



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA TURNPIKE COMMISSION
HARRISBURG PA 17106-7676

JOSEPH G. BRIMMEIER
CHIEF EXECUTIVE OFFICER

May 28, 2008

The Honorable Joseph F. Markosek
House of Representatives
314 Irvis Office Building
P.O. Box 202025
Harrisburg, PA 17120-2025

The Honorable Richard A. Geist
House of Representatives
147 Main Capitol
Harrisburg, PA 17120

The Honorable Roger A. Madigan
Senate of Pennsylvania
286 Main Capitol Building
Harrisburg, PA 17120-3023

The Honorable J. Barry Stout
Senate of Pennsylvania
10 East Wing, Main Capitol Building
Harrisburg, PA 17120

RE: Third Quarterly Report

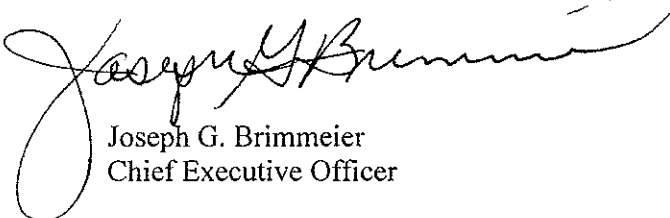
Dear Gentlemen:

Attached please find the Third Quarterly Report with respect to the conversion of Interstate 80 to a toll facility, as required by Act 44 of 2007.

Your leadership was a key element in the creation of the public-public partnership formed between the Turnpike and PennDOT. This union will produce over the next 50 years an average of \$1.66 billion annually from Interstate 80 and the existing Turnpike system for roads, bridges and transit throughout the Commonwealth. It is our legal obligation and our public responsibility to report to you on our progress in implementing Act 44 and the Lease and Funding Agreement with PennDOT. This Third Quarterly Report is an important milestone in our ongoing commitment to keep the General Assembly informed.

Thank you for your continuing interest in this initiative.

Sincerely,



Joseph G. Brimmeier
Chief Executive Officer

**Third Quarterly Report
To Transportation Committee Co-Chairs**

April 30, 2008



Table of Contents

	Page
1. Payments in Fiscal Years 2008 and 2009	1
2. Application to FHWA to Convert Interstate 80 to a Toll Road.....	1
3. Engineering, Traffic and Economic Impact Studies.....	2
4. Turnpike Subordinate Revenue Bond Issue	2
5. Governor's Request for Qualifications to Lease the Turnpike	2
6. Pertinent State Legislation.....	3
7. Pennsylvania House of Representatives Appropriations Committee Hearing	3
8. Information on Commission Website.....	3
Exhibit A – Cover Page of Official Statement dated April 18, 2008	A-1

**Third Quarterly Report to Transportation Committee Co-Chairs
April 30, 2008**

In accordance with our ongoing statutory obligation to file quarterly reports and periodic updates regarding the conversion of Interstate 80, we provide the third of those quarterly reports.

1. Payments in Fiscal Years 2008 and 2009

As of April 30, 2008, the Commission has paid to PennDOT \$750 million for Fiscal Year 2008. In Fiscal Year 2009, a payment of \$212.5 million is due on the last business day of July 2008, October 2008, January 2009 and April 2009. All such payments are provided solely from tolls collected on the existing Turnpike system, and debt primarily secured by such tolls.

2. Application to FHWA to Convert Interstate 80 to a Toll Road

On August 17, 2007, the Commission, in cooperation with PennDOT, submitted a Preliminary Expression of Interest to the Federal Highway Administration ("FHWA"), describing the purpose and proposed structure of the conversion of Interstate 80 to a toll road, and subsequently met with FHWA on August 29, 2007. The FHWA responded to the Expression of Interest on September 26, 2007, advising that the Interstate System Reconstruction and Rehabilitation Pilot Program (the "Pilot Program") is the federal tolling initiative that would best meet the goals of the proposal. On October 13, 2007, the formal Phase I Application was submitted to FHWA to toll Interstate 80 under the Pilot Program. Subsequently, on October 16, 2007 Governor Rendell sent a letter to USDOT Secretary Mary Peters in support of the application.

Only one of the three pilot program slots is currently available. However, on January 17, 2008, the Virginia Department of Transportation, which had received Phase I approval from FHWA for one of the three Interstate reconstruction Pilot Program slots, announced it had terminated negotiations with Kellogg Brown and Root for improvements along Interstate 81. Such improvements are required under its Pilot Program application to FHWA.

On December 12, 2007, the Commission and PennDOT received a memorandum from the FHWA requesting additional information with respect to the application. Among FHWA's requests are a clearer identification of the rehabilitation, reconstruction and improvement projects currently being planned for Interstate 80 by the Commission after the Conversion Date, and further information on the plan of finance for meeting the operating and capital requirements of Interstate 80.

Turnpike Chief Executive Officer Brimmeier and PennDOT Secretary Biehler confirmed their intent to respond to FHWA questions and continue seeking Federal approval to toll I-80 by letter dated December 20, 2007.

The Commission and PennDOT are developing an amended application for submission to FHWA which responds to the various issues raised by FHWA. Those responsible for amending the application have met with FHWA representatives and discussed the additional information to be included in the amended application. The amended application will describe in greater detail

the robust capital improvement plan providing for the complete reconstruction and rehabilitation of Interstate 80 over the term of the Lease.

3. Engineering, Traffic and Economic Impact Studies

The Commission and its consulting engineers have undertaken a thorough analysis of the full 311-mile length of Interstate 80 to identify the reconstruction and rehabilitation needs of the highway. More than 50% of the pavement is over 35 years of age, and, as described above, the Commission has developed a program to rebuild I-80 from the ground up over the term of the Lease. Engineers have assessed the number and location of bridges with substandard overhead clearance, structurally deficient bridges, weak link bridges, and fracture critical bridges. From a roadway standpoint, all interchanges have been evaluated to determine which, if any, elements of each interchange are deficient. Traffic and revenue studies have been underway since last autumn, focusing on identifying potential tolling locations and possible diversion issues. The initial phase of work is expected to be completed in the coming months so that discussions on the benefits and impacts of various tolling scenarios can be discussed and evaluated. The traffic studies will assist the Commission in recommending the type of toll collection system to be used, as well as potential locations for up to ten toll collection areas.

The Commission has assembled a team to study the economic conditions along the I-80 corridor and to assess the economic impact of Act 44 on the corridor, including the tolling of I-80. The team will also identify reasonable mitigation strategies to help alleviate certain adverse economic impacts. Preliminary study findings are expected later this summer.

4. Turnpike Subordinate Revenue Bond Issue

On April 29, 2008, the Commission issued \$244,855,000 of Turnpike Subordinate Revenue Bonds, Series 2008A (the "Bonds") maturing June 1, 2009 through June 1, 2038 under a Subordinate Trust Indenture dated as of April 1, 2008. Of the Bonds, \$176,565,000 are tax-exempt, and \$68,290,000 are taxable.

The proceeds of the Bonds were used to provide funds to (a) make a payment to PennDOT in accordance with Act 44 and pursuant to the Lease to fund certain grants to mass transit agencies and various road, highway, bridge and capital projects of PennDOT, (b) fund a deposit to a Debt Service Reserve Fund, (c) pay the premium for a financial guaranty insurance policy, and (d) pay the costs of issuance of the Bonds.

The Bonds, along with additional Subordinate Indenture Bonds of the same class, and certain other Parity Obligations, are equally and ratably secured primarily by Commission Payments from amounts released from the General Reserve Fund under the Commission's Senior Indenture after payment of all Senior Indenture Obligations thereunder. Capitalized terms used in this section and not defined herein have the meaning set forth in the Official Statement dated April 18, 2008, the cover page of which is attached hereto as Exhibit A.

5. Governor's Request for Qualifications to Lease the Turnpike

In early September 2007, Governor Rendell and PennDOT announced a Request for Qualifications from firms interested in leasing the Mainline of the Pennsylvania Turnpike and

the Northeast Extension. Responses were received from 14 firms. Such a proposed lease of the Turnpike would require a change in law, and may involve the repeal of all or part of Act 44. It is not clear at this time whether such a change in law will occur.

A proposed lease of the Turnpike would require repaying all of the outstanding toll-backed debt of the Turnpike system and unwinding related interest rate swaps (anticipated to be approximately \$3.0 billion as of June 1, 2008). In addition, a proposed lease of the Turnpike may affect existing unionized employees of the Commission and their pensions as well as other post-employment benefits or OPEBs to which they are entitled (estimated at \$168 million, based on an actuarial valuation as of February 28, 2006). Finally, it is unclear to what extent a private concessionaire would execute the Commission's urgently-needed \$4.8 billion capital program.

On April 16, 2008, Governor Rendell's office released a document entitled "Proposed Lease of the Pennsylvania Turnpike – Terms and Conditions" (the "Lease Proposal"). The Lease Proposal provides a brief overview of certain of the proposed terms of a 75-year concession lease of the Mainline and the Northeast Extension sections of the Turnpike, and a description of the process for receipt of bids. Binding bids were stated to be due on or about the end of April and will remain valid pending legislative approval until June 10 or such later date as mutually agreed to by the Commonwealth and the winning bidder. The Lease Proposal provides that legislation authorizing bid acceptance and a final concession agreement will be presented to the legislature with the announcement of the winning bid. On April 30, 2008, the Governor's office announced that the deadline for the receipt of bids had been postponed. At this point, it is uncertain whether a bid will prove acceptable to the General Assembly, which must approve any transaction.

6. Pertinent State Legislation

Subsequent to Act 44 being signed into law on July 18, 2007, there have been various amendments proposed by members of the General Assembly that would amend or repeal Act 44, or put new restrictions on the operations of the Commission. At this time, none have been reported out of committee for a vote.

7. Pennsylvania House of Representatives Appropriations Committee Hearing

On March 3, 2008, at the request of the Pennsylvania House of Representatives Appropriations Committee, Commission Vice Chairman Timothy J. Carson, Commissioner J. William Lincoln, Chief Executive Officer Joseph G. Brimmeier and Chief Engineer Frank Kempf appeared before the House Appropriations Committee during budget hearings. The Commission representatives provided a status report on the FHWA application for the tolling of I-80, and responded to inquiries on a variety of additional matters.

8. Information on Commission Website

The Commission has created a website to provide easy public access to important documents related to the implementation of Act 44 and the tolling of Interstate 80. The website can be found at www.paturnpike.com/I80.

Exhibit A

Cover Page of Official Statement dated April 18, 2008

In the opinion of Bond Counsel, interest on the 2008A-1 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the conditions described in "TAX MATTERS." Interest on the 2008A-1 Bonds will not be a specific preference item for purposes of the individual and corporate alternative minimum taxes; however, such interest may be subject to certain other federal taxes affecting corporate holders of the 2008A-1 Bonds. In the opinion of Bond Counsel, under existing law, interest on the 2008A-2 Bonds is includable in gross income for purposes of federal income taxation. Under the laws of the Commonwealth of Pennsylvania, the 2008 Bonds are exempt from personal property taxes in Pennsylvania, and interest on the 2008 Bonds is exempt from Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For a more complete discussion, see "TAX MATTERS" and "TAX MATTERS - State Tax Matters".

\$244,855,000
PENNSYLVANIA TURNPIKE COMMISSION,
TURNPIKE SUBORDINATE REVENUE BONDS, SERIES 2008A

Consisting of

\$176,565,000 Turnpike Subordinate Revenue Bonds, Subseries A-1 of 2008
 \$68,290,000 Turnpike Subordinate Revenue Bonds, Subseries A-2 of 2008 (Federally Taxable)

Dated: Date of Delivery

Due: As shown on Inside Front Cover

The Pennsylvania Turnpike Commission Turnpike Subordinate Revenue Bonds, Series 2008A (the "2008 Bonds") are being issued under that certain Subordinate Trust Indenture dated as of April 1, 2008 (as amended and supplemented, the "Subordinate Indenture"), between the Pennsylvania Turnpike Commission (the "Commission"), as issuer, and Commerce Bank, National Association, Philadelphia, PA, as trustee (the "Trustee"), and that certain Supplemental Trust Indenture No. 1 dated as of April 1, 2008 (the "Supplemental Subordinate Indenture No. 1") between the Commission and the Trustee supplementing the Subordinate Indenture, all pursuant, among other things, to an Act of the General Assembly of Pennsylvania approved July 18, 2007, P.L. 169, No. 44 ("Act 44") and various other acts of the General Assembly of Pennsylvania. The 2008 Bonds are being issued in two subseries consisting of \$176,565,000 aggregate principal amount of the Commission's Turnpike Subordinate Revenue Bonds, Subseries A-1 of 2008 (the "2008A-1 Bonds"), and \$68,290,000 aggregate principal amount of the Commission's Turnpike Subordinate Revenue Bonds, Subseries A-2 of 2008 (Federally Taxable) (the "2008A-2 Bonds"); both subseries are issued under and pursuant to Supplemental Subordinate Indenture No. 1.

The 2008 Bonds are issuable as one fully registered certificate for each maturity and subseries in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2008 Bonds. Purchases of beneficial ownership interests in the 2008 Bonds may be made only through the DTC book-entry system and may be made only in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners (as defined herein) of the 2008 Bonds will not receive certificates representing their interests in the 2008 Bonds.

The 2008 Bonds will be dated the date of initial issuance and delivery thereof, will bear interest at the rates shown on the inside front cover at fixed rates set for the maturity dates thereof, calculated on the basis of a year of 360 days consisting of twelve 30-day months. Interest on the 2008 Bonds is payable on each June 1 and December 1, commencing December 1, 2008. The principal of the 2008 Bonds will be payable on the maturity date as set forth on the inside front cover hereof subject to prior redemption, as described herein. So long as Cede & Co. is the registered owner of the 2008 Bonds, payments of principal of and interest on the 2008 Bonds will be made directly by the Trustee, as paying agent ("Paying Agent") under the 2008 Bond Resolution, as described herein. See "DESCRIPTION OF THE 2008 BONDS - Book-Entry-Only System" herein.

The 2008 Bonds are subject to optional redemption prior to maturity at the option of the Commission, in whole or in part by lot within the applicable subseries as described herein. The 2008 Bonds are subject to mandatory sinking fund redemptions prior to maturity as described herein. The 2008A-2 Bonds are subject to a premium payment for any permitted optional redemptions prior to maturity of the 2008A-2 Bonds. See "DESCRIPTION OF THE 2008 BONDS - Redemption".

The proceeds of the 2008 Bonds will be used to provide funds (a) to make payments to PennDot in accordance with Act 44 to fund certain grants to mass transit agencies and various road, highway, bridge and capital projects of PennDot, (b) to fund the 2008A Account, or the appropriate subaccount thereof, of the Debt Service Reserve Fund, (c) to pay the premium for the Financial Guaranty Insurance Policy; and (d) to pay the costs of issuance of the 2008 Bonds (the "2008 Project"). See "PLAN OF FINANCING".

Subordinate Indenture Bonds issued pursuant to the Subordinate Indenture and certain other Parity Obligations are secured under the Subordinate Indenture pursuant to the pledge by the Commission of the Trust Estate, consisting primarily of Commission Payments, subject however in all respects to the terms, limitations and subordinations set forth in the Subordinate Indenture.

Payment of the principal of and interest on the 2008 Bonds when due will be insured by a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") to be issued by Assured Guaranty Corp. (the "Bond Insurer") simultaneously with the delivery of the 2008 Bonds. See "BOND INSURANCE".

**ASSURED
 GUARANTY**

THE 2008 BONDS ARE LIMITED OBLIGATIONS OF THE COMMISSION AND SHALL NOT BE DEEMED TO BE A DEBT OF THE COMMONWEALTH OF PENNSYLVANIA (THE "COMMONWEALTH") OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH. THE 2008 BONDS WILL BE EQUALLY AND RATABLY SECURED, ALONG WITH ADDITIONAL SUBORDINATE INDENTURE BONDS ISSUED PURSUANT TO THE SUBORDINATE INDENTURE AND CERTAIN OTHER PARITY OBLIGATIONS, PURSUANT TO THE PLEDGE BY THE COMMISSION OF THE TRUST ESTATE, SUBJECT HOWEVER IN ALL RESPECTS TO THE TERMS, LIMITATIONS, PRIORITIES AND SUBORDINATIONS SET FORTH IN THE SUBORDINATE INDENTURE. THE SUBORDINATE INDENTURE PLEDGES TO THE TRUSTEE FOR THE BENEFIT OF THE 2008 BONDS, TOGETHER WITH ALL ADDITIONAL SUBORDINATE INDENTURE BONDS AND PARITY OBLIGATIONS, COMMISSION PAYMENTS FROM AMOUNTS PAID FROM THE GENERAL RESERVE FUND AFTER THE PAYMENT OF ALL OUTSTANDING SENIOR INDENTURE OBLIGATIONS ISSUED UNDER THE SENIOR INDENTURE; AND THUS THE 2008 BONDS ARE SUBORDINATE TO THE PAYMENT OF SUCH SENIOR INDENTURE OBLIGATIONS.

THE COMMONWEALTH IS NOT OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER FOR THE PAYMENT OF THE 2008 BONDS OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT OF THE 2008 BONDS. THE COMMISSION HAS NO TAXING POWER.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The 2008 Bonds are being offered when, as and if issued and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, to certain legal matters being passed upon by Dilworth Paxson LLP, Philadelphia, Pennsylvania, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Tucker Arensberg, P.C., Pittsburgh, Pennsylvania, Counsel for the Underwriters. Certain legal matters will be passed upon for the Commission by its Chief Counsel, Doreen A. McCall, Esquire. It is anticipated that the 2008 Bonds will be available for delivery in New York, New York on or about April 29, 2008.

Citi

DEPFA First Albany Securities
Mesirow Financial, Inc.

Ferris, Baker Watts, Incorporated
RBC Capital Markets

Janney Montgomery Scott LLC
Wachovia Bank, National Association