

MICHAEL BAKER, JR., INC.

THE BAKER ENGINEERS

BRANCH OFFICES

JACKSON, MISSISSIPPI
HARRISBURG, PENNSYLVANIA
CHARLESTON, WEST VIRGINIA



Consulting Engineers · Planners · Surveyors

P. O. BOX 111
ROCHESTER, PENNSYLVANIA - 15074
AREA CODE 412 - PHONE 774-3010

December 6, 1971

Hon. James J. Manderino, Representative
Chairman, House Resolution #84
Turnpike Investigation Committee
Commonwealth of Pennsylvania
Capitol Building
Harrisburg, Pennsylvania 17120

Dear Representative Manderino:

I have been advised by copy of a letter of November 23, 1971 from you to the Honorable Lester F. Burlein, Chairman of the Pennsylvania Turnpike Commission, that you have requested a copy of the Consulting Engineer's contract with Michael Baker, Jr., Inc.; and that your request for this information as well as other information is part of your Committee's desire for information to be made available to you for providing a thorough investigation of the Pennsylvania Turnpike Commission and its activities in accordance with House Resolution #84.

This letter is written direct to you, with copies to the members of your Committee, to assure you of the concern, interest and desire of Michael Baker, Jr., Inc. to assist in providing you all information that you need and to be fully cooperative with you and your Committee in your investigation. A copy of our Consulting Engineering contract of June 1, 1969 is attached, in the event you have not yet received same.

Believing that the sources of your investigation thus far may not provide full background concerning the performance, function and duties of the Consulting Engineer for the Pennsylvania Turnpike Commission, we felt it advisable to provide you this further information as contained herein.

You have, no doubt, been provided a copy of the Trust Indenture of September 1, 1952 by which the Pennsylvania Turnpike Commission operates under its Trust Agreement with The Fidelity Bank as Trustee. You will note from a review of this Trust Indenture that the legal documents which it represents provide for the structure in the governance, management and operation of the affairs of the Commission of a Turnpike Commission as provided by the Legislature, a Trustee to represent the bondholders, a General Counsel of the Commission and a Consulting Engineer. The Trust Indenture provides

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the definition of the Consulting Engineer on page 24 and the principal duties of the Consulting Engineer are defined in various Sections of the Trust Agreement with Section 707 binding the Commission: "until the bonds secured hereby and the interest thereon shall have been paid or provision for such payment shall have been made, it will, for the purpose of performing and carrying out the duties imposed on the Consulting Engineers by this Indenture, employ an independent engineer or engineering firm or corporation having a nationwide and favorable repute for skill and experience in such work."

Throughout the Trust Indenture you will find that various duties are imposed upon the Consulting Engineer in reference to the day-to-day management and operation of the Commission, its expenditures, its toll structure, its budgeting, its capital expenditures and capital programs, its insurance coverage, and in general its "watchdog" activities of the Commission's operations in the interest of the traveling public and more specifically, so far as the Trust Indenture is concerned, for the bondholder through the Trustee.

During the construction of the original section of the Pennsylvania Turnpike in the late 1930's and beginning with its opening to the public on October 1, 1940 and extending to June, 1956, the Consulting Engineer for the Pennsylvania Turnpike Commission was the J. E. Greiner Company of Baltimore, Maryland. Throughout this period from 1940 to 1956 the Pennsylvania Turnpike System operated at the lowest toll rate of any toll system in the nation (about one cent per mile) and performed its function well. Additional extensions from the original Turnpike were provided to the west and to the east and under construction in 1956. The tremendous earning power of the original section from Irwin to Carlisle provided encouragement for the Commission to make its extensions to the east and west. However, the income generated from the operations to the east and west did not hold up to projections of the Engineers at that time and accordingly there was tremendous pressure on the part of the Trustee, the financial Underwriters and the Consulting Engineer to increase the tolls to double their previous rate. This increase was to take effect in May 1956.

In the interim there was a change in Administration from Republican to Democrat and the Honorable George M. Leader became Governor in January, 1955. In the course of his Administration he made certain investigations, as did the Legislature, leading him to believe that all was not in order at the Pennsylvania Turnpike Commission and specifically to believe that there surely did not need to be a toll rate increase. As a result, the newly appointed Turnpike Commission under Governor Leader deferred

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action on the toll increase and engaged the firm of Michael Baker, Jr., Inc. in late May of 1956 upon the request of the Honorable George M. Leader. I was personally called to the Governor's Mansion in late May of 1956 and told of the problems and asked if I would personally become involved in the investigation concerning the toll rate structures. This I did. In the meantime, I was, also, advised of pending indictments of a criminal nature that were soon to be filed concerning certain members, former members, employees and others connected with the Pennsylvania Turnpike Commission. History, of course, records the findings and actions taken by Governor Leader's Administration and by the Courts on these matters.

The firm of Michael Baker, Jr., Inc. made its investigation during the month of June, 1956 and the report on same entitled "A Study and Analysis of The Pennsylvania Turnpike System" dated July, 1956 is attached. I commend the contents of this report to you for your review and information. I specifically call your attention to the yellow pages entitled "Conclusions and Recommendations."

Prior to the delivery of the aforementioned report, the Trustee, Bond Counsel, Underwriters and the Consulting Engineer had implied to the Commission that they were in fact in default on the fulfillment of the terms of their Trust Agreement by reason of the failure of the extensions on the Turnpike System to generate sufficient revenue to meet the required coverage ratio, interest and principal payments on the bonds sold for the extension, and therefore, that a toll rate increase was required by the terms of the Trust Agreement.

Contrary to this implication by those serving the Turnpike Commission in the capacities as defined, our findings concluded specifically that there was a surplus of approximately \$52 million as of April 30, 1956 (this later turned out to be about \$68 million) available in the capital construction program and not needed, that could be used for payment of principal and interest. Consequently, contrary to rulings of the Attorneys and the Trustee, the Commission was not in default and, therefore, so long as this surplus existed, did not have to raise the tolls. We recommended against the toll rate increase and made certain other recommendations which are available for your reading in the attached report.

Prior to our report of July 19, 1956 no Consulting Engineer of national repute in the nation had ever taken the position in the "interest of the consumer" (the user of the public system - in this case the Pennsylvania Turnpike System). You will note from our letter of transmittal in the aforementioned report that we state that: "Our findings we believe to be factual, and our conclusions and recommendations are intended to be instructive and constructive in the interest of (a) People who use the

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Pennsylvania Turnpike System, (b) The Commonwealth of Pennsylvania, (c) The Pennsylvania Turnpike Commission, and (d) the Bondholders whose invested funds financed the construction of the Turnpike System. "

The position taken by us in our report as made to the Turnpike Commission and to Governor Leader at that time was very unpopular with the Trustee and others who had been pressing for a toll rate increase, but was not disputed or challenged.

In the meantime, our investigations at that time, and those made by the Governor's investigative staff who brought criminal indictments, determined that there were other rather flagrant abuses of good management principles that had existed in prior years in the management of the Turnpike Commission and to the date of our investigation. One of these was the fact that the Consulting Engineer had operated primarily as a "rubber stamp" for the actions and wishes of the Turnpike Commission, rather than as a "watch dog" providing "checks and balances" on the management procedures and operation of the Commission's affairs. Consequently, along with several others who were indicted on criminal charges that resulted in convictions of some on multi-million dollar fraudulent activities, charges were filed against the Consulting Engineer of a civil nature to recover damages for alleged misperformance. These were settled out of court as the records will show.

As a result of all of the foregoing, the previous Consulting Engineer's contract was terminated by direction of the Governor and Michael Baker, Jr., Inc. became the Consulting Engineer for the Pennsylvania Turnpike Commission in the late summer of 1956. To assure that the duties and functions of the Consulting Engineer as intended would be fulfilled, Michael Baker, Jr., Inc. insisted upon a certain reposturing of the position of the Consulting Engineer so that the day-to-day operations of the Turnpike Commission were constantly under observation and so that the Consulting Engineer could assist in restructuring certain Departments and the management of the Commission's affairs in a manner that was more in keeping with good management practices and the wishes of the Administration and the newly appointed Commission. A staff of five experts in technical, financial and maintenance fields was provided under terms of the contract negotiated and a fixed sum of money per month paid from 1956 on specifically for the "watch dog" functions and duties under the Trust Agreement concerned with the daily operation and the Annual Report required. The truly intended independent position of the Consulting Engineer was established by the Turnpike Commission through this procedure and the Consulting Engineer was no longer forced to

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operate as a "rubber stamp" but his counsel and advice was sought and accepted. New purchasing procedures were established that eliminated the opportunities for temptation and errors in judgment that prevailed in previous years. New accounting procedures were established that provided more detailed and accurate control. Maintenance and operation procedures were changed along with cost accounting and purchasing. Greater and more detailed attention was given to the annual mile-by-mile inspection of the physical plant of the Pennsylvania Turnpike System and this was reported upon in detail by observation and recommendations for the Commission's maintenance staff to carry on.

Even greater attention was given to the safety for the travelers of the Turnpike System. The Commission brought about the installation of the median guard rail throughout the length of the System in the years that followed 1956. This installation reduced the traffic fatalities on the Pennsylvania Turnpike System from 4.6 fatalities per 100 million miles in 1956 to 1.5 fatalities per 100 million miles in 1965 while the traffic generated in this same period jumped from almost 22 million vehicles per year to 42½ million vehicles in 1965. Because of the constantly increasing traffic load on the Turnpike System there developed an urgent demand to eliminate the bottlenecks that arose constantly when traffic was required to funnel through two lanes of tunnels after speeding over four lanes of highway. Frequent disruption occurred on weekends and holidays to the extent that there was a backup of cars sometimes as far as 30 miles at some of the major tunnels during these peak load periods, and this endangered lives and property as well as inconvenienced the traveling public. As a result of this demand, almost \$100 million of improvements were planned and completed from 1960 to 1970 in eliminating these bottlenecks and building parallel tunnels and/or new bypasses so that the original tunnel system of seven on the East to West highway has been reduced to four, all of which have been four-laned by the building of parallel modern tunnels and the completely rebuilding and relighting of the old tunnel systems. All of this was done without an increase in the toll rate structure, and in spite of the fact that there were those in 1956 who insisted that the tolls should be increased at that time. As predicted by us in 1956, the surpluses found in the capital construction budget were adequate to meet the principal and interest payments in the period that followed and keep the Commission from being in default.

Questions have been raised by some in your current investigation and in past years as to why the Consulting Engineer, Michael Baker, Jr., Inc., likewise, designed the new tunnels and the renovation of the old tunnels and "was this not a conflict of interest." It must first be realized that there is no consulting engineering firm in Pennsylvania except Michael Baker, Jr., Inc. who has had the experience in the design of major tunnels. Consequently, the expertise required by the Commission was available directly

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through our firm. At the time the Commission authorized us to design these plans and supervise their construction on the Allegheny Tunnel and other tunnels to follow, the question was asked by the Commission of the Secretary of Highways and in turn by him of the Deputy Attorney General and the advice was given that there was no conflict of interest in utilizing the services of Michael Baker, Jr., Inc. as Design Engineer as well as Consulting Engineer. At that time we were advised that there was a letter to this effect obtained by the Chairman of the Pennsylvania Turnpike Commission, both from the Bond Counsel to the Trustee and from the Deputy Attorney General assigned to the Pennsylvania Department of Highways. Where special professional expertise is required it is frequently the case that the Consulting Engineer serves, also, as the Design Engineer. This had an added advantage to the Commission in saving money in that the Trust Agreement requires that the Consulting Engineer under the Trust Agreement shall approve the plans for all capital improvements. In this instance there was no special charge for our review and approval of these plans since we received a percentage fee for the design and supervision of construction.

This feeling on the part of some members of the Commission that there might be a conflict of interest persisted, however, and in 1969 a new contract was drawn dated June 1, 1969 between the Commission and Michael Baker, Jr., Inc. which provided, among other things, that Michael Baker, Jr., Inc. should continue to be the Consulting Engineer and provide the "watch dog" services as required under the Trust Agreement on the day-to-day operation of the Commission's affairs at a stipulated \$15,000 per month lump sum fee; and provide such other services as may be required by the Commission on terms set forth therein; and further provide those services required under the Trust Indenture in the review and coordination of all plans and specifications and the general review and checking during the construction period on all capital improvement programs of the Commission thereafter at stipulated percentage fees of the capital construction programs. These percentage fees are set forth in the terms of the agreement (copy attached); and, finally, provide that "Baker shall not in the future, directly or indirectly, generally do design work for the Commission, it being understood nevertheless that the Commission shall not be precluded from contracting with Baker for design work in such instances as the Commission may deem to be in the best interest of the Commission."

The last part of the foregoing paragraph was provided, we believe, because there is certain expertise of a professional nature that Michael Baker, Jr., Inc. possesses that is not available through any other Pennsylvania firm and only available through a very few firms of national reputation from other States. Tunnel design is one of these capabilities.

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In spite of the improvements made under the old toll structure from 1956 to 1970, it is well known to all that the traffic load on the Turnpike increased through these years to the extent that many parts of the Turnpike System were old and tired and over-crowded and demand for improvement was so great that the Commission was confronted with needs to determine the extent of these improvements and the cost thereof. Michael Baker, Jr., Inc. and others were engaged for this purpose and vast and detailed reports delivered to the Commission covering the proposed improvements needed to update the Turnpike System throughout its length and the cost thereof. There are on record at the Turnpike office copies of these reports which have determined these costs, if they are to be provided to their fullest, to be in excess of \$1 billion. This is, of course, far beyond the financial capacity of the Turnpike System under the old toll structure, and even beyond the capabilities of the new toll structure adopted a little more than one year ago, though that structure was considered to be the optimum for this time. Efforts have been made through the years by the various Republican and Democratic Administrations we have served to prevail upon the Federal Government and the Congress to provide federal funds for design and construction of these needed improvements, since the Federal Government had named the East-West Pennsylvania Turnpike System as part of the 90-10 Federal Interstate Highway System. These efforts were to no avail since Congress has thus far dictated that none of these funds may be used for design or improvement of toll highway systems, or for that matter to provide connecting links to toll highway systems.

Without burdening you further with the details of the various reports that have been prepared with care and deliberation and the best of professional competence, we refer you to the series of reports that have been made by us as Consulting Engineer for the Pennsylvania Turnpike System on various subjects of improvement, of financing, refinancing, capital needs, toll rate structures, improvement and operation and other related subjects, all of which are on file at the Turnpike Office and here at our headquarters office at Rochester, Pennsylvania.

We believe that Michael Baker, Jr., Inc. since 1956 has served the people of the Commonwealth and the users of the Turnpike System and the Pennsylvania Turnpike Commission and the bondholders in a most competent manner to assure the protection of all in all respects. By the very nature of the anonymity of the functions of the Consulting Engineer we believe very little is known by most people and the public of these activities, this performance and the duties and obligations of the Consulting Engineer and the risks that accrue thereby to the Engineer. These risks are of a professional, contractual, legal and ethical nature and are in considerable magnitude in respect

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to the terms of the various agreements applicable to the operation of the Commission, the needs of the public, the requirements of the Legislature and of the specific Governor's Administration. We have endeavored to serve to the utmost of our competence and ability with full faithfulness the public through all of the Administrations of all Governors from 1956 to the present time.

We believe, also, that little is known by most people of the competence and size of the firm of Michael Baker, Jr., Inc., thought by many to be merely that of the individual, Michael Baker, Jr., its original founder.

Michael Baker, Jr., Inc. is a Pennsylvania corporation founded as a proprietorship and individual in 1940 and incorporated in 1947. It is worldwide in its performance and became a public corporation in June, 1968 and is listed on the American Stock Exchange daily and has over 1,500 shareholders. Michael Baker, Jr. is the Chairman of the Board and Chief Executive Officer and Michael Baker, III is the President. Together these individuals own less than 20% of the Company. These individuals, however, are each registered as Professional Engineers in 48 and 46 States, respectively, and Michael Baker, Jr. is registered in the Panama Canal Zone, the District of Columbia and eight Provinces of Canada and has, likewise, practiced in 17 foreign nations.

Michael Baker, Jr., Inc. is the third largest consulting engineering firm in the world and has been one of the eleven largest for the last 18 years (please find attached the May 20, 1971 issue of the Engineering News-Record which lists the 500 largest consulting engineering firms in the nation - with Michael Baker, Jr., Inc. as the third). Michael Baker, Jr., Inc. employs over 1,200 individuals in all of the disciplines of the engineering sciences in the performance of its work throughout the world, more than 700 of which are located in offices in Rochester, Pennsylvania - its headquarters - and in Harrisburg, Pennsylvania. While it is the largest consulting engineering firm in Pennsylvania and the only one with a national reputation meeting the requirements of the Trust Indenture on toll highways, its total volume of business in annual gross income averages from \$21 million to \$25 million per year from its engineering services of which only an average of about \$3 million comes from Pennsylvania activities. The most of the balance of this is brought into Pennsylvania from its services performed throughout the world.

Michael Baker, Jr., Inc. as a corporation paid to the Commonwealth of Pennsylvania various corporate taxes in 1970 totaling \$463,632.49 and through October, 1971 totaling \$327,741.01. It pays additional real estate taxes and wage and occupancy taxes and others in Pennsylvania municipalities totaling \$85,000+ in 1970 and \$90,000+ in 1971. These are

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corporate taxes only and do not reflect the total benefits to the Commonwealth of Pennsylvania through the 700 employees residing in Pennsylvania.

Michael Baker, Jr., Inc., through its size and tremendous capacity and capabilities professionally, has within its organization expertise in all fields of engineering except nuclear science. These include the latest expertise in ecology, pollution and economics as well as all of the disciplines of the engineering sciences.

We burden you with the foregoing information of a personal nature concerning our corporation because we believe it essential that those conducting your investigation be aware that our corporation and the 700 Pennsylvania residents whom we represent and employ do not take lightly their responsibilities professionally and are of equal concern to you and all other citizens of the Commonwealth to see that we have good government constantly at hand in the interest of all peoples of the Commonwealth.

Recently, our Turnpike Office at Harrisburg was visited by a Mr. C. S. Cusick of the Pittsburgh Plate Glass Company and Mr. John McLaughlin of the Provident National Bank of Philadelphia, both representing the Governor's Review Board investigating the Pennsylvania Turnpike Commission. These gentlemen, likewise, requested certain information and a list of our billings for the past five years, all of which is available at the office of the Pennsylvania Turnpike Commission for the asking but all of which will be prepared and furnished by us as requested.

As Consulting Engineer to the Commission we have recommended major improvements which we believe are essential in the interest of the traveling public. Though there is not sufficient monies on the horizon to provide all of these improvements, we have recommended certain of these that should be done as quickly as they can be funded. The records will show what projects seem most essential. Efforts have been made in the past to obtain federal funds for these purposes and there is nothing to indicate that funds will be forthcoming in the foreseeable future from this source. It has been implied that the Turnpike could be freed and improvements made from State highway funds made available. While this is possible, we believe it not to be to the best interest of the Commonwealth and the highway users of the State since there is already a tremendous shortage of highway funds to fulfill all of the needs of the Commonwealth, and further, since at least 50% of the total revenue of the Turnpike System is from out of State users and this source of income would be lost if the highway were freed; therefore, throwing the total burden of maintenance and operation and modernization on the annual Pennsylvania Department of Transportation budget at a time when it is already inadequate to meet the urgent needs of the Commonwealth.

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The Pennsylvania Turnpike System is in a corridor of high demand by the traveling public. That section between Ohio and New Jersey is exceptionally so and this is proven by reason of the fact that the revenue on the Turnpike System has already recovered any potential losses that were projected for the three years after the opening of the Keystone Shortway. Consequently, improvements must be made in the modernization of the Turnpike System to serve the demands for this transportation corridor from Pittsburgh to Philadelphia; otherwise, serious disruption to traffic and economic damage may occur to the communities involved. This is the reason for the proposed capital improvements that have been developed by the Commission, upon the recommendation of the Consulting Engineer and which we believe should be funded in some manner suitable to the Commonwealth at the earliest possible date.

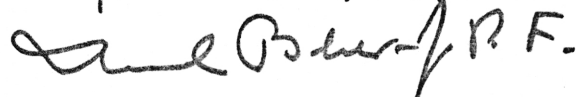
As part of the duties of the Consulting Engineer there is required to be filed with the Trustee, the Governor's Office and the Turnpike Commission annually an Annual Report by the Consulting Engineer covering the maintenance and operation of the Turnpike System. For your records there are delivered attached copies of each of these Annual Reports and the Supplements thereto for the years 1956 through 1970. These are voluminous but are indicative of the advice and guidance provided by the Consulting Engineer to the Pennsylvania Turnpike Commission.

We specifically refer you to the special report prepared at the direction of the Honorable George M. Leader, Governor, in July of 1956, which is the blue bound report and contains in detail the findings, conclusions and recommendations made by our firm in the interest of the "consumers" in 1956.

If we may be of further service to you in your investigation, please feel free to call upon us.

Sincerely yours,

MICHAEL BAKER, JR., INC.



Michael Baker, Jr., P. E.

Chairman of the Board and

Chief Executive Officer

MBJr:kjc

Attachments

cc: Hon. James P. Ritter, Hon. Louis Sherman, Hon. Eugene G. Saloom, Hon. William W. Foster, Hon. John L. Brunner

(all w/attachment of "A Study and Analysis of The Pennsylvania Turnpike System", the ENR reprint and the Consulting Engineer's contract)

MICHAEL BAKER, JR., INC.

THE BAKER ENGINEERS

BRANCH OFFICES

JACKSON, MISSISSIPPI
HARRISBURG, PENNSYLVANIA
CHARLESTON, WEST VIRGINIA



Consulting Engineers · Planners · Surveyors

P. O. BOX 111
ROCHESTER, PENNSYLVANIA - 15074
AREA CODE 412 - PHONE 774-3010

December 13, 1971

Hon. James J. Manderino, Representative
Chairman, House Resolution #84
Turnpike Investigation Committee
Commonwealth of Pennsylvania
302 Capitol Building
Harrisburg, Pennsylvania 17120

Dear Representative Manderino:

I am in receipt of my copy of your letter of December 8, 1971 to the Honorable Lester F. Burlein, Chairman, Pennsylvania Turnpike Commission. In this letter you have requested Mr. Burlein to furnish you a copy of a consulting engineering agreement between the Commission and my firm dated November 7, 1957.

In response to your request to Mr. Burlein, please find attached a xerox copy of the aforementioned agreement of November 7, 1957.

In reviewing this agreement of 1957 you must understand that it is for consulting engineering services specifically in accordance with the "watch dog" requirements of the Trust Agreements of 1948 and 1952. There were other contracts signed between the Commission and Michael Baker, Jr., Inc. through these years covering other special services for which we were called upon to perform from time to time in the design and supervision of construction of certain tunnels (since we were the only Pennsylvania firm possessing this expert capability) and further contracts for the development of certain studies and feasibility reports required from time to time on special projects.

The design and supervision of construction contracts were generally, as I recall, on a percentage or fee basis on the construction cost and, as I recall, were generally 4% for design and 4% for supervision of construction (copies of these contracts would be available in the Turnpike Office). Other contracts of a special type for development of reports on

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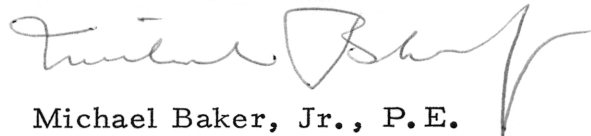
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feasibility, financing and other projects were generally on a lump sum basis and copies of said contracts would be in the Office of the Turnpike Commission.

Should there be anything further that we can furnish you to assist you in your Committee's work, please feel free to call upon us.

Sincerely yours,

MICHAEL BAKER, JR., INC.

A handwritten signature in cursive script, appearing to read "Michael Baker, Jr.", with a large, stylized flourish extending to the right.

Michael Baker, Jr., P.E.
Chairman of the Board and
Chief Executive Officer

MBJr:kjc
Attachment

cc: Hon. Lester F. Burlein, Chairman, PTC

A G R E E M E N T

THIS AGREEMENT made this 7th day of December, A.D. 1957, between the PENNSYLVANIA TURNPIKE COMMISSION, an instrumentality of the Commonwealth of Pennsylvania, hereinafter referred to as the "COMMISSION", party of the first part, and MICHAEL BAKER, JR., INC., Consulting Engineer, Baker Building, Rochester, Pennsylvania, hereinafter referred to as "BAKER", party of the second part;

WITNESSETH:

WHEREAS, the Commission has heretofore been authorized by virtue of certain Acts of the General Assembly of the Commonwealth of Pennsylvania, to construct, operate and maintain a Turnpike System and to charge and collect tolls for the payment of the cost of the same; and

WHEREAS, the System now consists of the following sections, all of which are opened to traffic:

1. Original Turnpike - Irwin Interchange to Carlisle Interchange;
2. Philadelphia Extension - Carlisle Interchange to Valley Forge Interchange;
3. Western Extension - Irwin Interchange to Ohio State Line;
4. Delaware River Extension - Valley Forge Interchange to Delaware River Bridge;
5. Delaware River Bridge - Delaware River Bridge and approach;
6. Northeastern Extension, First Section - from point on Delaware River Extension at Plymouth Meeting Interchange to Scranton Interchange;

and

WHEREAS, the Commission is presently bound by the conditions, covenants and agreements of two certain Trust Indentures between the Pennsylvania Turnpike Commission and Fidelity-Philadelphia Trust Company, Trustee, the one dated

June 1, 1948 and the other dated September 1, 1952, wherein, among other things, the Commission agrees for the purpose of performing and carrying out the duties imposed upon the Consulting Engineer by these Indentures, to employ an independent engineer or engineering firm having a nationwide and favorable repute for skill and experience in such work; and

WHEREAS, the Commission requires the services of a Consulting Engineer from time to time, in addition to those services required under the aforementioned Trust Indentures, to assist, guide and advise the Commission in the proper maintenance and operation of the Turnpike System; and

WHEREAS, the Commission on November 6, 1957, selected Michael Baker, Jr., Inc., a firm of Consulting Engineers having a nationwide and favorable repute for skill and experience in such work to serve as its Consulting Engineer;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

That in consideration of the mutual promises, covenants and agreements on the part of the respective parties hereto, it is agreed by the Commission and Baker as follows:

1. Baker shall perform all of the duties imposed upon the Consulting Engineer by the aforementioned 1948 and 1952 Trust Indentures, and shall, in addition thereto, perform all services required of Baker by the Commission.
2. That for the services rendered by Baker, it

the Commission shall pay Baker the sum of TEN THOUSAND (\$10,000) DOLLARS monthly, beginning November 8, 1957; provided, however, that should the Commission assign duties and responsibilities requiring the assignment of additional personnel by Baker over and above the staff regularly assigned to the Commission's work, the Commission shall reimburse Baker for direct payroll costs plus 100%, and the cost of travel, hotel and meals for such additional personnel for the duration of their assignment, it being agreed, nevertheless, that such additional personnel shall not be assigned without the prior authorization of the Commission; and, provided further, that when in the performance of its duties, special legal services involving opinions and interpretations of the said Trust Indentures are required by the Consulting Engineer, the cost thereof shall be paid by the Commission. Nothing herein shall be construed to prevent the Commission and Baker from entering into a different arrangement for the payment of services of an extraordinary nature, when, in the opinion of the parties, the formula set forth above is not a satisfactory measure of their value.

3. Baker agrees that in the performance of the services required of it, it shall maintain a minimum staff of five (5) full time, qualified and competent persons for whom the Commission, at its own cost and expense, agrees to furnish with a suitable office or offices in the Administration Building or some other suitable and conveniently located

place, and the Commission further agrees to equip said offices with necessary furniture, equipment, supplies and other normal office services and to pay for necessary telephone service including such telephone toll charges as may be properly incurred in the performance of the work of the Consulting Engineer.

4. The effective date of this Agreement is November 8, 1957, and it shall continue until terminated by either party upon ninety (90) days prior written notice to the other of intention so to do.
5. This Agreement cancels, abrogates and terminates all prior agreements between the parties.

IN WITNESS WHEREOF, the said corporation has caused this Agreement to be signed by its President, its corporate seal to be affixed, and the same to be duly attested by its Secretary, and the Commission has caused this Agreement to be signed by its Vice Chairman, its corporate seal to be affixed and the same duly attested by its Secretary, the day and year first above mentioned, and each are declared legally bound thereby.

Attest:

John F. Byrne
John F. Byrne
Secretary & Treasurer

PENNSYLVANIA TURNPIKE COMMISSION

By *Joseph J. Lawler*
Joseph J. Lawler
Vice Chairman

Attest:

D. Z. Buchanan
Secretary

MICHAEL BAKER, JR., INC.

By *Michael Baker, Jr.*
President

AGREEMENT

THIS AGREEMENT made this 1st day of June A.D. 1969, between the PENNSYLVANIA TURNPIKE COMMISSION, an instrumentality of the Commonwealth of Pennsylvania, hereinafter referred to as the "COMMISSION", party of the first part, and MICHAEL BAKER, JR., INC., Consulting Engineer, Rochester, Pennsylvania, hereinafter referred to as "BAKER", party of the second part:

WITNESSETH:

WHEREAS, the Commission has heretofore been authorized by virtue of certain Acts of the General Assembly of the Commonwealth of Pennsylvania, to construct, operate and maintain a Turnpike System and to charge and collect tolls for the payment of the cost of same; and,

WHEREAS, the System now consists of the following sections, all of which are open to traffic:

1. Original Turnpike - Irwin Interchange to Carlisle Interchange;
2. Philadelphia Extension - Carlisle Interchange to Valley Forge Interchange;
3. Western Extension - Irwin Interchange to Ohio State Line;
4. Delaware River Extension - Valley Forge Interchange to Delaware River Bridge;
5. Delaware River Bridge - Delaware River Bridge and approach;
6. Northeastern Extension, First Section - from point on Delaware River Extension at Plymouth Meeting Interchange to Scranton Interchange;

and,

WHEREAS, the Commission is presently bound by the conditions, covenants and agreements of a certain Trust

Indenture between the Pennsylvania Turnpike Commission and The Fidelity Bank, Trustee, dated September 1, 1952, wherein, among other things, the Commission agrees for the purpose of performing and carrying out the duties imposed upon the Consulting Engineer by this Indenture, to employ an independent Engineer or engineering firm having a nationwide and favorable repute for skill and experience in such work; and,

WHEREAS, the Commission requires the services of a Consulting Engineer from time to time, in addition to those services required under the aforementioned Trust Indenture, to assist, guide and advise the Commission in the proper maintenance and operation of the Turnpike System; and,

WHEREAS, the Commission on November 6, 1957, selected Michael Baker, Jr., Inc., a firm of Consulting Engineers having a nationwide and favorable repute for skill and experience in such work to serve as Consulting Engineer; and,

WHEREAS, economic conditions have changed considerably during that thirteen-year period resulting in increased cost to the Consulting Engineer for the service rendered; and,

WHEREAS, it is contemplated that Baker shall not in the future, directly or indirectly, generally do design work for the Commission, it being understood nevertheless, that the Commission shall not be precluded from contracting with Baker for design work in such instances as the Commission may deem to be in the best interest of the Commission.

WHEREAS, the Commission recognizes that the Consulting Engineer is entitled to an equitable adjustment of rates and certain other revisions to the agreement for clarification and expansion of the Consulting Engineer's services required under

present conditions and in the foreseeable future;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

That in consideration of the mutual promises, covenants and agreements on the part of the respective parties hereto, it is agreed by the Commission and Baker as follows:

1. Baker shall perform all of the duties imposed upon the Consulting Engineer by the aforementioned 1952 Trust Indenture, and shall, in addition thereto, perform additional services required of Baker by the Commission.
2. For the services rendered by Baker as required by the Indenture including but not limited to the normal day to day operations, the Commission shall pay Baker the sum of FIFTEEN THOUSAND (\$15,000) DOLLARS monthly, beginning with the effective date of this agreement.
3. Baker agrees that in order to perform the services required of it under this Agreement, it will provide an adequate staff of fully qualified and competent persons, and the Commission agrees that it will, at its own cost and expense, furnish a suitable office or offices in the Administration Building or some other suitable and conveniently located space which it shall choose, and which space shall be adequate to house five (5) full-time employees of Baker, and the Commission further agrees to equip said office with furniture, equipment, supplies and other normal office services and to pay for necessary telephone service including such telephone toll services as

may be properly incurred in the performance of the work of the Consulting Engineer, PROVIDED HOWEVER, that the monthly payment of \$15,000.00 specified in Paragraph 2 shall be reduced to \$13,500.00 if Baker shall reduce from five (5) to four (4) the number of full-time, qualified and competent persons in the Administration Building for the performance of its duties thereunder.

4. In the event the Commission shall enter into any arrangement with Baker to render services not within the scope of the provisions as set forth in Paragraphs 1, 2 and 3 hereof, the Commission shall reimburse Baker as follows:
 - a. Direct engineering payroll cost plus employee fringe benefits which include but are not limited to Social Security, Unemployment Compensation Insurance, pension, vacation, sick leave at the rate of 25% of the direct engineering payroll cost.
 - b. An overhead and profit allowance at the rate of 130% of Item (a) above.
 - c. Reimbursement of direct expenses, including travel, meals, direct subsistence and reproductions of papers and documents for such additional personnel for the duration of their assignment, it being agreed, nevertheless, that such additional personnel shall not be assigned without the prior authorization of the Commission.
 - d. When in the performance of its duties, special

legal services involving opinions and interpretations of said Trust Indenture are required by the Consulting Engineer, the cost thereof shall be paid by the Commission.

5. Nothing herein shall be construed to prevent the Commission and Baker from entering into a different arrangement for the payment of services of an extra-ordinary nature such as special engineering studies, feasibility reports, engineering reports required for revenue bond financing and similar types of special services, when, in the opinion of the parties, the formula set forth above is not a satisfactory measure of their value; it being understood by both parties hereto that such reports are extra work.
6. The Consulting Engineer shall fulfill the responsibilities required under the Trust Indenture on the improvement program presently authorized, or any additional improvement programs authorized subsequent to the effective date of this agreement, in the coordination of engineering work as may be authorized by the Commission to other engineering firms as a part of an improvement program. Services shall include:
 - a. The review, checking, coordination, direction and approval of said engineering contracts and the work thereunder through the completion of design to the bidding of same for construction purposes, and;
 - b. The general review and checking of construction

contracts during the construction period including certification of work performed thereunder and approval of payments for such work. This, however, shall not include the detailed resident inspection of such work.

7. For the services rendered under Item 6(a) the Commission shall pay the Consulting Engineer a fee of one and a half (1-1/2%) per cent (payments shall be made on a monthly basis on the percentage of work accomplished) of the estimated construction cost of all work authorized in the present or subsequent improvement programs.
8. For services rendered under Item 6(b) the Commission shall pay the Consulting Engineer a fee of one (1%) per cent of the actual construction cost of such construction work until the completion of same and the placement of same into use (payments shall be made on a monthly basis based upon Contractors' partial payment estimates).
9. This Agreement shall become effective the first day of June, 1969 A.D. and it shall continue until terminated by either party upon ninety (90) days prior written notice to the other of intention so to do.
10. This Agreement cancels, abrogates and terminates the Agreement between the parties dated November 7, 1957.

IN WITNESS WHEREOF, the said corporation has caused this Agreement to be signed by its President, its corporate seal to be affixed, and the same to be duly attested by its Secretary, and the Commission has caused this Agreement to be signed by its Chairman, its corporate seal to be affixed and the same duly attested by its Secretary, the day and year first above mentioned, and each are declared legally bound thereby.

Attest:

Patrick E. Kerwin
Patrick E. Kerwin
Secretary and Treasurer

PENNSYLVANIA TURNPIKE COMMISSION

By *L. H. Burlein*
L. H. Burlein
Chairman

Attest:

Donald E. Wilson
Donald E. Wilson
Secretary

MICHAEL BAKER, JR., INC.

By *Michael Baker, Jr. P.E.*
Michael Baker, Jr.
President

