taxes are collected by the Commonwealth Department of Revenue and deposited into the Motor License Fund of the Commonwealth held by the Department of Transportation. The Oil Franchise Tax Act provides that the Commission Allocation "is hereby appropriated monthly" to the Commission. The Oil Franchise Tax Act also provides that the Commonwealth pledges and agrees with any purchaser of the bonds to be issued by the Commission and secured by oil and franchise tax revenues that the "Commonwealth will not limit or alter the rights vested in the Pennsylvania Turnpike Commission to the appropriation and distribution of such tax revenues."

In our capacity as Bond Counsel, we have examined the Constitution and such statutes of the Commonwealth and such resolutions of the Commission and proceedings related thereto as we have deemed necessary to enable us to render the opinion set forth below. We also have examined and relied upon the proceedings authorizing the issuance of the Bonds and certain certifications and agreements (including a Tax Regulatory Agreement intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations (the "Code")), affidavits, receipts and other documents, including the Indenture and specimen Bond, which we have considered relevant. We also have relied on a certificate of the Trustee as to its authentication of the Bonds.

In rendering the opinions set forth below, we have relied upon the genuineness, authenticity, truthfulness and completeness of all documents, records and other instruments which we have examined, other than those documents prepared by us. We have not undertaken to verify the factual matters set forth therein by independent investigation. Except as set forth in paragraph 8 below, our opinion is given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof.

As to questions of fact material to our opinions, we have relied upon the representations of the Commission contained in the proceedings relating to the issuance of the Bonds and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion herein related thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon the foregoing, we are of the opinion, as of the date hereof, under existing law and subject to the qualifications hereinafter set forth, that:

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1. The Commission is a validly existing instrumentality of the Commonwealth with full power and authority to undertake the Project, to execute and deliver the First Supplemental Indenture, to issue the Bonds, to pledge the Commission Allocation to secure and to pay the principal of and interest on the Bonds and to use the proceeds of the Bonds to finance the Project.

2. The Commission has duly adopted the Resolution authorizing, among other things, the execution and delivery of the First Supplemental Indenture.

3. The First Supplemental Indenture has been duly authorized, executed and delivered by the Commission and the obligations of the Commission thereunder constitute legal, valid and binding obligations, enforceable in accordance with their terms.

4. The Bonds have been duly authorized, executed, issued and delivered by the Commission and are the legal, valid and binding limited obligations of the Commission, enforceable in accordance with their terms.

5. The Bonds are secured by the Indenture on an equal and ratable basis with all other parity bonds issued or to be issued under the Indenture and any indenture supplemental thereto, and the Indenture creates a valid pledge of, and a valid and binding security interest in, the Tax Revenues (as defined in the Indenture).

6. Pursuant to the Oil Franchise Tax Act, the Commission Allocation has been appropriated monthly by the Commonwealth. The payment of the Commission Allocation by the Commonwealth does not require further legislative appropriation or approval.

7. Under existing law, the Bonds are exempt from personal property taxes in Pennsylvania, and interest thereon is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

8. The interest on the Bonds is excluded from the gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. For the purpose of rendering the opinion set forth in this paragraph, we have assumed compliance by the Commission with the requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Commission has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the

August 14, 2003

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date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Our opinions as to the validity, binding effect and enforceability of the Indenture and the Bonds are subject to the effect of any applicable bankruptcy, fraudulent conveyance or transfer, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity, at law, or in bankruptcy).

We have not undertaken and will not undertake any responsibility to supplement or update our opinions to consider or inform any person of events or actions occurring or taken (or not occurring or not taken) subsequent to the date hereof, including, but not limited to those which may affect the tax status of interest on the Bonds.

Very truly yours,

COHEN & GRIGSBY, P.C.



**APPENDIX D**

**FORM OF FINANCIAL GUARANTY INSURANCE POLICY**

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# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH], [YEAR].

MBIA Insurance Corporation

**SPECIMEN**

Attest:

Assistant Secretary

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