Turnpike bonds are issued for high-speed/limited access highways. The bonds issued for these turnpikes are repaid by tolls charged for use of the toll road.

There are two classes of typical toll roads. The first are well established highways that provide rapid transportation between major markets, for which there is little or no competitive alternatives. These are the safest types of turnpike bonds. An example is the New Jersey Turnpike, which provides a vital link in the I-95 network that stretches from Maine to Florida. Disruption or closing of this north/south artery commercial trucks and cars would cripple the economy of the important Boston to Washington DC Corridor.

Another example is the Pennsylvania Turnpike, which stretches east to west across the state. Pennsylvania’s nickname of the “Keystone State” also indicates the Turnpike’s importance for commerce between the eastern Corridor to the large economic sectors in Ohio, Indiana and Illinois.

The strategic locations and strength of these two important arteries have allowed both New Jersey and Pennsylvania to drain surpluses for use in non-transportation purposes, while still allowing comfortable revenue coverage for the turnpikes’ debt repayment.

The other class of toll road bonds are marked by their start-up nature, which creates competitive pressure from alternate free thoroughfares. These facilities are among the riskiest municipal bonds in the market. The most famous toll road default dates back to the 1960’s. The Calumet Skyway in Chicago did not reach projected traffic and revenue because of alternative free thoroughfares that bypassed the Skyway. Another example is the 2000 Connector Project in Greenville, South Carolina. Meant to provide a bypass of congested highways, the project never reached its traffic projections, and filed bankruptcy in June 2010.
About the Author

RICHARD P. LARKIN, Stoever Glass & Co., Inc.

Richard Larkin, a recognized 40 year industry veteran, has joined SG & Co. as Director of Municipal Credit Analysis. Mr. Larkin began his career in credit rating analysis at Standard & Poor's in 1975. After rising through the ranks in various analytical and management positions, Dick left S&P as its Chief Municipal Rating Officer, responsible for municipal rating policy, practices, governance and criteria. In 1998, Mr. Larkin joined Fitch Ratings as Chairman of its Public Finance Criteria Committee.

“Dick will be a unique resource to Stoever Glass' municipal clients. His knowledge in specific issues and areas of the municipal bond industry will aid our representatives and their clients in making educated decisions, in a sector where this type of research is unique,” said Roland Stoever of Stoever Glass.

Disclosures:

This report is published by Stoever Glass & Co. This publication is for your information only and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. We recommend that you obtain financial and/or tax advice as to the implications (including tax) of investing in the manner described or in any of the products mentioned herein. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to Stoever Glass & Co). All information and opinions as well as any prices indicated are current only as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of Stoever Glass & Co. as a result of using different assumptions and/or criteria. At any time, investment decisions (including whether to buy, sell or hold securities) made by Stoever Glass & Co., its affiliates and employees may differ from or be contrary to the opinions expressed in Stoever Glass & Co. research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify.

Past performance of an investment is no guarantee for its future performance. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. This report is for distribution only under such circumstances as may be permitted by applicable law.

The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. Stoever Glass & Co. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.