

In the opinion of Bond Counsel, interest on the Series 2010 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "Tax Matters" herein. Interest on the Series 2010 Bonds is not subject to the alternative minimum tax imposed on individuals and corporations. Under existing statutes, interest on the Series 2010 Bonds is exempt from personal and corporate income tax imposed by the State of Delaware (the "State"). For a more complete discussion, see "TAX MATTERS" herein.

\$113,490,000
DELAWARE TRANSPORTATION AUTHORITY
GRANT ANTICIPATION BONDS, SERIES 2010

Dated: Date of Delivery

Due: March 1 and September 1, as shown on inside cover

The Authority's Grant Anticipation Bonds, Series 2010 in the aggregate principal amount of \$113,490,000 (the "Series 2010 Bonds"), are issuable as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof.

The Series 2010 Bonds initially will be maintained under a book-entry system and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2010 Bonds. Interest on the Series 2010 Bonds is payable from the date of delivery, semiannually on March 1 and September 1 of each year, commencing March 1, 2011. So long as the Series 2010 Bonds are maintained under a book-entry system, payments of principal of and the redemption premium, if any, and interest on the Series 2010 Bonds will be made when due by Wilmington Trust Company, as trustee and registrar (the "Trustee"), to DTC in accordance with the Trust Agreement described herein, and the Trustee will have no obligation to make any payments to any beneficial owner of any Series 2010 Bonds. See "THE SERIES 2010 BONDS — DTC and Book-Entry Only System."

The Series 2010 Bonds are subject to redemption prior to their respective maturities, as more fully described herein.

The Series 2010 Bonds are being issued to provide funds sufficient, together with other available funds, to finance a portion of the costs of the Project (as defined herein) and to pay certain costs of issuance. The Series 2010 Bonds are being issued under, and secured by, a Master Trust Agreement dated as of June 1, 2010 (the "Trust Agreement"), between the Delaware Transportation Authority (the "Authority") and the Trustee. The Series 2010 Bonds are the first series issued under the Trust Agreement and will be secured on a parity with any additional parity obligations issued by the Authority under the Trust Agreement (collectively, the "Bonds"), as described herein.

The Delaware Department of Transportation (the "Department") and the Authority have entered into a Memorandum of Agreement (as defined in the Trust Agreement) with the Federal Highway Administration ("FHWA") which provides for the reimbursement of the Department by FHWA for debt service and costs incurred for the Series 2010 Bonds, including principal, interest and other bond related costs, as provided in Title 23, Section 122, United States Code. Payments by the Department under the GARVEE Financing and Pledge Agreement (U.S. 301 Project) dated June 1, 2010 (the "Financing Agreement") between the Department and the Authority are made solely from amounts that constitute Pledged Federal Aid (as defined herein) and in accordance with Federal Aid Authorization (as defined herein).

THE SERIES 2010 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM CERTAIN PLEDGED FEDERAL AID AVAILABLE TO THE STATE AND OTHER MONEYS INCLUDED IN THE TRUST ESTATE CREATED BY THE TRUST AGREEMENT, AND ARE NOT AND SHALL NOT BE DEEMED TO (I) BE GENERAL OBLIGATIONS OF THE AUTHORITY, (II) CONSTITUTE OBLIGATIONS OF THE DEPARTMENT, OR (III) CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE OWNERS OF THE SERIES 2010 BONDS MAY NOT LOOK TO ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY (OTHER THAN THE TRUST ESTATE) OR THE STATE FOR PAYMENT OF THE SERIES 2010 BONDS, AND THE SERIES 2010 BONDS SHALL NOT BE DEEMED OR CONSTRUED AS CREATING A PLEDGE OF THE TAXING POWERS, FAITH, OR CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE. THE AUTHORITY HAS NO TAXING POWERS.

This cover page contains only a brief description of the Series 2010 Bonds and the security therefor. It is not a summary of material information with respect to the Series 2010 Bonds. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

FOR MATURITY SCHEDULE, INTEREST RATES, PRICES OR YIELDS
SEE INSIDE COVER

The Series 2010 Bonds are offered for delivery when, as and if issued by the Authority, subject to the approving opinion of Saul Ewing LLP, Wilmington, Delaware, Bond Counsel to the Authority. Certain legal matters will also be passed upon for the Authority and the Department by a Deputy Attorney General of the State. Certain legal matters will be passed on for the Underwriters by Cozen O'Connor, Wilmington, Delaware and Philadelphia, Pennsylvania. It is expected that the Series 2010 Bonds in definitive form will be available for delivery in New York, New York through the facilities of The Depository Trust Company on or about June 10, 2010.

The date of this Official Statement is June 2, 2010.

BofA Merrill Lynch

Barclays Capital

J.P. Morgan

Morgan Stanley

\$113,490,000
DELAWARE TRANSPORTATION AUTHORITY
Grant Anticipation Bonds, Series 2010

<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u>
3/1/2011	\$2,335,000	2.000%	0.350%	101.193%	246419AA3
9/1/2011	2,330,000	2.000	0.450	101.891	246419AB1
3/1/2012	2,990,000	5.000	0.730	107.305	246419AC9
9/1/2012	2,985,000	5.000	0.830	109.172	246419AD7
3/1/2013	3,135,000	5.000	1.110	110.411	246419AE5
9/1/2013	3,140,000	5.000	1.210	111.950	246419AF2
3/1/2014	2,505,000	5.000	1.500	112.631	246419AG0
9/1/2014	1,570,000	3.000	1.600	105.696	246419AH8
9/1/2014	2,500,000	4.000	1.600	109.765	246419BB0
3/1/2015	3,425,000	4.000	1.870	109.587	246419AJ4
9/1/2015	3,425,000	4.000	1.970	110.029	246419AK1
3/1/2016	3,565,000	4.000	2.250	109.348	246419AL9
9/1/2016	3,565,000	4.000	2.350	109.500	246419AM7
3/1/2017	3,715,000	5.000	2.580	114.849	246419AN5
9/1/2017	3,720,000	5.000	2.630	115.498	246419AP0
3/1/2018	3,905,000	5.000	2.800	115.183	246419AQ8
9/1/2018	3,905,000	4.000	2.830	108.528	246419AR6
3/1/2019	4,080,000	5.000	3.010	115.165	246419AS4
9/1/2019	4,085,000	5.000	3.030	115.746	246419AT2
3/1/2020	4,290,000	5.000	3.180	115.117	246419AU9
9/1/2020	4,290,000	5.000	3.180	115.776	246419AV7
3/1/2025	2,100,000	3.625	3.710	99.038	246419BA2
3/1/2025	3,275,000	5.000	3.710	110.888*	246419BD6
\$2,895,000	3.250%	Term Bond due September 1, 2021	- Price 99.345%	to Yield 3.320%;	CUSIP** 246419BE4
\$6,100,000	5.000%	Term Bond due September 1, 2021	- Price 114.460%*	to Yield 3.320%;	CUSIP** 246419AY1
\$9,420,000	5.000%	Term Bond due September 1, 2022	- Price 113.439%*	to Yield 3.430%;	CUSIP** 246419AW5
\$2,655,000	3.500%	Term Bond due September 1, 2023	- Price 99.576%	to Yield 3.540%;	CUSIP** 246419AZ8
\$7,230,000	5.000%	Term Bond due September 1, 2023	- Price 112.428%*	to Yield 3.540%;	CUSIP** 246419BC8
\$10,355,000	5.000%	Term Bond due September 1, 2024	- Price 111.610%*	to Yield 3.630%;	CUSIP** 246419AX3

* Priced to first call date of September 1, 2020.

** Registered trademark of American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2010 Bonds and the Authority and the Underwriters do not make any representation with respect to such number or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2010 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2010 Bonds.

No dealer, broker, salesman or any other person has been authorized by the Authority or the Underwriters to give any information or to make any representation, other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriters. 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 Series 2010 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 provided by the Authority, and other sources. The Authority believes that the information contained in this Official Statement is correct and complete and has no knowledge of any inaccuracy or incompleteness as to any of the information herein contained. The information set forth herein is not guaranteed as to accuracy or completeness by the Authority and is not to be construed as a representation by the Authority, as to information from sources other than the Authority. The information and expressions of opinion 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 the affairs of the Authority since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2010 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2010 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE TRUST AGREEMENT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY AND TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2010 Bonds. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2010 Bonds or as indicated on the inside cover page of this Official Statement.

No quotations from or summaries or explanations of provisions of laws and documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2010 Bonds. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement.

This Official Statement contains statements that are forward-looking statements. When used in this Official Statement, the words "estimate", "intend", "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

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TABLE OF CONTENTS

	Page
INTRODUCTION.....	1
INVESTMENT CONSIDERATIONS.....	3
LIMITED OBLIGATIONS.....	3
FACTORS AFFECTING PLEDGED FEDERAL AID.....	3
DEFAULT AND REMEDIES.....	4
FORWARD-LOOKING STATEMENTS.....	4
THE PROJECT.....	4
BACKGROUND INFORMATION.....	5
PROJECT JUSTIFICATION.....	6
WORK COMPLETED TO DATE.....	6
FUNDING CONSTRUCTION.....	6
PLAN OF FINANCE.....	7
THE SERIES 2010 BONDS.....	7
DESCRIPTION OF THE SERIES 2010 BONDS.....	7
REGISTRATION AND EXCHANGE OF BONDS.....	7
OPTIONAL REDEMPTION.....	8
NOTICE OF REDEMPTION.....	9
REDEMPTION OF PORTION OF BOND.....	10
SELECTION FOR REDEMPTION.....	10
DTC AND BOOK-ENTRY ONLY SYSTEM.....	10
SPECIAL CONSIDERATIONS.....	12
TERMINATION OF BOOK-ENTRY ONLY SYSTEM.....	12
ANNUAL DEBT SERVICE REQUIREMENTS.....	13
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS.....	13
LIMITED OBLIGATIONS.....	13
TRUST ESTATE.....	14
PLEDGED FEDERAL AID.....	14
PAYMENTS OF PLEDGED FEDERAL AID TO THE TRUSTEE.....	14
ISSUANCE OF ADDITIONAL BONDS.....	15
AMENDMENT OR SUPPLEMENT TO GARVEE FINANCING AGREEMENT.....	16
INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS.....	16
THE FEDERAL-AID HIGHWAY PROGRAM (FAHP).....	16
FEDERAL HIGHWAY TRUST FUND (HTF).....	17
FEDERAL-AID HIGHWAY PROGRAM REAUTHORIZATION.....	20
REAUTHORIZATION RISK.....	22
FEDERAL FUNDING CYCLE.....	22
FEDERAL-AID FUNDING PROCEDURES.....	23
HIGHWAY PROGRAM IMPLEMENTATION.....	24
REIMBURSEMENT.....	26
MATCHING REQUIREMENTS.....	26
FEDERAL REIMBURSEMENTS RECEIVED BY THE STATE.....	27
TRANSPORTATION EQUITY ACT FOR THE 21 ST CENTURY (TEA-21).....	27
SAFETEA-LU.....	28
HIGHWAY FUNDING EQUITY—MINIMUM FUNDING.....	29
LAPSING OF AUTHORIZATION.....	30
RESCISSION.....	31
SPECIAL FEDERAL PROVISIONS RELATING TO DEBT-FINANCED PROJECTS.....	31
STATE PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM.....	32

FUNDING HISTORY	33
FUTURE UTILIZATION OF PLEDGED FEDERAL AID.....	34
THE AUTHORITY	35
GENERAL; RELATION TO THE DEPARTMENT OF TRANSPORTATION	35
POWERS AND RESPONSIBILITIES OF THE AUTHORITY	35
MANAGEMENT OF THE DEPARTMENT AND THE AUTHORITY.....	36
ROLE OF THE STATE	37
THE TRANSPORTATION TRUST FUND	38
GENERAL.....	38
LITIGATION AND CLAIMS AFFECTING THE AUTHORITY.....	39
NO LITIGATION AFFECTING THE SERIES 2010 BONDS	39
UNDERWRITING	39
FINANCIAL ADVISOR.....	40
RATINGS.....	40
LEGAL MATTERS	40
TAX MATTERS	40
LEGALITY FOR INVESTMENT	42
CONTINUING DISCLOSURE UNDERTAKING	43
MISCELLANEOUS.....	43
Appendix A- Summary of Certain Provisions of the Trust Agreement	A-1
Appendix B- Form of GARVEE Financing Agreement	B-1
Appendix C- Form of Continuing Disclosure Agreement	C-1
Appendix D- Proposed Form of Opinion of Bond Counsel	D-1

**OFFICIAL STATEMENT
of the
DELAWARE TRANSPORTATION AUTHORITY**

Relating to

**\$113,490,000
GRANT ANTICIPATION BONDS, SERIES 2010**

INTRODUCTION

This Official Statement sets forth information concerning the sale by the Delaware Transportation Authority (the "Authority") of \$113,490,000 aggregate principal amount of Grant Anticipation Bonds, Series 2010 (the "Series 2010 Bonds"). The Series 2010 Bonds are issued as tax-exempt obligations of the Authority under the Internal Revenue Code of 1986, as amended (the "Code").

The Series 2010 Bonds are limited obligations of the Authority, authorized pursuant to Chapters 13 and 14 of Title 2 of the Delaware Code, as amended, and 77 Del. Laws Ch. 87, as amended (the "Act") and by a resolution of the Authority adopted on June 2, 2010. The Series 2010 Bonds will be issued under and secured by a Master Trust Agreement, dated as of June 1, 2010 (the "Trust Agreement"), between the Authority and Wilmington Trust Company, as trustee (the "Trustee"). The Series 2010 Bonds are the first series of obligations issued under the Trust Agreement and will be secured on a parity with any additional obligations issued by the Authority under the Trust Agreement (collectively, the "Bonds"), except as otherwise provided therein, all as further described herein.

The proceeds of the Series 2010 Bonds will be used to: (i) finance a portion of the costs of the Project (as defined in the Trust Agreement) to be constructed by the Delaware Department of Transportation (the "Department"); and (ii) pay certain costs of issuing the Series 2010 Bonds. Project funds will primarily be used for, but not limited to, the completion of design and the right of way acquisition for the U.S. Route 301, Maryland State Line to State Road ("SR") 1, capital improvement project and for costs of issuance. The final planning and design for a new U.S. Route 301, Maryland State Line to SR 1, capital improvement project consists of: a new U.S. Route 301 Mainline, which will be a limited-access highway, on new location with two lanes in each direction, that will connect existing U.S. Route 301 at Delaware/Maryland line with SR 1, south of the C&D Canal, a distance of 14.0 miles; and a new U.S. Route 301 Spur Road, which will be a limited-access highway, on new location with one lane in each direction, from new U.S. Route 301, in the vicinity of Armstrong Corner Road, to the Summit Bridge crossing of the C&D Canal, a distance of 3.5 miles. See "PLAN OF FINANCE - Estimated Sources and Uses for Series 2010 Bond Proceeds."

Under the provisions of the GARVEE Financing and Pledge Agreement (U.S. 301 Project), dated as of June 1, 2010 (the "GARVEE Financing Agreement", the form of which is included as APPENDIX B to this Official Statement) by and between the Department and the Authority, the parties established certain terms and conditions whereby the Authority will finance, in part through the issuance of Bonds, a portion of the costs of the design, construction and equipping of the Project, and the Department will manage the design, construction and equipping of the Project and will pledge to and make available to the Trustee, the Pledged Federal Aid (as defined herein) for the payment of debt service on the Bonds.

THE SERIES 2010 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM PLEDGED FEDERAL AID AND OTHER MONEYS INCLUDED IN THE TRUST ESTATE CREATED BY THE TRUST AGREEMENT, AND ARE NOT AND SHALL NOT BE DEEMED

TO (I) BE GENERAL OBLIGATIONS OF THE AUTHORITY, (II) CONSTITUTE OBLIGATIONS OF THE DEPARTMENT, OR (III) CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE OWNERS OF THE SERIES 2010 BONDS MAY NOT LOOK TO ANY REVENUES OR FUNDS OF THE AUTHORITY (OTHER THAN THE TRUST ESTATE) OR THE STATE OF DELAWARE (THE "STATE") FOR PAYMENT OF THE SERIES 2010 BONDS, AND THE SERIES 2010 BONDS SHALL NOT BE DEEMED OR CONSTRUED AS CREATING A PLEDGE OF THE TAXING POWERS, FAITH, OR CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE. THE AUTHORITY HAS NO TAXING POWERS.

In connection with the issuance of the Series 2010 Bonds, the Department, the Authority and the Federal Highway Administration ("FHWA") have entered into an agreement titled "Memorandum of Agreement between Federal Highway Administration, the Delaware Department of Transportation and the Delaware Transportation Authority, Accounting for Debt Service Payments on GARVEE Bonds for the U.S. 301 Project" (the "Memorandum of Agreement") dated as of May 13, 2010, which provides for the reimbursement of the Department by FHWA for debt service and costs incurred for the Bonds, including principal, interest and other bond related costs, as provided in Title 23, Section 122, United States Code. Payments by the Department under the GARVEE Financing Agreement are made solely from Pledged Federal Aid and in accordance with Federal Aid Authorization (as defined herein).

In addition, the Department may enter into additional agreements, in addition to the Memorandum of Agreement (each, a "Federal Aid Agreement" and collectively the "Federal Aid Agreements"), with FHWA with respect to the Project (any such project "Federal Aid Projects"). Under the Memorandum of Agreement, FHWA has approved the Project as a Federal Aid Project under Title 23, Chapter 1 of the United States Code and applicable regulations for treatment as a debt-financed project and the Department and FHWA will agree that the reimbursement for the federal share of the costs of the Project will be effected through the making of payments by or on behalf of FHWA (subject to the availability of applicable federal aid under those statutes codified as Title 23, Chapter 1 of the United State Code and applicable regulations ("Federal Aid Authorization") in amounts and at times that correspond to payments of debt service on the Series 2010 Bonds (and related issuance costs) that relate to the Project.

The principal of and interest on the Series 2010 Bonds will be payable solely from the Trust Estate consisting of: (I) all moneys, securities, letters or credit or investments held in or entitled to be held by the Trustee under the Trust Agreement, including all funds and accounts created in the Trust Agreement (except the Rebate Fund) and all interest, profits and proceeds thereof; (II) all of the Authority's right, title and interest in the GARVEE Financing Agreement, including the Department's pledge, transfer and assignment of its rights, title and interest in the Pledged Federal Aid contained therein; (III) all of the Authority's right, title and interest in and to the Pledged Federal Aid; (IV) any and all property, rights and interests of every kind or description which from time to time hereafter may be sold, transferred, conveyed, assigned, pledged, mortgaged or delivered to the Trustee or the Authority as security thereunder; (V) all of the Authority's right, title and interest in and to any Counterparty Exchange Payments; and (VI) all proceeds of the foregoing (collectively, the "Trust Estate"). Pledged Federal Aid ("Pledged Federal Aid") consists of (i) all present and future Obligation Authority (as defined herein) received by or on behalf of, or available to the State from FHWA, excluding any categories of federal highway funds or Obligation Authority not legally available for the payment of debt service on the Bonds and (ii) any rights of the Department to receive such Obligation Authority.

Application of Pledged Federal Aid to the payment of principal of and interest on the Bonds is permitted under Federal law and, once deposited with the Trustee, may be made without any further appropriation under the law of the State. HOWEVER, FEDERAL AID AUTHORIZATION EXPRESSLY PROVIDES THAT NO FEDERAL AID AGREEMENT CAN CREATE ANY RIGHT IN ANY PARTY (OTHER THAN THE STATE) AGAINST FHWA AND THE FEDERAL AID AGREEMENT DOES NOT

CONSTITUTE A COMMITMENT, GUARANTY OR OBLIGATION ON THE PART OF THE UNITED STATES TO PROVIDE FOR THE PAYMENT OF DEBT SERVICE ON THE SERIES 2010 BONDS.

Pledged Federal Aid is paid to all states (including the State) on a reimbursement basis. The State's access to all of the amounts of available Pledged Federal Aid will depend, in part, on its continued spending on Federal Aid Projects. The Department expects that the State will have sufficient projects which will qualify as Federal Aid Projects to allow it to access all of the Pledged Federal Aid made available to it. See "STATE PARTICIPATION IN THE FEDERAL AID HIGHWAY PROGRAM - Future Utilization of Pledged Federal Aid."

THE ABOVE SUMMARY IS INTENDED ONLY AS A GENERAL INTRODUCTION TO THE SERIES 2010 BONDS AND THE SECURITY PROVIDED UNDER THE TRUST AGREEMENT AND DOES NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE. FOR MORE INFORMATION CONCERNING THE SERIES 2010 BONDS AND THE SPECIFIC PLEDGES AND OTHER PROVISIONS OF THE TRUST AGREEMENT UNDER WHICH THE SERIES 2010 BONDS ARE BEING ISSUED AND DESCRIPTIONS OF THE FEDERAL-AID HIGHWAY PROGRAM AND THE STATE'S PARTICIPATION THEREIN, PROSPECTIVE PURCHASERS OF THE SERIES 2010 BONDS SHOULD READ THE ENTIRETY OF THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO.

Capitalized terms not defined elsewhere in this Official Statement have the same meanings assigned to such terms in the Trust Agreement. See APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT."

No quotations from or summaries or explanations of provisions of laws and documents herein purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Copies of the Trust Agreement, the GARVEE Financing Agreement and other agreements described in this Official Statement may be obtained upon written request from the Authority.

INVESTMENT CONSIDERATIONS

The Authority's ability to pay principal of and interest on the Series 2010 Bonds depends upon numerous factors, many of which are not subject to the control of the Authority or the Department. Described below are certain factors that could affect the ability of the Authority to pay debt service on the Series 2010 Bonds.

Limited Obligations

The Series 2010 Bonds are limited obligations of the Authority, payable solely from the Trust Estate, consisting primarily of Pledged Federal Aid. The Owners of the Series 2010 Bonds may not look to any general or other fund of the Authority or the State for payment of principal of or interest on, the Series 2010 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS" and APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" for a further discussion of limitations as to the sources for payment of the Series 2010 Bonds.

Factors Affecting Pledged Federal Aid

The Pledged Federal Aid has historically been authorized by Congress under multiple-year authorizing legislation. Congress passed H.R.3, the "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" ("SAFETEA-LU"), on July 29, 2005 and it was signed into law by the President on August 10, 2005. SAFETEA-LU replaced the previous six-year authorizing legislation, the

Transportation Equity Act for the 21st Century, as amended (“TEA-21”), which expired on September 30, 2003. SAFETEA-LU has been extended beyond its original expiration date of September 30, 2009 until December 31, 2010. SAFETEA-LU also reauthorized the collection of federal gasoline excise taxes and other taxes generating revenues to the Federal Highway Trust Fund through the federal fiscal year ending September 30, 2011.

SAFETEA-LU includes certain provisions designed to provide continuity in the flow of Pledged Federal Aid to the states, including the State. There can be no assurance that such provisions will be continued under any future federal reauthorization or that, if continued, such provisions will be sufficient to ensure that Pledged Federal Aid will be available as needed if in the future Congress amends existing laws or fails to reauthorize expired transportation legislation, or if future legislation or federal administrative action reduces the amount of Pledged Federal Aid available to the Department. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL HIGHWAYS-SAFETEA-LU” herein.

There can be no assurance that there will not be future changes in law, regulation, policy, or the availability of revenues at the federal level which may materially adversely affect the future availability of Pledged Federal Aid to pay debt service on the Series 2010 Bonds. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS.”

There can be no assurance that once the Trustee transfers the Indirect Reimbursements (as defined herein) to the State's General Fund, such amounts, or any other amount of Pledged Federal Aid paid by FHWA directly to the General Fund, could be recaptured by the Trustee in the event of a debt service shortfall or an event of default under the Trust Agreement.

Default and Remedies

The Trust Agreement does not provide for acceleration of the Series 2010 Bonds if an Event of Default occurs. The rights of the Owners of the Series 2010 Bonds and the enforceability of the Series 2010 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State of the police power inherent in the sovereignty of the State, and by the exercise by the United States of the powers delegated to it by the United States Constitution.

Forward-Looking Statements

The Official Statement contains statements relating to future results that are forward-looking statements. When used in this Official Statement, the words “estimate”, “forecast”, “intend”, “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

THE PROJECT

The Authority proposes to use Series 2010 Bond proceeds for the Project. Project funds will primarily be used for, but not limited to, the completion of design and the right of way acquisition for the U.S. Route 301, Maryland State Line to SR 1, capital improvement project and for costs of issuance. The final planning and design for a new U.S. Route 301, Maryland State Line to SR 1, capital improvement project consists of: a new U.S. Route 301 Mainline, which will be a limited-access highway, on new location with two lanes in each direction, that will connect existing U.S. Route 301 at Delaware/Maryland line with

SR 1, south of the C&D Canal, a distance of 14.0 miles; and a new U.S. Route 301 Spur Road, which will be a limited-access highway, on new location with one lane in each direction, from new U.S. Route 301, in the vicinity of Armstrong Corner Road, to the Summit Bridge crossing of the C&D Canal, a distance of 3.5 miles.

Background Information

The National Environmental Policy Act (“NEPA”) requires Federal agencies to prepare environmental impact statements (“EISs”) for major Federal actions that significantly affect the quality of the human environment. An EIS is a full disclosure document that details the process through which a transportation project was developed, includes consideration of a range of reasonable alternatives, analyzes the potential impacts resulting from the alternatives, and demonstrates compliance with other applicable environmental laws and executive orders. The EIS process is completed in the following ordered steps: Notice of Intent (“NOI”), draft EIS, final EIS, and record of decision (“ROD”).

The NOI is published in the Federal Register by the lead Federal agency and signals the initiation of the process. Scoping, an open process involving the public and other Federal, state and local, agencies, commences immediately to identify the major and important issues for consideration during the study. Public involvement and agency coordination continues throughout the entire process. The draft EIS provides a detailed description of the proposal, the purpose and need, reasonable alternatives, the affected environment, and presents analysis of the anticipated beneficial and adverse environmental effects of the alternatives. Following a formal comment period and receipt of comments from the public and other agencies, the Federal EIS is developed and issued. The Federal EIS addresses the comments on the draft and identifies, based on analysis and comments, the "preferred alternative".

In the draft EIS, all reasonable alternatives should be discussed at a comparable level of detail. There is no requirement at this stage to have a "preferred alternative". However, if an official position has been taken on one of the alternatives, it can be stated as the selected alternative (the “Selected Alternative”).

The U.S. Route 301, Maryland State Line to SR 1, capital improvement project has undergone several planning efforts since the early 1960’s. The most recent effort began in 2005 and was concluded in 2009, with the US Army Corps of Engineers’ issuance of a provisional Section 404 permit under the Clean Water Act (33 U.S.C. 1251 et seq.) in August 2009.

The U.S. Route 301, Maryland State Line to SR 1, capital improvement project development effort culminated with a Final Environmental Impact Statement being issued in November 2007, the Federal Highway Administration's approval of the ROD in April 2008 and the US Army Corps of Engineers’ issuance of a provisional Section 404 permit in August 2009. The effort included the development and consideration of numerous alternatives; evaluation of socioeconomic and natural resource impacts, including noise and air quality; traffic, tolling and toll diversion studies; and extensive and ongoing involvement with the public, elected officials and federal and state environmental resource agencies.

The Selected Alternative provides a four-lane, access-controlled and tolled, U.S. Route 301, on a new location. New U.S. Route 301 will extend north from the MD/DE state line, west of Middletown, to the vicinity of Armstrong Corner Road, where it will continue northeast crossing existing U.S. Route 301 and Boyds Corner Road, before curving east and tying into SR 1, south of the C&D Canal. In the vicinity of Armstrong Corner Road, the two-lane, access-controlled U.S. Route 301 Spur Road will extend north from new U.S. Route 301 to the Summit Bridge. Access will be provided to new U.S. Route 301 via interchanges south of Middletown (Levels Road), in the vicinity of Armstrong Corner Road (existing U.S. Route 301), and at Jamison Corner Road (north of Boyds Corner Road). The U.S. Route 301 Spur Road access will be

provided to and from new U.S. Route 301, at Bethel Church Road and SR 896/Summit Bridge (to and from the north only).

Project Justification

The existing U.S. Route 301 no longer meets the needs of southern New Castle County and lacks capacity to accommodate current and projected future traffic volumes. The existing roadway also has sections that appear perennially on a list of the Department's High Accident locations, including 2007 HSIP Sites O and R.

The Project will also improve safety and reduce congestion; the fatality rate on existing U.S. Route 301 is 60% higher than the State-wide average and 70% higher than the national average. The new U.S. Route 301 will shift interstate traffic, especially high percentages of heavy truck traffic from local roads to a freeway facility, reducing congestion and improving safety.

Completing final design will assure that right-of-way needs are determined. Purchasing the land, removes the uncertainty and delay that property owners in the area have experienced over the past 40 years. It also protects the highway corridor from future development and provides a clear direction and certainty for developers in working with New Castle County and the Town of Middletown.

Work Completed To Date

Between State fiscal years 2005 and 2008, \$11 million in 100% State Transportation Trust Funds were expended for pre-ROD activities. The U.S. Route 301 project was not authorized as a Federal project during the pre-ROD activities; however, it was anticipated at that time that some Federal funding would be utilized on the project. The NEPA process was followed with considerable FHWA involvement throughout the process, including participation in the five sets of public workshops, a location/design public hearing, over 70 meetings with communities, businesses and elected officials, and over 40 total meetings and field reviews with the State's Environmental Resource Agencies Task Force.

FHWA was involved in and concurred with the development of the Range of Alternatives, the Alternatives Retained for Detailed Study, and the "preferred alternative" (each as described in NEPA). FHWA also approved the ROD and the Project Management Plan, along with the review of and general concurrence in the draft Initial Financial Plan.

Funding Construction

As final design and right-of-way activities near completion, and assuming the national economy and bond markets have stabilized, the Department will prepare an independent investment grade traffic and revenue (T&R) report and updated project cost estimates and will make a recommendation to the Governor and the General Assembly, regarding construction timing, tolling structure, and funding sources for new U.S. Route 301, none of which impacts (i) the rights of the Department to receive reimbursement from FHWA under the Memorandum of Agreement or (ii) the payment of debt service and costs incurred for the Series 2010 Bonds.

PLAN OF FINANCE

Estimated Sources and Uses of the Series 2010 Bond Proceeds

The table below sets forth the estimated sources and uses of the Series 2010 Bond proceeds.

SOURCES OF FUNDS:

Par Amount of the Series 2010 Bonds	\$113,490,000
Net Original Issue Premium	<u>12,455,754</u>
Total sources of funds	<u>\$125,945,754</u>

USES OF FUNDS:

Project Fund Deposit	\$125,000,000
Costs of Issuance ¹	400,216
Underwriter's Discount	<u>545,538</u>
Total uses of funds	<u>\$125,945,754</u>

¹ Costs of Issuance include fees for rating agencies, legal counsel, financial advisor, and other expenses associated with the issuance of the Series 2010 Bonds.

THE SERIES 2010 BONDS

Description of the Series 2010 Bonds

The Series 2010 Bonds are dated as of their date of delivery (“Date of Delivery”), and will mature on March 1 and September 1 in the years and principal amounts, all as set forth on the inside front cover of this Official Statement. The Series 2010 Bonds shall bear interest from the Date of Delivery, until paid, at the rate or rates set forth on the inside front cover (computed on the basis of a 360-day year, composed of twelve 30-day months) payable on March 1, 2011 and semiannually thereafter on March 1 and September 1 of each year (the “Interest Payment Dates”) while such Series 2010 Bonds are Outstanding.

The Series 2010 Bonds are issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. So long as the Series 2010 Bonds shall be maintained under a book-entry system, payments of the principal and redemption price of and interest on the Series 2010 Bonds will be made as described below under the heading “DTC and Book-Entry Only System.” At any other time, interest on the Series 2010 Bonds will be payable by check or draft mailed on each Interest Payment Date, or the next ensuing Business Day if such Interest Payment Date is not a Business Day, to each registered owner thereof at his address as it appears on the registration books of the Trustee at the close of business on the 15th day of the month next preceding the interest payment date (the “Record Date”), and the principal of the Series 2010 Bonds will be payable upon presentation and surrender of the Series 2010 Bonds, when due, at the corporate trust office of the Trustee.

Registration and Exchange of Bonds

So long as the Series 2010 Bonds are maintained under a book-entry only system, Beneficial Owners (hereinafter defined) thereof will have no right to receive physical possession of the Series 2010 Bonds, and transfers of ownership interests in the Series 2010 Bonds will be made through book-entries by DTC and the Direct Participants. See “DTC and Book-Entry Only System.”

If the book-entry only system is discontinued, the Series 2010 Bonds, upon surrender thereof at the corporate trust office of the Trustee, together with an assignment duly executed by the registered owner or his/her attorney or legal representative in such form as shall be satisfactory to the Trustee, may be exchanged for an equal aggregate principal amount of Series 2010 Bonds of the same maturity, of any authorized denomination or denominations, and bearing interest at the same rate as the Series 2010 Bonds surrendered for exchange.

The transfer of any Series 2010 Bond may be registered only upon the books kept for the registration and transfer of bonds upon surrender of such bond to the Trustee, together with an assignment duly executed by the registered owner or his/her attorney or legal representative in such form as shall be satisfactory to the Trustee.

Upon any exchange or registration of transfer, the Authority shall execute, and the Trustee shall authenticate and deliver in exchange for such bond within a commercially reasonable time according to then prevailing industry standards, a new Series 2010 Bond or Bonds, registered in the name of the transferee, in authorized denomination or denominations, in an aggregate principal amount equal to the principal amount of the Series 2010 Bond surrendered, of the same maturity and bearing interest at the same rate.

The Authority or the Trustee may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any bondholder for the privilege of exchanging or registering the transfer of Bonds under the provisions of the Trust Agreement.

Optional Redemption

The Series 2010 Bonds maturing after September 1, 2020, are subject to redemption prior to maturity at the option of the Authority on or after September 1, 2020, in whole or in part at any time, at the redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the date set for redemption.

Mandatory Sinking Fund Redemption

The Series 2010 Bond in the principal amount of \$2,895,000 maturing on September 1, 2021 shall be subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to par plus interest accrued to the redemption date in the following principal amounts on the dates set forth below:

<u>Year</u>	<u>Principal Amount</u>
3/1/2021	\$1,450,000
9/1/2021*	1,445,000

*Final Maturity

The Series 2010 Bond in the principal amount of \$6,100,000 maturing on September 1, 2021 shall be subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to par plus interest accrued to the redemption date in the following principal amounts on the dates set forth below:

<u>Year</u>	<u>Principal Amount</u>
3/1/2021	\$3,045,000
9/1/2021*	3,055,000

*Final Maturity

The Series 2010 Bond in the principal amount of \$9,420,000 maturing on September 1, 2022 shall be subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to par plus interest accrued to the redemption date in the following principal amounts on the dates set forth below:

<u>Year</u>	<u>Principal Amount</u>
3/1/2022	\$4,710,000
9/1/2022*	4,710,000

*Final Maturity

The Series 2010 Bond in the principal amount of \$2,655,000 maturing on September 1, 2023 shall be subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to par plus interest accrued to the redemption date in the following principal amounts on the dates set forth below:

<u>Year</u>	<u>Principal Amount</u>
3/1/2023	\$1,300,000
9/1/2023*	1,355,000

*Final Maturity

The Series 2010 Bond in the principal amount of \$7,230,000 maturing on September 1, 2023 shall be subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to par plus interest accrued to the redemption date in the following principal amounts on the dates set forth below:

<u>Year</u>	<u>Principal Amount</u>
3/1/2023	\$3,615,000
9/1/2023*	3,615,000

*Final Maturity

The Series 2010 Bond in the principal amount of \$10,355,000 maturing on September 1, 2024 shall be subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to par plus interest accrued to the redemption date in the following principal amounts on the dates set forth below:

<u>Year</u>	<u>Principal Amount</u>
3/1/2024	\$5,175,000
9/1/2024*	5,180,000

*Final Maturity

Notice of Redemption

The Trustee shall cause notice of the redemption to be given at least twenty (20) days prior to the Redemption Date by mailing copies of such notice of redemption by first class mail to all Holders of Bonds to be redeemed at their registered addresses. Notwithstanding the provisions set forth in this paragraph, so long as any Series 2010 Bonds are Outstanding as Book-Entry Only Bonds, the DTC Operational Arrangements shall govern and if any conflict exists between the provisions of this paragraph and the DTC Operational Arrangements, the DTC Operational Arrangements shall prevail.

Redemption of Portion of Bond

In case part, but not all, of a Series 2010 Bond shall be selected for redemption, upon the presentation and surrender of such Bond to the Paying Agent for payment of the principal amount thereof so called for redemption in accordance with such Bond, the Authority shall execute and the Trustee shall authenticate and deliver to or upon the order of the Holder of such Bond or the Holder's attorney or legal representative, without charge thereof, for the unredeemed portion of the principal amount of the Bond so surrendered, a Series 2010 Bond or Bonds of the same maturity, bearing interest at the same rate and of any Authorized Denomination in aggregate principal amount equal to the unredeemed portion of such Bond.

Selection for Redemption

If fewer than all of the Series 2010 Bonds shall be called for redemption, the maturities (and principal amount within a maturity of the Series 2010 Bonds to be redeemed) shall be selected by the Authority. If fewer than all of the Series 2010 Bonds of any one maturity and interest rate are called for redemption, the selection of individual ownership interests in the Series 2010 Bonds to be credited with any such partial redemption shall be made by lot, provided that the portion of any Series 2010 Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination and, in selecting Series 2010 Bonds for redemption, each Series 2010 Bond shall be treated as representing the number of Series 2010 Bonds that is obtained by dividing the principal amount of such Series 2010 Bond by \$5,000.

DTC and Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued 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 Bond certificate will be issued for each maturity and interest rate of the Series 2010 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 (the "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. So long as the Series 2010 Bonds are maintained in book-entry form, the following procedures will be applicable with respect to the Series 2010 Bonds.

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 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 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct 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 the Series 2010 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 Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 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.

Conveyance of notices and other communications (i) by DTC to Direct Participants, (ii) by Direct Participants to Indirect Participants, and (iii) 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds within a maturity and interest rate are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2010 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2010 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 Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee on payable 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 (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered to DTC.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, Series 2010 Bond certificates will be printed and delivered.

THE INFORMATION PROVIDED IMMEDIATELY ABOVE UNDER THIS CAPTION HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY OR THE UNDERWRITERS, EITHER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE TO THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. THE AUTHORITY CANNOT AND DOES NOT GIVE ANY ASSURANCE THAT DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PRINCIPAL AND INTEREST PAYMENTS OR ANY REDEMPTION OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Special Considerations

Because DTC can only act on behalf of Participants, who in turn act on behalf of Indirect Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2010 Bonds to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such Series 2010 Bonds, may be limited due to the lack of a physical certificate for such Series 2010 Bonds.

Under its current procedures, DTC does not automatically forward redemption and other notices to its Participants who have Series 2010 Bonds credited to their accounts. Rather, a notice that DTC has received a notice is entered onto an electronic computer network which DTC shares with its Direct Participants, and such Direct Participants may obtain the full text of such notices upon request. The Authority and the Paying Agent have no control over whether or how timely redemption and other notices are made available by DTC to its Direct Participants; by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners of the Series 2010 Bonds.

Termination of Book-Entry Only System

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In the event that the book-entry only system is discontinued, the Series 2010 Bonds will be delivered by DTC to the Trustee and such Series 2010 Bonds will be exchanged for Series 2010 Bonds registered in the names of the Direct Participants or the Beneficial Owners identified to the Trustee. In such event, certain provisions of the Series 2010 Bonds pertaining to ownership of the Series 2010 Bonds will be applicable to the registered owners of the Series 2010 Bonds as described above under the heading "THE SERIES 2010 BONDS - Registration and Exchange of Bonds."

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each State fiscal year ending June 30 the scheduled annual debt service requirements for the Series 2010 Bonds, including the amount required to pay principal (whether at maturity or by mandatory sinking fund redemption) and for payment of interest on each March 1 and September of each fiscal year.

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$2,335,000	\$3,755,455	\$6,090,455
2012	5,320,000	5,109,938	10,429,938
2013	6,120,000	4,862,513	10,982,513
2014	5,645,000	4,552,638	10,197,638
2015	7,495,000	4,275,338	11,770,338
2016	6,990,000	3,996,288	10,986,288
2017	7,280,000	3,713,888	10,993,888
2018	7,625,000	3,363,838	10,988,838
2019	7,985,000	2,997,488	10,982,488
2020	8,375,000	2,613,263	10,988,263
2021	8,785,000	2,189,388	10,974,388
2022	9,210,000	1,782,906	10,992,906
2023	9,625,000	1,329,800	10,954,800
2024	10,145,000	871,713	11,016,713
2025	<u>10,555,000</u>	<u>369,375</u>	<u>10,924,375</u>
Total	<u>\$113,490,000</u>	<u>\$45,783,823*</u>	<u>\$159,273,823*</u>

*Totals may not add due to rounding.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS

Limited Obligations

THE SERIES 2010 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM CERTAIN PLEDGED FEDERAL AID AVAILABLE TO THE STATE AND OTHER MONEYS INCLUDED IN THE TRUST ESTATE CREATED BY THE TRUST AGREEMENT, AND ARE NOT AND SHALL NOT BE DEEMED TO (I) BE GENERAL OBLIGATIONS OF THE AUTHORITY, (II) CONSTITUTE OBLIGATIONS OF THE DEPARTMENT, OR (III) CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE OWNERS OF THE SERIES 2010 BONDS MAY NOT LOOK TO ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY (OTHER THAN THE TRUST ESTATE) OR THE STATE FOR PAYMENT OF THE BONDS, AND THE SERIES 2010 BONDS SHALL NOT BE DEEMED OR CONSTRUED AS CREATING A PLEDGE OF THE TAXING POWERS, FAITH, OR CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE. THE AUTHORITY HAS NO TAXING POWERS.

While application of Pledged Federal Aid to the payment of principal of and interest on the Series 2010 Bonds is permitted under federal law and may be made without any further appropriation under State law, the Memorandum of Agreement does not create any right in any party (other than the Department) against FHWA and does not constitute a commitment, guaranty or obligation on the part of the United States to provide for the payment of debt service on the Series 2010 Bonds.

Trust Estate

The Series 2010 Bonds are payable solely from the Trust Estate established under the Trust Agreement, and the Trust Estate is to be held by the Trustee for the equal and proportionate benefit of the Owners of all the Bonds and any of them without preference, priority, or distinction as to lien or otherwise, except as expressly set forth in the Trust Agreement or any subsequent Supplemental Trust Agreement. See APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT” for a further description of the provisions of the Trust Agreement regarding the Trust Estate.

Pledged Federal Aid

The Federal government makes federal aid available to state and local entities, including the Department, under a number of federal programs for highway, safety, transit, and motor carrier projects. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS” below for a detailed explanation of the federal aid highway program and its history of funding in the State. The Act authorizes the Authority to pledge any federal aid grants received or to be received for debt service and related issuance costs on the Series 2010 Bonds directly to the Trustee. The Department is also authorized to pledge federal aid grants for debt service and related costs on the Series 2010 Bonds directly to the Trustee. Pledged Federal Aid will be paid directly to the Trustee without the requirement of further General Assembly appropriation in each year in amounts necessary to pay the debt service on the Series 2010 Bonds. Pursuant to the Memorandum of Agreement, FHWA has agreed that the Project will be designated as an Advance Construction project and that FHWA will make payment of the debt service on the Series 2010 Bonds to the Trustee generally three to five Business Days prior to each debt service payment date. The Advance Construction designation will ensure that the Project follows federal aid procedures and will preserve the eligibility to reimburse debt-related costs with future federal aid funds.

Pledged Federal Aid is defined in the Trust Agreement to include (i) all present and future Obligation Authority received by or on behalf of, or available to the State from FHWA, excluding any categories of federal highway funds or Obligation Authority not legally available for the payment of debt service on the Bonds and (ii) any rights of the Department to receive such Obligation Authority. The Title 23 federal aid revenues legally available as Pledged Federal Aid include, but are not limited to, those derived pursuant to Title 23 from the following categories: Interstate Maintenance, National Highway System, Bridge, Surface Transportation, Congestion Mitigation and Air Quality Improvement, and amounts available under the minimum guarantee provisions.

See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS - Payments of Pledged Federal Aid to the Trustee” below.

Payments of Pledged Federal Aid to the Trustee

The Memorandum of Agreement provides that FHWA will pay directly to the Trustee, generally on or before the third (3rd) to fifth (5th) Business Day immediately preceding each due date of interest or principal on the Bonds (each an “Interest Payment Date”), Pledged Federal Aid in the amount due for debt service and other related bond costs on such date (the “Direct GARVEE Reimbursement”). With respect to the Project, under the GARVEE Financing Agreement and the Federal Aid Agreements (including the Memorandum of Agreement), FHWA is expected to make such payments directly to the Trustee without the requirement of State appropriation.

If Pledged Federal Aid payable under the Federal Aid Agreements are paid first to the Department, the Department covenants to pay the amount of Pledged Federal Aid required under the Trust Agreement to the Trustee by the dates set forth herein. Pursuant to the GARVEE Financing Agreement, the Department

shall, on a monthly basis, instruct FHWA to transmit Pledged Federal Aid equal to one-sixth (1/6) of the next interest payment and one-sixth (1/6) of the next maturing principal payment due on the Bonds, or such other amount specified by the Authority or the Department in a Related Series Trust Agreement for any Additional Bonds (collectively, the “Indirect Reimbursements”) for deposit into the Indirect Reimbursement Account of the Debt Service Fund held by the Trustee pursuant to the Trust Agreement so that by the 25th day of the month preceding each Interest Payment Date, such Indirect Reimbursements so deposited in the Indirect Reimbursement Account will be sufficient to pay the next maturing debt service payment on the Bonds.

Notwithstanding anything to the contrary set forth above, if three (3) Business Days prior to the Interest Payment Date, there are not sufficient Direct GARVEE Reimbursements on deposit in the Direct GARVEE Reimbursement Account of the Debt Service Fund to pay the next maturing debt service payment, the Authority shall immediately request FHWA to transfer Pledged Federal Aid constituting Direct GARVEE Reimbursements to the Trustee in an amount equal to such deficiency for receipt by the Trustee or other paying agent on the next succeeding Business Day. So long as FHWA timely deposits the Direct GARVEE Reimbursements prior to the Interest Payment Date to the Trustee as required by the Memorandum of Agreement, the Trustee shall release and transfer the Indirect Reimbursements held in the Indirect Reimbursement Account to the State’s General Fund upon direction by the Authority. Once the Trustee transfers the Indirect Reimbursements to the State’s General Fund, there can be no reassurance that such amounts, or any other amount of Pledged Federal Aid paid by FHWA directly to the State’s General Fund, could be recaptured by the Trustee in the event of a subsequent shortfall or an event of default under the Trust Agreement. In the event FHWA does not so deposit such deficient Direct GARVEE Reimbursements prior to the Interest Payment Date, the Trustee shall use the Indirect Reimbursements in the Indirect Reimbursement Account to cover such deficiency.

If and to the extent the entire amount of the debt service due on an Interest Payment Date is not paid to the Trustee in accordance with the above, the Trustee shall immediately notify the Authority and the Department and, if and to the extent the Department has Pledged Federal Aid on deposit in any other account or fund, the Authority shall cause the Department to pay directly to the Trustee, within 24 hours after the receipt of such notice, Pledged Federal Aid in an amount equal to the amount of such deficiency.

Issuance of Additional Bonds

The Trust Agreement permits the issuance of Additional Bonds payable on a parity with the Series 2010 Bonds upon meeting the conditions of the Trust Agreement, as described in APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT — Conditions to Issuance of Bonds.” Subject to complying with the limits established in the Act and the Trust Agreement, the Authority may issue additional Bonds in the future for any lawful purpose. Under the Memorandum of Agreement, the Project is the only construction project for which Bonds may be issued under the Trust Agreement unless otherwise approved by the FHWA. There can be no assurance that the General Assembly of the State will or will not authorize additional Construction Projects to be funded in whole or in part with proceeds of Additional Bonds. The Trust Agreement requires, among other things, that before any Series of Additional Bonds is issued for other than refunding purposes, (i) a certificate of an Authorized Officer of the Authority has been delivered stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Trust Agreement or the GARVEE Financing Agreement, and (ii) a certificate of an Authorized Officer of the Authority has been delivered which demonstrates that the eligible Obligation Authority during the most recently completed Federal Fiscal Year was equal to at least three times (300%) of the Maximum Annual Debt Service in the current and any future Federal Fiscal Year on all Outstanding Bonds and on the Additional Bonds proposed to be issued excluding, in the case of Refunding Bonds, the debt service on the Bonds to be refunded thereby.

Amendment or Supplement to GARVEE Financing Agreement

The GARVEE Financing Agreement may not be amended or supplemented by the Authority and the Department in a manner which is inconsistent with the provisions of the Trust Agreement or which will have a material adverse effect on the holders of the Bonds.

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

The Federal-Aid Highway Program (FAHP)

The Federal-Aid Highway Program (“FAHP”) is an “umbrella” term that encompasses most of the federal programs that provide highway funding to the states, including the State. The major funding for the FAHP is made available in six core programs: the Interstate Maintenance Program, the Highway Bridge Replacement and Rehabilitation Program, the National Highway System Program, the Surface Transportation Program, the Congestion Mitigation and Air Quality Program and the Equity Bonus Program (formerly the Minimum Guarantee Program).

Within the U.S. Department of Transportation, FHWA is the federal agency responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the Federal Highway Trust Fund (“HTF”). The primary source of revenues in the HTF is derived from the federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes.

It should be noted that the terms and conditions of participation in the FAHP as described herein are subject to change at the discretion of Congress, and there can be no assurance that the laws and regulations now governing the FAHP will not be changed in the future in a manner that may adversely affect the ability of the State to receive adequate FHWA Funds to pay the debt service on the Series 2010 Bonds.

Certain FAHP features or requirements are explained or further defined where they appear below but are introduced here for reference:

- *The Federal Highway Trust Fund* (the “HTF”): The HTF is a dedicated federal fund with dedicated revenues held in trust for reimbursement of expenditures by the states for costs of eligible transportation projects, including highway projects.
- *Authorization*: “Authorization” is the process by which Congress authorizes the expenditure of federal revenue on federal programs. For the FAHP, authorization historically has been provided on a multi-year basis. This, together with the availability of HTF revenue and future HTF collections permits states more certainty in planning long-term highway projects. The current multi-year authorization, the Safe Accountable, Flexibly, Efficient Transportation Equity Act: Legacy for Users (“SAFETEA-LU”), became law on August 10, 2005 and has been extended beyond its original expiration date of September 30, 2009 until December 31, 2010. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL HIGHWAYS – SAFETEA-LU” below.
- *Apportionment*: For each Federal Fiscal Year (“FFY”), FHWA apportions the authorization funding among the states according to formulas that are established in authorizing statutes. The distribution of federal funds that do not have a statutory formula is called “allocation” rather than “apportionment.”

- *Obligation Authority:* “Obligation” is the commitment of the federal government to pay, through reimbursements to a state, its share of the eligible expenditures on an approved project. The amount of such federal revenues that a state can obligate in a given Federal Fiscal Year is called its “Obligation Authority.”
- *Advance Construction:* The Advance Construction procedure allows states to commence eligible projects without first having to obligate the federal government’s share of expenditures. Thus, states may begin a project before amassing all of the Obligation Authority needed to cover the federal government’s share. The Project is an Advance Construction Project.
- *Partial conversion of Advance Construction:* Under partial conversion of Advance Construction, in a given year a state may convert Advance Construction to Obligation Authority and thus be eligible for reimbursement for a portion of the federal share of an Advance Construction project in that or in a subsequent FFY. This removes any requirement for the state to wait for reimbursements until the full amount of Obligation Authority needed for the entire project is available.

These features of the FAHP work in a complementary fashion to provide a regular flow of federal reimbursements over the years to state highway projects.

The participation of the State in such reimbursements, and the role of such participation in providing payment and security for the Series 2010 Bonds, is discussed in “STATE PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM” herein.

Although FHWA provides funding for eligible highway projects, federal-aid highways are under the administrative control of the state or local government responsible for their operation and maintenance.

Title 23, United States Code, entitled “Highways”, includes most of the laws that govern the FAHP arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

Federal Highway Trust Fund (HTF)

The HTF is the primary source of funding for most of the programs in the FAHP. The HTF is divided into two accounts, the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. Federal motor fuel taxes are the major source of income into the HTF. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of each revenue source being deposited in the Mass Transit Account.

The HTF was created as a user-supported fund. The revenues of the HTF were intended for financing highways, with the taxes dedicated to the HTF paid by the users of highways. This principle is still in effect, but the tax structure has changed since 1956. Major revisions occurred as a result of the Surface Transportation Assistance Act (STAA) of 1982 and the Deficit Reduction Act of 1984. These acts increased the motor-fuel taxes for the first time since 1959. The 1982 STAA also established a special Mass Transit Account in the HTF to receive part of the motor-fuel tax. During the time that SAFETEA-LU was being developed, a number of changes impacting the Highway Trust Fund were adopted in the American Jobs Creation Act of 2004. The American Jobs Creation Act replaced the reduced tax rates that applied to gasohol

with a credit paid from the General Fund of the Treasury and ended the retention of a portion of the tax on gasohol by the General Fund. These actions, coupled with a number of provisions to reduce tax evasion, provided increased tax revenues to the Highway Trust Fund.

The passage of SAFETEA-LU extended the imposition of taxes and the transfer of the taxes to the HTF through September 30, 2011. Provisions for full or partial exemption from highway user taxes were also extended. Additionally, provision for deposit of almost all of the highway user taxes into the HTF was also extended through September 30, 2009. In addition, SAFETEA-LU authorized expenditures from the HTF through September 30, 2009. To date, there have been four (4) extensions of SAFETEA-LU which have extended current funding through December 31, 2010. Most recently, in the Hiring Incentives to Restore Employment Act (“HIRE Act”), President Obama (i) extended SAFETEA-LU until December 31, 2010; (ii) deposited \$19.5 billion into the HTF to reimburse the HTF for interest payments not received since 1998; (iii) restored in this Federal Fiscal Year \$8.7 billion in highway Contract Authority to the states that had been rescinded at the end of Fiscal Year 2009; (iv) funded the FAHP’s Contract Authority for Federal Fiscal Year 2010 at \$42 billion, up from \$30 billion, returning the program to its Federal Fiscal Year 2009 funding level; (v) allowed the HTF in the future to collect interest on its deposits, as all other federal trust funds are authorized to do; and (vi) restructured fuel-tax exemptions for government vehicles currently paid out of the HTF so future payments come out of the general fund rather than the HTF, increasing money available for highway and transit projects in future years. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – SAFETEA-LU” herein.

Federal law not only regulates the imposition of the taxes, but also their deposit into and expenditure from the HTF.

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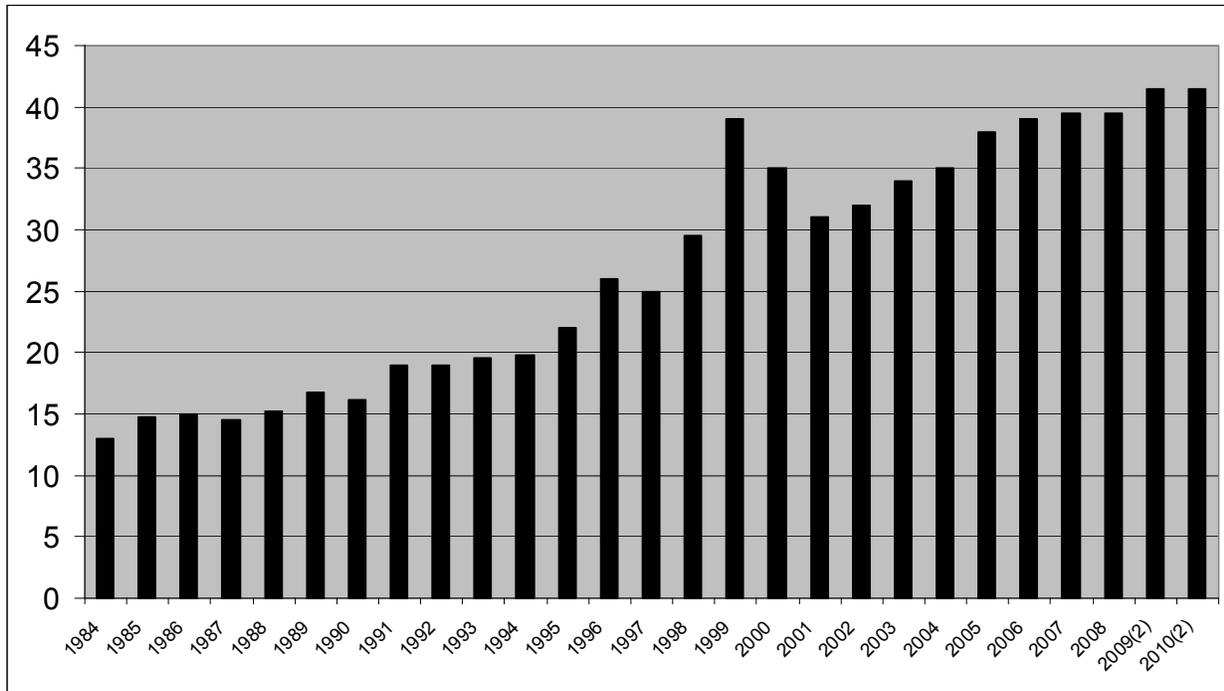
The table below shows the types of taxes deposited into the HTF and the current rates that are in effect.

Motor Fuels	
Gasoline and gasohol	18.4 cents per gallon
Diesel	24.4 cents per gallon
Special Fuels:	
General rate	18.4 cents per gallon
Liquefied petroleum gas	18.3 cents per gallon
Liquefied natural gas	24.3 cents per gallon
M85 (from natural gas)	9.25 cents per gallon
Compressed natural gas	18.3 cents / 126.67 cubic feet
Tires (maximum rated load capacity)	
0-3,500 pounds	No Tax
Over 3,500 pounds	9.45 cents per each 10 pounds in excess of 3,500
Other Taxes	
Truck and Trailer Sales	12 percent of retailer's sales price for tractors and trucks over 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds GVW
Heavy Vehicle Use	Annual tax: Trucks 55,000 pounds and over GVW, \$100 plus \$22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 pounds (maximum tax of \$550)

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The following table shows annual HTF collections in the Highway Account for the Federal Fiscal Years 1984 through 2010 (in billions).

**Payments into the Highway Account of the Highway Trust Fund⁽¹⁾
Federal Fiscal Years 1984-2010 (in billions)**



Sources: Federal Fiscal Year 1984 through Fiscal Year 2007. Highway Statistics 2007. Office of Highway Policy Information, FHWA, Table FE-210.

- (1) Excludes interest on balances and certain non-motor fuel excise tax receipts.
- (2) FFY 2008 actual, and FFY 2009 and 2010 estimated from President’s FFY 2010 Budget.

Federal-Aid Highway Program Reauthorization

The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to expend moneys from the HTF, all have expiration dates which must be extended periodically. The life of the HTF has been extended several times since its inception, most recently by SAFETEA-LU (as described below). SAFETEA-LU extended the imposition of taxes and the transfer of the taxes to the HTF through September 30, 2011 and authorized expenditures from the HTF through September 30, 2009.¹ The HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

As part of its annual budget forecast issued on January 24, 2007, the nonpartisan Congressional Budget Office (“CBO”) reported that if Congress adhered to the highway and safety spending levels authorized in SAFETEA-LU, absent other measures, the Highway Account of the Highway Trust Fund would go into deficit early in Federal Fiscal Year 2009, before SAFETEA-LU expired. The CBO baseline projected that if the SAFETEA-LU spending levels were maintained for Federal Fiscal Years 2007-2009

¹ SAFETEA-LU was extended to December 31, 2010 by the HIRE ACT. See “INFORMATION CONCERNING FEDERAL-AID HIGHWAYS-Federal Highway Trust Fund (HTF)” herein.

there would be a deficit in the Highway Account at the end of Federal Fiscal Year 2009 in the amount of \$3.616 billion. The President's budget proposal in February 2008 projected that the Highway Trust Fund would show a deficit of at least \$3.3 billion in Federal Fiscal Year 2009.

In response to the projected shortfalls, Congress enacted two separate laws to maintain a positive balance in the HTF through the end of Federal Fiscal Year 2009 (September 30, 2009). The first, H.R. 6532, enacted on September 15, 2008, transferred \$8.017 billion from the General Fund to the Highway Trust Fund to cover the then-anticipated shortfall for Federal Fiscal Year 2009. These funds restored revenues that had been shifted from the highway Trust Fund to the General Fund as a result of federal budget negotiations in 1998. The second, H.R. 3357, enacted on August 7, 2009 transferred an additional \$7 billion from the General Fund to the HTF to cover an additional shortfall through the remainder of Federal Fiscal Year 2009. The two actions allowed state departments of transportation to continue to meet their financial obligations and sustain hundreds of millions of dollars of construction projects that had been put on hold after the then U.S. Secretary of Transportation Mary Peters announced on September 5, 2008 that federal-aid payments to the states would be partially withheld because of a shortage of funds. For information regarding actions since September 30, 2009, see "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Reauthorization Risk."

The primary source of funds in the Federal Highway Trust Fund is federal excise taxes on motor fuels. From January 1984 through November 2007, total vehicle miles traveled ("VMT") in the U.S. increased 83% from an estimated total of 1.65 trillion miles driven in January 1984 to 3.04 trillion miles driven in November 2007. During this time period, total VMT did not experience any year over year monthly decreases in VMT (i.e. May 2007 compared to May 2006) and only 12 month-to-month decreases (i.e. May 2007 compared to April 2007). On a year-over year basis, beginning in March 2008, total U.S. year-over year monthly VMT decreased for 20 straight months continuing through October 2009 prior to increasing in November and December 2009, and then decreasing again in January and February 2010. On a month-to-month basis, total U.S. VMT decreased for 16 straight months beginning in December 2007 through March 2009 before increasing in six of the eight months between April 2009 and November 2009. During this time, total VMT in the U.S. has decreased from 3.038 trillion miles traveled in November 2007 to 2.933 trillion miles traveled in November 2009, a decrease in 105 billion miles (3.3%) but also a 19 billion mile increase from the low of 2.914 trillion miles traveled experienced in both March and May 2009. In 2010, total U.S. VMT decreased for the first two months of the year, by 3.7 billion miles (1.6%) in January 2010 and 6.3 billion miles (2.3%) in February 2010 as compared to the same periods in 2009. The overall decline in VMT has resulted in the HTF receiving less revenue from gasoline and diesel sales. It cannot be determined whether the improvement in VMT's over the past several months will continue or whether the overall declines in VMT will have an adverse impact on the Federal Highway Trust Fund or the availability of Federal Transportation Funds to pay debt service on the Series 2010 Bonds.

Various proposals are being considered to address the HTF's future funding, including an increase in fuel taxes, a variety of new taxes (including a tax on VMT) and other funding sources for the HTF. On March 18, 2010, President Obama signed into law the HIRE Act that, *inter alia*, increased funds available to states for infrastructure improvements. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS- Federal Highway Trust Fund" herein for a description of the HIRE Act. There can be no assurance that any other proposals will be enacted by Congress.

THE TERMS AND CONDITIONS OF PARTICIPATION IN THE FAHP AS DESCRIBED HEREIN ARE THOSE IN SAFETEA-LU AND ARE SUBJECT TO CHANGE AT THE DISCRETION OF CONGRESS. THERE CAN BE NO ASSURANCE THAT THE LAWS AND REGULATIONS NOW GOVERNING THE FAHP WILL NOT BE CHANGED IN THE FUTURE IN A MANNER THAT MAY ADVERSELY AFFECT THE ABILITY OF THE DEPARTMENT TO RECEIVE FEDERAL AID REVENUES SUFFICIENT TO ENABLE THE AUTHORITY TO PAY DEBT SERVICE ON THE BONDS.

The principal statutes establishing the Federal-Aid Highway Program are found in Title 23, United States Code (23 U.S.C.). Regulatory requirements are generally found in Title 23, Highways, of the Code of Federal Regulations (23 CFR). Title 23, entitled “Highways”, includes most of the laws that govern the FAHP arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

Reauthorization Risk

On September 30, 2009, SAFETEA-LU expired without enactment of a new six-year reauthorization program. In order to avoid a halt in the Federal-aid Highway Program, Congress has enacted four short-term interim authorizations: the first extended SAFETEA-LU’s Federal Fiscal Year 2009 funding levels through the end of October 2009, the second, enacted in late October, extended Federal Fiscal Year 2009 funding levels through December 18, 2009, the third extended Federal Fiscal Year 2009 funding levels through February 28, 2010, and the fourth extended Federal Fiscal Year 2009 funding levels through December 31, 2010 as extended by the HIRE Act. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS-Federal Highway Trust Fund” for a description of the HIRE Act. For example, TEA 21 expired on September 20, 2003 and was the subject of multiple interim reauthorization extensions until the enactment of SAFETEA-LU in August 2005. If SAFETEA-LU is not reauthorized at sufficient funding and spending levels to address the shortfalls in fuel taxes collected and the decline in VMT, the Federal Highway Trust Fund could continue to experience deficits.

Federal Funding Cycle

Although FHWA provides funding for eligible highway projects, federal-aid highways are under the administrative control of the state or local government responsible for their operation and maintenance. Funding under the FAHP is provided to states through a multi-step funding cycle that includes:

- (1) multi-year funding authorization by Congress;
- (2) apportionment and allocation of funds to the states each Federal Fiscal Year according to statutory formulas or, for some funding categories through administrative action;
- (3) obligation of funds, which is the federal government’s legal commitment to pay or reimburse states for the federal share of a project’s eligible costs;
- (4) appropriations by Congress specifying the amount of funds available for the year to liquidate obligations;
- (5) program implementation which covers the programming and authorization phases; and
- (6) reimbursement by the federal government of the eligible project costs.

Each of these steps is described in more detail in the following section.

Federal-Aid Funding Procedures

1. Authorization

The first step in funding the FAHP is the development and enactment of authorizing legislation. Authorizing legislation for highways began with the Federal-Aid Road Act of 1916 and the Federal Highway Act of 1921. Since that time, the FAHP has been continued or renewed through the passage of multi-year authorization acts. Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi-year surface transportation acts. Most recently, Congress has passed SAFETEA-LU which includes provisions for reauthorization of the FAHP through September 30, 2009.

The authorization act not only shapes and defines programs, but also sets upper limits (authorizations) on the funding for programs and includes provisions related to the operation of the Highway Trust Fund.

Once Congress has established authorizations, funds can be made available to the states. Federal programs typically operate using appropriated budget authority, whereby funds, although authorized, are not available until passage of an appropriations act. However, most FAHP programs do not require this two-step process. Through “contract authority” (a special type of budget authority), authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the FAHP, funds authorized for a Federal Fiscal Year are available for distribution through apportionments or allocations. The contract authority gives the states advance notice of the level of federal funding when an authorization act is enacted; this eliminates the uncertainty associated with the authorization-appropriation sequence.

The existence of dedicated revenues in the HTF and multi-year contract authorizations are designed to provide a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts is minimal, since sufficient unobligated balances generally exist that can be used by the states, with the approval of Congress, to cover gaps in funding between multi-year reauthorization acts. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS-SAFETEA-LU” and “-Lapsing of Authorization”.

2. Apportionment and Allocations

For most components of the FAHP, the authorization act sets the distribution of contract authority to be apportioned and/or allocated to the states. The authorized amount for a given Federal Fiscal Year is distributed to the states through apportionments and allocations.

The distribution of funds using a formula provided in law is called an apportionment. Most federal-aid funds are distributed to states through apportionments. Each Federal Fiscal Year, FHWA has responsibility for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute. Various apportionment factors are used, including lane miles, vehicle miles traveled, the amount of taxes paid into the HTF and diesel fuel usage. Each highway program has a unique set of factors that determine the apportionments to the states. Federal law assures that, notwithstanding the funding it would receive through these formulas, each state will receive at least a minimum guaranteed amount of funding. The State’s funding has historically been determined by the minimum guarantee provision.

Some categories do not have a legislatively mandated distribution formula. When there are no formulas in law, these distributions are termed “allocations” which may be made at any time during the

Federal Fiscal Year. In most cases, allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law.

Federal-aid highway apportionments are available to states for use for more than one year. Their availability does not terminate at the end of the Federal Fiscal Year, as is the case with most other federal programs. In general, apportionments are available for three years plus the year that they are apportioned. Consequently, when new apportionments or allocations are made, the amounts are added to a state's carryover apportionments from the previous year. The funds lapse, when a state fails to obligate a year's apportionments within the period of availability (usually a total of four years) specified for the given program.

3. *Obligation*

An obligation is a legal commitment, or promise, made by the federal government to pay, through reimbursement to a state, the federal share of an approved project's eligible costs. Eligible costs may include debt service on obligations issued to finance a project. This process allows the states to award contracts with the assurance that the federal government will reimburse its share of incurred costs. Congress places a restriction or "ceiling" on the amount of federal assistance that may be obligated during a specified time period. The obligation limitation is equal to the amount of authorized funding that Congress allows the state to obligate in an individual year. This statutory budgetary control does not affect the apportionment or allocation of funds; it serves only to control the rate at which these funds can be used. This effectively limits the amount of funds which can be used by the state.

Congress first establishes an overall obligation limitation, then FHWA distributes the Obligation Authority to states proportionately based on each state's share of apportioned and allocated revenues. The actual ratio of Obligation Authority to apportionment and allocations may vary from state to state, since some federal-aid programs are exempt from the obligation limitation. During the Federal Fiscal Year, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its Obligation Authority balance is reduced. A state's Obligation Authority must be obligated before the end of the Federal Fiscal Year for which it is made available; if not, it will be re-distributed to other states thus ensuring that the total limitation nationwide will be used. In August, a state may receive additional Obligation Authority through a redistribution process each year which reallocates the unused Obligation Authority from states or programs that were unable to fully obligate their share.

The State has historically used all of its Obligation Authority in each Federal Fiscal Year and has annually received additional Obligation Authority that has been redistributed by FHWA. During TEA-21 (Federal Fiscal Years 1998-2003), the State received just over \$9 million in redistributed Obligation Authority. Under SAFETEA-LU (Federal Fiscal Years 2004-2009), the State has received \$17.6 million in redistributed Obligation Authority.

Although a ceiling on obligations restricts how much funding may be used in a Federal Fiscal Year, based on the states individual needs the state has flexibility within the overall limitation to mix and match the type of program funds it obligates, providing that it does not exceed the ceiling. Generally, the unobligated balance of apportionments or allocations that the state has remaining at the end of any Federal Fiscal Year can be carried in subsequent Federal Fiscal Years and be available for use, contingent upon the availability of Obligation Authority issued in each year.

Highway Program Implementation

As a requirement for the state to receive federal reimbursements for transportation projects, each state is required to develop a long-range transportation plan. The plan must be based on realistic projections

of state and federal funding. For a project to be eligible for federal reimbursement, the project must be directly identified in the long-range plan or consistent with policies and objectives identified in the long-range plans and included in the three-year State Transportation Improvement Program (“STIP”). The STIP lists all projects proposed for financing in that three-year period and requires FHWA approval.

Federal fiscal management procedures must be followed by the state as they implement projects that are included in the STIP. These procedures ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. States are required to use a detailed accounting system to track project expenditures and reimbursements. A Federal system is also in place to track the payments that have been made to the states.

States may request FHWA approval for eligible projects either through the traditional process or through the advance construction process as discussed below:

(a) **Traditional Process.** Under the traditional highway funding process, FHWA approves the full federal share of the funding for a project at the beginning of the project, concurrent with project authorization. The first step begins when a state requests authorization to use federal funds on a project. The project sponsor submits plans, specifications and estimates (“PS&E’s”) for a project to FHWA Division Office, and requests that FHWA approve federal funding for the federal share of the project. The project must be in the STIP and PS&Es must identify the federal funding category that will be used.

FHWA evaluates the PS&Es to ensure that the project meets all federal requirements for funding. If all requirements are met, FHWA then authorizes federal participation on the project, and obligates the federal share of project costs. Through this obligation process, FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. The appropriate amount of the state’s Obligation Authority and an equivalent amount of apportionment is set aside. The state must have sufficient Obligation Authority to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the State can advertise the project and receive bids. The State will award the contract to the lowest responsible bidder. Based on the actual bid amount, the state will submit a modified agreement to FHWA requesting any necessary adjustments to federal funding. The project agreement identifies the funds that are estimated to be expended by the State and the amount that will be reimbursed by the Federal Government.

(b) **Advance Construction Process.** To add additional flexibility for states to manage their Obligation Authority and cash flow, Advance Construction (“AC” or “Advance Construction”) and partial conversion of advance construction are two techniques that states can use to facilitate federal-aid project funding.

Using the Advance Construction approach for authorizing projects, allows states to finance projects that are eligible for federal aid without obligating the full federal share of costs at the start of the project. This process allows states to begin a project before accumulating all of the Obligation Authority needed to cover the federal share of the project. Like the traditional approach, the state submits PS&E’s to FHWA and requests project authorization. However, under AC, FHWA is asked to authorize the project without obligating federal funds. The state will provide the up-front financing for the project and at a later date “convert” the advance construction project to a regular federal-aid project and obligate the full federal share of the project costs, when sufficient Obligation Authority is available. At the time of conversion, the state can be reimbursed for the federal share of the costs incurred up to the point of conversion.

The National Highway System Act of 1995 provided additional flexibility in the use of advance construction by allowing partial conversion of advance construction. This process was implemented

through a Federal Register Notice dated July 19, 1995. Partial conversion of Advance Construction is a form of advance construction whereby the state converts, obligates, and receives reimbursement for only a portion of the funding of an Advance Construction project in a given year. This removes any requirement to wait until the full amount of Obligation Authority for the project is available. Using this process the state can obligate varying amounts of the project's eligible cost in each year, depending on how much of the state's Obligation Authority is available. Using the technique to partially convert the federal share makes bond and note financing more viable and federal-aid funds available to support a greater number of projects.

Reimbursement

The FAHP is a reimbursement program where a state pays for completed work on a federal-aid highway project from state funds. The state then electronically transmits vouchers for the federal share of completed work and certifies to FHWA that the claims for payment are in accordance with the terms of the project agreements. The state's adherence to all applicable state and federal laws and/or regulations is also verified. FHWA Division offices will then review and approve the request and schedule the payment to the state. Generally within two days of the submission of the state's electronic bill, a wire transfer for payment is initiated which transfers the funds directly from a Federal Reserve Bank to the state's financial institution.

Matching Requirements

With a few exceptions, the Federal government does not pay for the entire cost of construction or improvement of federal-aid highway projects. Federal reimbursements are typically matched with state and/or local government revenues to account for the necessary dollars to complete the project. The maximum federal share is specified in the legislation authorizing the FAHP. Most projects have an 80% federal share while interstate construction and maintenance projects typically have been funded with a 90% federal share. The Project has been funded with an 80% federal share. The State intends to fund its share of the Project by using the State's toll credits, which permits the State to use certain toll revenue expenditures as toll credit toward the non-Federal matching share of programs authorized by Title 23.

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Federal Reimbursements Received by the State

The table below details the amount of reimbursements received by the State under the Federal Program for state fiscal years 1990 through 2009.

State of Delaware Federal Reimbursements Received (in millions) 1990 – 2009			
State Fiscal Year Ending June 30	Federal Reimbursement Received	State Fiscal Year Ending June 30	Federal Reimbursement Received*
1990	\$ 36.86	2000	\$ 115.83
1991	65.44	2001	127.11
1992	57.50	2002	111.36
1993	60.16	2003	111.68
1994	57.96	2004	88.05
1995	58.13	2005	102.25
1996	77.92	2006	108.67
1997	81.71	2007	91.36
1998	99.25	2008	134.13
1999	108.51	2009	174.99

Source: FHWA data from Rapid Approval & State Payment System (“RASPS”).

*Federal reimbursements may be more or less than Obligation Authority in any given year due to lags in the timing of such reimbursements from FHWA.

Transportation Equity Act for the 21st Century (TEA-21)

Enacted into law on June 9, 1998, The Transportation Equity Act for the 21st Century (“TEA-21”) was the most recent multi-year authorization act for the FAHP, until the enactment of SAFETEA-LU on August 10, 2005.

Over the six-year period from Federal Fiscal Years 1998 through 2003, TEA-21 authorized nearly \$218 billion for highway, highway safety, transit, and other surface transportation programs. This authorization reflected a 40 percent increase over the levels in the Intermodal Surface Transportation Efficiency Act of 1991 (“ISTEA”), the prior major authorizing legislation. The TEA-21 was scheduled to expire on September 30, 2003 but was continued through multiple interim reauthorization extensions until the enactment of SAFETEA-LU.

Included in each of the years in TEA-21 was a limitation on obligations and a process for distribution. Through the limitation on obligations, Congress was able to control the program and make it more responsive to prevailing budgetary and economic policy. The obligation ceilings set in TEA-21 were based on a protected level of spending for transportation (protected funding).

Under Protected Funding, new budget categories were established for highway and transit discretionary spending, effectively establishing a budgetary “firewall” between those programs and other domestic discretionary programs. Prior to this, highway and transit discretionary programs competed for annual budgetary resources with other domestic programs. The new categories are still subject to budget constraints, but reductions in highway or transit spending will not allow increased spending in other non-transportation programs.

The highway firewall “protects” the obligation limitation for federal-aid highways, the motor carrier, and other highway safety programs that have contract authority. The firewall amount for highways is tied to the projected receipts of the Highway Account of the Highway Trust Fund. Beginning with federal fiscal year 2000 and continuing through federal fiscal year 2002, adjustments were made as a result of actual receipts and the new receipt projections which were part of the President’s budget.

The adjustment of authorizations, called Revenue Aligned Budget Authority (“RABA”), totaled approximately \$9.2 billion during Federal Fiscal Years 2000 to 2002. There were no RABA distributions in Federal Fiscal Years 2003 through 2006. This firewall amount for the highway category was set based on assumptions about future receipts to the Highway Account of the HTF. SAFETEA-LU provides that, beginning in 2007, when newer projections of receipts and actual receipts become available, the highway category firewall is adjusted accordingly. To smooth out the effects of any adjustments, the calculated adjustment will be split over two years. When the firewall amount is adjusted, either upward or downward, equal adjustments are to be made to the Federal-aid Highways (“FAH”) obligation limitation and authorizations. An adjustment can be either positive or negative, no negative adjustment will be made in a fiscal year if, as of October 1 of that year, the balance in the Highway Account is more than \$6 billion.

A total of \$198.5 billion in funding for surface transportation was protected from deficit reduction legislation, under TEA-21. The total protected amount available for federal-aid highways was \$161.9 billion. This protected amount has two components: the amount behind the budgetary firewall of \$157.5 billion and the amount of \$4.4 billion for programs exempt from the obligation limitation. The protected funding for transit programs has a single component – the firewall amount of \$36.5 million that was not tied to HTF receipts.

Federal Fiscal Years 1998 through 2003 authorizations in TEA-21 exceeded the protected funding levels by \$15 billion for the highway program categories and \$5 billion for transit programs. The authorizations in excess of protected levels remain part of the general discretionary budget category and may be made available by Congress through the annual appropriations process, but must compete each year with other budget priorities.

TEA-21 also introduced another significant change in the FAHP by attempting to maintain funding levels for transportation through reduced incentives to divert such funds to other uses (i.e., reductions in highway or transit spending as a result of federal deficit reduction legislation will not allow increased spending in other non-transportation programs).

SAFETEA-LU

On August 10, 2005, the President signed SAFETEA-LU. This program guaranteed funding for highways, highway safety, and public transportation totaling \$244.1 billion, and represents the largest surface transportation investment in our Nation’s history.

The two landmark bills that brought surface transportation into the 21st century—the Intermodal Surface Transportation Efficiency Act of 1991 (“ISTEA”) and TEA-21—at the time shaped the highway

program to meet the Nation's changing transportation needs. This new program built on their firm foundation, supplies the funds and builds the programmatic framework for investments needed to maintain and grow our transportation infrastructure.

SAFETEA-LU addresses the many challenges facing our transportation system today. These challenges include; improving safety, reducing traffic congestion, improving efficiency in freight movement, increasing intermodal connectivity, and protecting the environment.

SAFETEA-LU promotes a more efficient and effective Federal surface transportation program by focusing on transportation issues of national significance, while giving State and local transportation decision makers more flexibility for solving their individual transportation problems.

Under this program, the core federal-aid highway program will be funded at \$34.4 billion in Federal Fiscal Year 2005, \$36 billion in Federal Fiscal Year 2006, \$38.2 billion in Federal Fiscal Year 2007, \$39.6 billion in Federal Fiscal Year 2008 and \$41.2 billion in Federal Fiscal Year 2009. SAFETEA-LU retains the firewall and minimum guarantee provisions of TEA-21, increasing each state's minimum rate of return of HTF contributions from 90.5% in TEA-21 to 92% by 2008. All states are also guaranteed a total six-year average highway funding increase of at least 19 percent, when compared to the state's six-year TEA-21 funding total.

On September 30, 2009, SAFETEA-LU expired without enactment of a new six-year reauthorization program. In order to avoid a halt in the Federal-aid Highway Program, Congress has enacted four short-term interim authorizations: the first extended SAFETEA-LU's Federal Fiscal Year 2009 funding levels through the end of October 2009, the second, enacted in late October, extended Federal Fiscal Year 2009 funding levels through December 18, 2009, the third extended Federal Fiscal Year 2009 funding levels through February 28, 2010, and the fourth extended Federal Fiscal Year 2009 funding levels through December 31, 2010 as extended by the HIRE Act.

Highway Funding Equity—Minimum Funding

TEA-21 included a minimum protected funding provision, which was designed to ensure that all states have a minimum return on the tax contributions that are made from that state into the Highway Account of the Highway Trust Fund. Under this provision, "donor states" will receive a minimum guaranteed level of funding. A donor state is defined as a state whose percentage share of national apportionments is less than its percentage share of national contributions to the Highway Trust Fund based on the latest data available at the time of apportionment.

Donor states are guaranteed to receive an amount of funding² equal to multiplying 90.5% times the state's percentage share of estimated contributions to the Highway Trust Fund by the national level of apportioned funds. In Federal Fiscal Year 2007, the Equity Bonus (previously "minimum guarantee") factor increased to 91.5%; in Federal Fiscal Year 2008 and Federal Fiscal Year 2009, it increased again to 92%. Currently, the State is a donor state and, while it is expected to remain one for the foreseeable future, there can be no assurance that the State will continue in the future to be a donor state and therefore continue to receive funds under the minimum funding provision.

² The Equity Bonus Program under SAFETEA-LU provides funding to states based on equity considerations. These include a minimum rate of return on contributions to the Highway Account of the Highway Trust Fund, and a minimum increase relative to the average dollar amount of apportionments under TEA-21. This program replaces TEA-21's Minimum Guarantee program.

Lapsing of Authorization

All federal programs must be authorized through legislation that defines the programs and establishes maximum funding levels. For most programs annual appropriations acts are necessary in order to create budget authority. For many federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, as long as the revenues are appropriated. For the FAHP, if Congress fails to enact reauthorization legislation the consequences of lapsed authorization are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that FHWA usually can continue to provide Obligation Authority by administrative action.

Recent federal surface transportation legislation has been authorized for four to six years at a time, there occasionally have been periods in which the previous authorizing legislation had expired and the future legislation had yet to be enacted. When this happens, Congress and/or FHWA have found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to the states. This has been accomplished through the use of two mechanisms, access to unobligated balances and short term authorizations.

1. Access to Unobligated Balances: The 1987 Surface Transportation and Uniform Relocation Assistance Act expired on September 30, 1991 and ISTEA was not enacted until December 18, 1991. FHWA was able to act administratively to keep federal-aid funding flowing because states could use their unobligated balances to provide contract authority to use new Obligation Authority.
2. Short-Term Authorization: ISTEA expired on September 30, 1997 and until approval of TEA-21 on June 9, 1998, no new long-term authorization legislation was enacted. Despite the lack of long-term authorizing legislation, states were provided an upper limit on Obligation Authority through passage of an appropriations act plus access to their unobligated balances. On November 13, 1997, Congress passed the Surface Transportation Extension Act of 1997 (“STEA”), which provided a six-month authorization for highway funding and established a limit on the amount of new Obligation Authority states could use at funding levels equal to about a quarter of Federal Fiscal Year 1997 authorization levels. Since most states have unobligated balances of at least half their normal annual Obligation Authority levels and an authorization act need not be in place for FHWA to give states new Obligation Authority, states were able to spend down prior unfunded federal apportionments with newly allocated Obligation Authority. The lack of an enacted authorization act during this period did not pose a threat to the continued flow of revenues, because dedicated highway user fees continued to flow into the HTF.

The TEA-21 expired on September 30, 2003 and Congress enacted twelve interim authorization measures for varying periods over twenty-two months until the enactment of SAFETEA-LU on August 10, 2005.

When SAFETEA-LU expired on September 30, 2009, a revised certificate of apportionment for apportioned Federal-aid highway program funds pursuant to the extension of surface transportation programs in the Continuing Appropriations Resolution (Resolution), 2010, Public Law (Pub. L.) 111-68, as amended by Pub. L. 111-118 was put in place making the apportionments effective immediately and available pursuant to section 157(d) of the Resolution, as amended. Subsequent revised certificates of apportionment have been published by FHWA, the most recent on April 20, 2010 in FHWA’s Notice of Apportionment of Fiscal Years (FY) 2010 Funds Pursuant to the Surface Transportation Extension Act of 2010, Title IV of

Public Law 111-147 (the “Extension Act”). The Extension Act extends the surface transportation programs under SAFETEA-LU through December 31, 2010.

ALTHOUGH THESE MEASURES HAVE BEEN ENACTED BY CONGRESS AND/OR FHWA IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF AN AUTHORIZATION PERIOD.

Rescission

Through legislation, any unused balances of previously authorized funds can be rescinded. In 1986 and 1990, a specified percentage of contract authority was sequestered (in effect, rescinded) when the overall Federal spending exceeded certain Budget Act targets, which triggered automatic sequestration provisions. Similarly, in 1996, the authorizations for the FAHP were reduced due to a budget compliance provision included in Section 1003(c) of the ISTEA which placed a cap on the amount of funding that could be authorized out of the HTF in total between 1992 and 1996. This provision was triggered by the open-ended equity adjustment authorizations, contained in the ISTEA, which provided more funding to the States than the original estimate at the time of passage.

Across-the-board cuts have been recently enacted during the appropriations process, typically in the last passed appropriations act for the fiscal year. These cuts are designed to bring the total amount appropriated in all the appropriations acts for the fiscal year into line with the amount agreed to in the budget resolution or some other spending target. The specifics of the cuts have varied, but typically the cuts have applied government wide to all programs on the discretionary side of the budget, cutting appropriated budget authority, obligation limitations, and contract authority subject to obligation limitations.

Since the passage of SAFETEA-LU, Congress has taken eight separate actions to reduce SAFETEA-LU’s authorized spending levels, by issuing rescissions: three actions for Federal Fiscal Year 2006, two for Federal Fiscal Year 2007, one for Federal Fiscal Year 2008 and two for Federal Fiscal Year 2009. For Federal Fiscal Year 2010 to date, Congress has not issued any rescissions. The HIRE Act restored an earlier \$8,708,000 rescission of contract authority under SAFETEA-LU. The percentage of each of the State’s rescission amounts as compared to each of the total Federal rescission amounts since the passage of SAFETEA-LU has been less than 5%. During Federal Fiscal Years 2006 through 2008, approximately 10% of the State’s annual apportionment was rescinded during each year. In Federal Fiscal Year 2009, approximately 21% of the State’s annual apportionment was rescinded.

Special Federal Provisions Relating to Debt-Financed Projects

The National Highway System Act (“NHS”) of 1995 made several changes affecting the financing of federal-aid highway projects. Section 311 of the NHS Act significantly expanded the eligibility of bond, notes and other debt instrument financing costs for federal-aid reimbursement. This change to the FAHP was codified into permanent highway law as an amendment to Section 122 of Title 23 of the United States Code. Under Section 122, various debt-related costs became eligible for reimbursement, including principal and interest payments, issuance costs, insurance, and other costs related to a financing.

FHWA has issued guidelines for debt-financed projects. Key provisions of these guidelines are as follows:

- The project must be approved as a federal-aid, debt-financed (bond, certificate, note or other debt instrument) project in order to receive payments for eligible debt-related costs under Section 122. Once a project is selected for debt financing, the project is submitted to the

appropriate FHWA Division Office for approval as an Advance Construction project under Section 115 of Title 23. This designation ensures that the project will follow federal-aid procedures and will preserve the eligibility to reimburse debt-related costs through future federal-aid fund obligations.

- Debt-financed projects are subject to requirements of the Federal Clean Air Act and federal air quality conformity requirements.
- When the project agreement is signed, a state may elect to seek reimbursement for debt service and/or related issuance costs in lieu of reimbursement for construction costs. If a state elects to receive debt service reimbursements, a debt service schedule will be included in the project agreement. When multiple projects are funded with the proceeds of a debt issue, each project will be assigned a prorated share of the debt-related costs.
- To comply with the intent of the fiscally constrained planning process, the federal share of the debt-related costs anticipated to be reimbursed with federal-aid funds over the life of the debt obligations should be designated as Advance Construction. The planned amount of federal-aid reimbursements (Advance Construction conversion) should be included in the STIP, in accordance with FHWA procedures.
- Periodic debt service payments (federal-aid reimbursements) on the debt obligations would represent partial conversions of designated Advance Construction amounts to federal aid. A state can obligate such federal aid annually over the life of the permanent financing or a state can make the conversion in one lump sum upon completion to help take out construction financing. This would follow the normal procedures for conversion of an advance construction project.
- A state may seek federal-aid reimbursements for eligible debt-related costs as the costs are incurred. Issuance costs, debt service payments, and incidental costs represent costs incurred that may be reimbursed with federal-aid funds to the extent such costs are deemed eligible.
- A state may make arrangements with FHWA Division Office regarding the procedures under which it would submit a billing to FHWA for debt-related costs. A request for debt service payment can be timed so that reimbursements could be received shortly before the debt service payment due date.
- A state may designate a trustee or other depository to receive federal-aid debt service payments directly from FHWA. FHWA has, pursuant to the terms of the Memorandum of Agreement, approved the Project as a “debt-financed” project.

STATE PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM

The availability of Pledged Federal Aid to the Department and/or the Trustee and the resulting ability to meet the debt service requirements on the Series 2010 Bonds will depend on several factors, most importantly, the amount of funding provided to the State by the federal government under the FAHP and the State’s ability to use such funding. The sections below summarize the recent history of funding levels provided to the State under FAHP, the State’s use of such funding, and the anticipated funding levels that will be made available to the State under the SAFETEA-LU or subsequent legislative reauthorization of FAHP. In

addition, certain other information is provided regarding federal equity provisions and the State's potential ability to utilize future available funding for Federal Aid Projects.

Funding History

Role of Obligation Authority. The culmination of the federal authorization and appropriation process for the FAHP is the provision of Obligation Authority to a state. Obligation Authority, which is apportioned to states on an annual basis, sets the upper limit on the federal government's commitment to pay, through reimbursements, its share of eligible expenditures on approved projects. Thus, current year Obligation Authority plus prior years' Obligation Authority obligated but not yet expended determines the maximum amount of Pledged Federal Aid that a state may receive under FAHP. Although annual Obligation Authority is not a direct representation of the amount of reimbursements a state will receive under FAHP in a given year due to lags in spending and special appropriations, Obligation Authority levels will determine over time the amount of reimbursements that a state may receive.

Obligation Authority Provided to the State. Since the advent of the modern multi-year federal authorization acts in 1982, the State has received substantial funding through the FAHP. The table below details the amount of Obligation Authority made available to the State from Federal Fiscal Year 2004 through Federal Fiscal Year 2009.

The State's federal highway funding has increased substantially as a result of recent reauthorizations of the federal aid highway program. Comparing SAFETEA-LU (2004-2009), including actual receipts through 2006 and FHWA estimates for 2009-2010, to TEA-21 (1998-2003), the State's allocations and apportionments are expected to increase by slightly more than 25%. In the prior reauthorization (comparing TEA-21 (1998-2003) to ISTEA (1992-1997), the State's allocations and apportionments increased by nearly 32%. The State's federal highway funding has increased an average of 18% with each successive reauthorization of the Federal Aid Highway Program since 1987. No assurance can be given that the State's federal highway funding will continue to increase or remain at the same levels in the future.

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State of Delaware					
History of Apportionments and Obligation Authority					
(in millions)					
Federal Fiscal Year Ending Sept. 30 th	<u>Total Apportionment</u>	<u>Earmarks</u>	<u>ARRA</u>	<u>Net Apportionment*</u>	<u>Obligation Authority**</u>
2004	\$144.6	\$0.0	\$0.0	\$144.6	\$134.8
2005	\$133.3	\$0.0	\$0.0	\$133.3	\$117.3
2006	\$164.9	\$36.7	\$0.0	\$128.2	\$140.5
2007	\$171.4	\$34.2	\$0.0	\$137.2	\$131.5
2008	\$168.7	\$34.1	\$0.0	\$134.6	\$125.5
2009	\$279.6	\$34.6	\$121.8	\$123.2	\$128.7

Source: FHWA data from Fiscal Management Information System.

*Earmarks and ARRA are not included in Net Apportionment.

**Obligation Authority includes redistributed Obligation Authority. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS—Federal Aid Funding Procedures" herein for a description of the State's redistributed Obligation Authority.

Based upon enacted extensions of SAFETEA-LU, the Department has been informed by FHWA that its apportionment for the period October 1, 2009 to April 30, 2010 is \$174.8 million. For Federal Fiscal Year 2010, the State's Obligation Authority is estimated to be \$141 million.

Future Utilization of Pledged Federal Aid

The Department believes that sufficient Pledged Federal Aid will be received during the 15-year term of the Series 2010 Bonds to pay debt service on the Series 2010 Bonds. Various factors beyond the control of the Department may affect the Department's ability to do so, including, without limitation, subsequent reauthorizations, federal budgetary limitations and other possible changes in the FAHP that cannot now be anticipated.

Under the FAHP, as projects are approved by FHWA, the aggregate dollar amount of each contract relating thereto will be obligated against the remaining annual amount of Obligation Authority that is still available to the State. The State will then pay the amounts owed under each contract as the work progresses and receive reimbursement from the federal government for the federal share of the total costs. The aggregate amount of reimbursements received by the State in any year is not necessarily equal to the State's apportionment for that year. Projects and contracts can extend over a number of years which means that the aggregate amount made available to a state in any one year, if fully obligated, may be received as reimbursement over a longer period of time relating to the actual pace of construction. The Department expects that the State will have sufficient projects which will qualify as Federal Aid Projects and allow it to access all of the Pledged Federal Aid made available to it. The Department also fully expects that the future anticipated funding levels will be sufficient to meet future debt-service obligations.

THE AUTHORITY

General; Relation to the Department of Transportation

The Authority is a body corporate and politic constituting an instrumentality of the State which has been established and is authorized to create an economical, efficient and unified system of air, water, vehicular, public and specialized transportation in the State. The Act, however, specifically excludes from the jurisdiction of the Authority the New Castle County Airport, the Sussex County Airport, the Port of Wilmington and the Wilmington Parking Authority facilities. Actions by the Authority, including the issuance of debt, are taken by resolution of the Secretary of the Department, the Director of Finance of the Department and the Transportation Trust Fund Administrator. The Department has overall responsibility for coordinating and developing comprehensive, multi-modal transportation planning and policy for the State. The Department is headed by the Secretary of Transportation who is appointed by the Governor, subject to confirmation by the State Senate.

Powers and Responsibilities of the Authority

The Act gives the Authority broad powers in order to effectuate its statutory purposes of creating a unified transportation system for the State. It has the power to make and enforce rules and regulations; and to establish, fix and revise, and charge and collect charges, fares, fees, rates, rentals and tolls for the use of any transportation facility it operates. The Authority is empowered to create subsidiaries to perform its duties and functions. The Authority also has the power to issue bonds, with the approval of the State, and the State's Bond Issuing Officers (the Governor, the Secretary of Finance, the Secretary of State and the State Treasurer) (the "Bond Issuing Officers"), to finance improvements to the State's transportation systems. Approval by the General Assembly of the State is not required for the Authority to issue bonds to refund any of its bonds provided that a present value debt service savings is achieved in such refunding. The Authority also has the power to pledge its revenue to secure its obligations. To assist the Authority in carrying out its responsibilities, the State has created the Transportation Trust Fund, which the Authority administers.

Acting pursuant to its powers, the Authority owns the Delaware Turnpike, an 11.3 mile limited access highway which is part of Interstate 95. The Authority also owns the Route 1 Toll Road which consists of a 41-mile fully controlled access highway extending from a connection with the southern terminus of the new Route 1 freeway just south of Wilmington to points south of Dover on U.S. Routes 13 and 113.

In addition, the Authority, through its subsidiary, the Delaware Transit Corporation, owns, operates and subsidizes numerous transportation services and facilities throughout the State including, a public bus system which operates primarily in and around Wilmington, the State's largest city; a public bus system in and around Dover, the State's capital; a public bus system which operates on a seasonal basis in Eastern Sussex County during the summer resort season; statewide specialized transportation services for the elderly and handicapped; passenger rail service between Wilmington and Philadelphia; freight rail and aviation and various statewide and local transit services.

On January 27, 2010, the 145th General Assembly adopted Senate Substitute No. 1 in lieu of Senate Bill No. 202 which provides the necessary authorization for the issuance of GARVEE Bonds.

An excerpt from the bill is printed below;

Section 5. Amend 77 Del. Laws, c. 87, §83 by adding a new subsection (c) to read as follows:

“(c) New Transportation Trust Fund Debt Authorizations. To fund a portion of the projects authorized herein, the Delaware Transportation Authority is hereby authorized to issue GARVEE bonds in an amount not to exceed \$125,000,000 pursuant to the provisions of

2 Del. C. c. 13 and 14. All proceeds (net of issuance costs) from the GARVEE bond sale shall be used for the US301 Maryland State Line capital improvement project. Annual obligational authority from the Federal Highway Administration shall be used to repay debt associated with the term of the GARVEE bonds. The Secretary of Transportation is hereby authorized to pledge the State's annual obligational authority from the Federal Highway Administration as security for the GARVEE bonds, and is authorized to take any further action and execute any other documents necessary or convenient to consummate the issuance of the GARVEE bonds. A fifteen year amortization schedule shall be made available for the review and approval of the Director of Office of Management & Budget and Controller General annually."

Management of the Department and the Authority

The following persons fill key management positions in the Department and the Authority:

CAROLANN D. WICKS, was appointed the State's eighth Transportation Secretary in February, 2006. She was reappointed in January, 2009 by newly elected Governor Jack Markell. She graduated from the University of Delaware with a Bachelors Degree in Civil Engineering and a Masters Degree in Public Administration. Ms. Wicks has over 27 years experience with the Department, working her way from a Civil Engineer I to become Chief Engineer and Director of Transportation Solutions. She has won several awards including the Eugene E. Abbott Award for Excellence and the Alfred Johnson Achievement Award, a national award presented by AASHTO.

NATALIE BARNHART, was named Director of Transportation Solutions and Chief Engineer in March, 2009. She has spent the majority of her 20 year career in The Department's Construction division starting as a project engineer, then moving to Area Engineer, District Construction Engineer, and just prior to her recent promotion the Assistant Director of the South Construction Region. She has a Bachelor of Science Degree in Civil Engineering from Virginia Tech and Masters in Business Administration from the University of Delaware. She is also a registered Professional Engineer.

JENNIFER L. COHAN, became Director of the Division of Motor Vehicles in December 2007. Her State government career has spanned nearly 20 years. She has held an array of positions with the Division of Motor Vehicles. Ms. Cohan was also a Financial/Program Analyst and Program Manager of the Clean Water Program at DNREC. Most recently she was a Senior Legislative Analyst for the State Legislature – Office of the Controller General. Ms. Cohan graduated summa cum laude from Wilmington University where she received a B.S. Degree in Business Management. She also received an M.S. Degree in Management – Public Administration from Wilmington University.

MARTI DOBSON, Director of Technology and Support Services, joined the Department in July 2003. Ms. Dobson has over 30 years experience in Information Technology, including employment in both the public and private sector. She has worked in local and state government in the roles of government employee and consultant for the State of Tennessee; Kent County, Delaware; Northampton County, Pennsylvania; the City of Memphis, Tennessee; and the Metropolitan Government of Nashville and Davidson County, Tennessee. Ms. Dobson holds a BS Degree from Carson Newman College in Tennessee.

KATHY S. ENGLISH, Director of Finance, joined the Department in September 2004. Ms. English has over 20 years experience with state government. She holds a Masters Degree in Business Administration and an Associates degree in Human Resource Management. Since 1987, Ms. English has held a number of increasingly responsible positions in the Department of Public Safety (Delaware State Police, Office of Highway Safety, Office of the Secretary) and the Department of Corrections. She has earned a number of awards at the state and federal level, has been a certified Trainer/Facilitator for the State Personnel Office since 1991, and was a Delaware Management Fellow in 1999.

MARY BETH GZYM, Director of Human Resources, joined the Department in October 2006. Ms. Gzym has more than 20 years with state government. She holds two BS Degrees (Accounting and Business Administration). Prior to joining the Department, she worked in various state agencies, including serving for more than six years as the Director of Human Resources for the Department of Health and Social Services.

STEPHEN KINGSBERRY, Executive Director of the Delaware Transit Corporation (DTC) since July 2005, joined the Department in October 1999 as Director of Development for DTC. Prior to joining DTC, Mr. Kingsberry served as the Director of Administration, Finance and Public Affairs for the North Jersey Transportation Planning Authority and Executive Director of the Hunterdon Area Rural Transit Authority. He also worked for the New Jersey Department of Transportation and New Jersey Transit in various positions. Mr. Kingsberry received a Bachelor of Science degree in Accounting from Medgar Evers College and a Master of Public Administration degree from Seton Hall University.

BRIAN G. MOTYL, Assistant Director of Finance and Transportation Trust Fund Administrator, joined the Department in May 2006. Mr. Motyl has over 10 years experience in state government. Prior to coming to the Department, he was Fiscal Management Analyst with Department of Natural Resources and Environmental Control where he was responsible for the financial management of the Water Pollution Control State Revolving Fund, the Wastewater Management Account and various loan/grant portfolios. He holds a Bachelors degree in Business/Public Management from the State University of New York, College of Technology at Utica/Rome.

RALPH A. REEB II, Director of Planning for the Department since December 2000, has served the Department in various capacities over the last 18+ years including Assistant Director of Planning, Manager of Intergovernmental Coordination, and Manager of Marketing and Program Evaluation in the DTC Division. Mr. Reeb came to the Department from the Institute for Public Administration at the University of Delaware where his responsibilities as Senior Management Analyst included planning for local communities. Mr. Reeb has a Bachelors Degree in Economics from the University of Maine and a Masters Degree in Public Administration from the University of Delaware.

EARLE TIMPSON was named Assistant Director of Finance in 2004. Mr. Timpson has over 35 years experience in banking and finance. His State government career has spanned nearly 19 years. Since 1991, Mr. Timpson has held a number of increasing responsible positions including Legislative Projects Manager, Federal Funds Coordinator and Capital Program Manager. Mr. Timpson received a Bachelor of Science in Business from the University of Delaware and a Masters of Business Administration from Wilmington University.

JOSEPH WRIGHT became Director of Maintenance and Operations in November 2009. During his nearly thirty-year career with the Department, he has served in each of the State's three counties where he most recently served as an Assistant Director for Maintenance and Operations' South District, since June of 2002, supervising more than 200 employees with primary responsibility for maintaining roads and bridges in Sussex County. He also has experience administering multiple construction activities, with 17 years in the Construction Offices in New Castle County. Along with a B.S. in Civil Engineering from the University of Delaware, Joe holds his Professional Engineer license in the State. He is also a member and Past President of the American Society of Highway Engineers.

Role of the State

General

The annual budgets for capital and operating expenditures of the Department (including the Authority) are subject to review and approval by the State. The Act provides that if the Authority's proposed annual operating budget is not approved by July 1 for the year the budget is submitted, the budget as submitted is deemed to have been adopted by the Authority until such time as the annual budget is approved by the State. The Act also provides that any obligations incurred by the Authority after July 1 pursuant to an

annual operating budget so adopted by the Authority and prior to its approval by the State are binding, even if the annual operating budget is subsequently revised by the State.

The Act provides that, in approving the annual operating budget of the Authority, the State (1) may not approve an amount for debt service or for debt service reserve purposes which is less than the amount required to be provided pursuant to any resolution or trust indenture of the Authority pursuant to which any bonds are issued and (2) may not approve an amount for operating expenses of the Delaware Turnpike that is less than the amount incurred for the preceding fiscal year of the Authority plus an inflation factor based on the U.S. Consumer Price Index, unless the Authority requests a lesser amount. Although the State has the right to approve the Authority's annual budget, **THE GENERAL ASSEMBLY DOES NOT HAVE TO APPROVE THE TOLLS AND OTHER CHARGES THE AUTHORITY IMPOSES FOR USE OF THE DELAWARE TURNPIKE.**

Each year the Department revises a six-year Capital Transportation Program for the State's transportation system. The first year of the Capital Transportation Program is reflected in the Department's annual capital budget (which includes DTC's annual capital budget) and is submitted to the State for review and approval. This annual capital budget represents the Department's work program. The Authority cannot undertake, or commit to, capital projects in excess of the amounts specifically authorized by the State.

Delaware Economic and Financial Advisory Council

Delaware Economic and Financial Advisory Council ("DEFAC") is a council comprised currently of 32 government officials and private citizens from the business and financial communities appointed by the Governor. DEFAC was established by Executive Order to provide to the General Assembly General Fund revenue forecasts and Transportation Trust Fund revenue forecasts six times each fiscal year in September, December, March, April, May and June for the current fiscal year and the succeeding two fiscal years. A forecast for the current fiscal year and the succeeding four fiscal years is generated once each year, not later than October 1. A seven-year forecast is generated for the Transportation Trust Fund. General Fund and Transportation Trust Fund expenditure forecasts are generated for the current fiscal year in December, March, April, May and June. These forecasts are used in the State budget process to assist State compliance with the State's constitutional limits on spending and statutory debt limitations.

Cash Management Policy Board

The Cash Management Policy Board was created by State law to establish policies for and the terms, conditions and other matters relating to, the investment of all money belonging to the State, including funds in the Transportation Trust Fund (except money in any State pension fund and money held for individuals under the State deferred compensation program). The Board is composed of nine members including the Secretary of Finance, the Secretary of State, the State Treasurer, the Controller General (serving ex officio), and five members from the private sector appointed by the Governor and confirmed by the State Senate.

THE TRANSPORTATION TRUST FUND

General

To facilitate the Authority's development of a unified transportation system in the State and to take advantage of the Authority's broad financing powers, in 1987 the Transportation Trust Fund (the "Trust Fund") was created by law. The Trust Fund was created to consolidate and dedicate transportation related revenue to transportation projects and to provide a flexible mechanism to handle increasing funding requirements over time for all transportation projects in the State. The Trust Fund is the State's financing vehicle for transportation capital expenditures. Funding for such expenditures is derived from Bond proceeds, excess Trust Fund revenue, and cash balances.

In addition, the Trust Fund has assumed the responsibility for (1) the operating expenses of the Authority (including the Delaware Transit Corporation), the Delaware Turnpike and the Route 1 Toll Road and all of the other divisions of the Department and (2) debt service on general obligation bonds previously sold by the State for transportation projects.

THE TRANSPORTATION TRUST FUND HAS NOT BEEN PLEDGED AS SECURITY FOR THE SERIES 2010 BONDS.

LITIGATION AND CLAIMS AFFECTING THE AUTHORITY

The Authority is a party to various legal proceedings, many of which arise in the normal course of the Authority's operations. These legal proceedings are not, in the opinion of the Deputy Attorney General of the State, likely to have a materially adverse impact on the Authority's financial position. There are currently no pending or potential proceedings likely to have a materially adverse impact on the Authority's financial position.

NO LITIGATION AFFECTING THE SERIES 2010 BONDS

There is no litigation pending or, to the knowledge of the Authority, threatened, questioning the existence of the Authority, the validity of the Series 2010 Bonds, or any proceedings of the Authority taken with respect to the issuance or sale thereof, or seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2010 Bonds, or questioning the power of the Authority or the Department to receive and pledge revenues to pay the Series 2010 Bonds as provided in the Trust Agreement. There is no litigation pending or, to the knowledge of the Authority or the Department, threatened questioning (i) the validity of the GARVEE Financing Agreement or (ii) the ability of the Department to cause the transfer of the Pledged Federal Aid to the Trustee on behalf of the Authority.

UNDERWRITING

The Series 2010 Bonds are to be purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative for the underwriters (collectively, the "Underwriters") named in the Bond Purchase Agreement hereinafter referred to. The Underwriters have jointly and severally agreed to purchase the Series 2010 Bonds from the Authority pursuant to and subject to the conditions set forth in a Bond Purchase Agreement dated June 2, 2010, at a purchase price of \$125,400,216.16, which reflects an Underwriters' discount of \$545,537.74, and net original issue premium of \$12,455,753.90. The Underwriters are committed to take and pay for all of the Series 2010 Bonds if any are taken. The prices at which the Series 2010 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others. The Underwriters have designated Merrill Lynch, Pierce, Fenner & Smith Incorporated as Representative of the Underwriters of the Series 2010 Bonds.

J.P.Morgan Securities Inc. ("JPMSI"), one of the Underwriters of the Series 2010 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Series 2010 Bonds from JPMSI at the original issue price less a negotiated portion of the selling concession applicable to any Series 2010 Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Series 2010 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint

venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2010 Bonds.

FINANCIAL ADVISOR

Public Financial Management, Inc. has served as financial advisor (the “Financial Advisor”) to the Authority in connection with the sale of the Series 2010 Bonds and other matters pertinent thereto.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”), and Standard & Poor’s Ratings Services (“S&P”) have assigned ratings to the Series 2010 Bonds of “Aa2” and “AA” respectively. Any explanation of the significance of each of the ratings of the Series 2010 Bonds may be obtained from the rating agency furnishing the same. The Authority furnished to Moody’s and S&P certain materials and information respecting itself. Generally, rating agencies base their ratings on such materials and information, and on their own investigations, studies and assumptions. There is no assurance that such ratings will be obtained for any given period of time or that they may not be lowered or withdrawn entirely by such 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 any of them, may have an adverse effect on the market price of the respective Series 2010 Bonds.

The rating assigned to the Series 2010 Bonds by Moody’s reflects a recalibration from its municipal to its global rating scale. The recalibration does not reflect a change in credit quality, or a change in the credit opinion of an issue or issuer. The recalibration is merely a change in scale. More information is currently available from Moody’s at <http://www.moodys.com.gsr>.

LEGAL MATTERS

The validity of the issuance of the Series 2010 Bonds will be passed upon and is subject to the approving opinion of Saul Ewing LLP, Wilmington, Delaware, Bond Counsel to the Authority. Certain legal matters will also be passed upon for the Authority and the Department by the Deputy Attorney General of the State and for the Underwriters by Cozen O’Connor, Wilmington, Delaware and Philadelphia, Pennsylvania. The proposed form of the opinion of Bond Counsel is included in APPENDIX D.

TAX MATTERS

Tax Exemption-Opinion of Bond Counsel

The Code contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the Series 2010 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the Series 2010 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority subsequent to the issuance and delivery of the Series 2010 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority has made covenants to comply with such requirements.

In the opinion of Bond Counsel, interest on the Series 2010 Bonds (including accrued original issue discount) is not includable in gross income for purposes of federal income taxation under existing statutes,

regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the Authority complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Series 2010 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2010 Bonds to be so includable in gross income retroactive to the date of issuance of the Series 2010 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the Series 2010 Bonds is not subject to the alternative minimum tax imposed on individuals or corporations. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the Series 2010 Bonds or the receipt of interest thereon. See discussion of “Alternative Minimum Tax”, “Branch Profits Tax”, “S Corporations with Passive Investment Income”, “Social Security and Railroad Retirement Benefits”, “Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations”, “Property or Casualty Insurance Company” and “Accounting Treatment of Original Issue Discount and Amortizable Bond Premium” below.

Alternative Minimum Tax

Interest on the Series 2010 Bonds is not subject to the alternative minimum tax imposed on individuals and corporations.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States will be subject to a “branch profits tax” equal to thirty percent (30%) of the corporation’s “dividend equivalent amount” for the taxable year. The term “dividend equivalent amount” includes interest on tax-exempt obligations.

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have “passive investment income”. For purposes of Section 1375 of the Code, the term “passive investment income” includes interest on the Series 2010 Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are “passive investment income”. Thus, interest on the Series 2010 Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the “benefits”) may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the Series 2010 Bonds) is included in the calculation of “modified adjusted gross income” in determining whether a portion of the benefits received are to be includable in gross income of individuals.

Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

The Code, subject to limited exceptions not applicable to the Series 2010 Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the Series 2010 Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the Series 2010 Bonds and any other tax-exempt obligations acquired after August 7, 1986.

Property or Casualty Insurance Company

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium

The Series 2010 Bonds (i) in the principal amount of \$2,895,000 maturing on September 1, 2021, (ii) in the principal amount of \$2,655,000 maturing on September 1, 2023, and (iii) in the principal amount of \$2,100,000 maturing on March 1, 2025 are herein referred to as the “Discount Bonds”. In the opinion of Bond Counsel, under existing law, the difference between the initial public offering price of the Discount Bonds as set forth on the inside cover page and the stated redemption price at maturity of each such Bond constitutes “original issue discount”, all or a portion of which will, on the disposition or payment of such Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a “constant interest method”, which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. Prospective purchasers of the Discount Bonds should consult their tax advisors regarding the State’s tax treatment of original issue discount.

The Series 2010 Bonds, other than the Discount Bonds, are hereinafter referred to as the “Premium Bonds”. An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the inside cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own 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 Premium Bonds.

Delaware State Tax Opinion

In the opinion of Bond Counsel under existing statutes, interest on the Series 2010 Bonds is excluded from personal and corporate income tax imposed by the State.

LEGALITY FOR INVESTMENT

The Act provides that the Series 2010 Bonds are securities in which all officers of political subdivisions, administrative departments, boards and commissions of the State, all banks, bankers, savings banks and institutions, building and loan associations, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business; all insurance companies, insurance

associations and other persons carrying on an insurance business; all administrators, executors, guardians, trustees and other fiduciaries; and all other persons whatsoever who now are or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest any funds, including capital, belonging to them or within their control.

The Act also provides that the Series 2010 Bonds may be properly and legally deposited with and received by any officer of the State, or of any political subdivision or agency of the State, for any purpose for which the deposit of bonds or other obligations of the State is now, or may hereafter be, authorized by law.

CONTINUING DISCLOSURE UNDERTAKING

Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, (the “Rule”) prohibits an underwriter from purchasing or selling municipal securities, such as the Series 2010 Bonds, unless it has determined that the issuer of such securities and/or other persons deemed to be material “obligated persons” (each, a “MOP”) have committed to provide (i) on an annual basis, certain financial information, including financial information and operating data (“Annual Reports”), to the Electronic Municipal Market Access System (“EMMA”) created by the Municipal Securities Rulemaking Board; and (ii) notice of various events described in the Rule, if material (“Event Notices”), to EMMA.

The Authority and the Department will agree with the purchasers of the Series 2010 Bonds, by executing a Continuing Disclosure Agreement to provide Annual Reports to EMMA. The Authority will provide Event Notices to EMMA. A form of the Continuing Disclosure Agreement appears as APPENDIX C to this Official Statement.

Both the Authority and the State have complied with all continuing disclosure obligations in each of the past five years.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matter of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the opinions, forecasts or estimates will be realized. This Official Statement is not intended to be construed as a contract or agreement between the Authority and any purchaser or owner of any of the Series 2010 Bonds.

The Trustee has neither reviewed, nor participated in the preparation of, this Official Statement. Copies of the Trust Agreement and other agreements described in this Official Statement may be obtained upon written request from the Authority.

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The execution and delivery of this Official Statement has been duly authorized by the Authority.

DELAWARE TRANSPORTATION AUTHORITY

By: Secretary of Department of Transportation

/s/ Carolann D. Wicks
Carolann D. Wicks, P.E.

Director of Finance, Department of Transportation

/s/ Kathy S. English
Kathy S. English

Transportation Trust Fund Administrator

/s/ Brian G. Motyl
Brian G. Motyl

Dated: June 2, 2010

Appendix A-

Summary of Certain Provisions of the Trust Agreement

TABLE OF CONTENTS

	Page
DEFINITIONS	A-1
TRUST ESTATE.....	A-8
ADDITIONAL BONDS.....	A-8
ESTABLISHMENT OF FUNDS AND ACCOUNTS	A-9
APPLICATION OF PROCEEDS OF BONDS	A-9
APPLICATION OF PROCEEDS OF PLEDGED FEDERAL AID.....	A-10
DEBT SERVICE FUND AND FLOW OF FUNDS	A-10
CONSTRUCTION FUND	A-12
DEBT SERVICE RESERVE FUND.....	A-12
REBATE FUND.....	A-13
INVESTMENT OF FUNDS.....	A-14
POWERS AS TO BONDS AND PLEDGE	A-15
COVENANT TO ENFORCE THE FINANCING AGREEMENT, FEDERAL AID AGREEMENT AND MEMORANDUM OF AGREEMENT	A-15
SUPPLEMENTAL TRUST AGREEMENTS.....	A-15
AMENDMENTS OF TRUST AGREEMENT	A-16
EVENTS OF DEFAULT AND REMEDIES	A-17
PRIORITY OF PAYMENTS AFTER DEFAULT.....	A-18
DIRECTION OF PROCEEDINGS	A-19
LIMITATION ON RIGHTS OF HOLDERS	A-20
RESPONSIBILITIES OF FIDUCIARIES; FIDUCIARIES ENTITLED TO INDEMNITY.....	A-20
EVIDENCE ON WHICH FIDUCIARIES MAY ACT	A-21
PERMITTED ACTS AND FUNCTIONS OF FIDUCIARIES	A-21
RESIGNATION AND REMOVAL OF TRUSTEE.....	A-22
APPOINTMENT OF SUCCESSOR TRUSTEE.....	A-22
DEFEASANCE	A-22
MONEYS HELD FOR PARTICULAR BONDS.....	A-23
NO RECOURSE UNDER TRUST AGREEMENT OR BONDS.....	A-23

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The following is a brief summary of certain provisions of the Trust Agreement. This summary does not purport to be complete, and reference should be made to the Trust Agreement for a complete statement of its terms. Copies of the Trust Agreement are available for examination at the offices of the Authority and the Trustee

Definitions

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in this Official Statement. Capitalized words and terms used but not defined herein shall have the meanings set forth in the Trust Agreement.

“Act” shall mean Title 2 of the Delaware Code, Chapters 13 and 14, as amended, and 77 Del. Laws Ch. 87.

“Additional Bonds” shall mean Bonds (other than the Series 2010 Bonds) issued under the provisions of the Master Trust Agreement, which shall include Refunding Bonds.

“Additional Projects” shall mean any portion of the Project that is financed or refinanced by the issuance of Additional Bonds

“Authority” shall mean the Delaware Transportation Authority, a public instrumentality and body corporate and politic of the State and its successors and assigns.

“Authorized Denominations” shall mean \$5,000 and integral multiples thereof, or such other amount as shall be specified in a Series Trust Agreement with respect to Bonds issued thereunder.

“Authorized Officer” shall mean, (i) as to the Authority, any officer or employee of the Authority authorized to perform the particular acts or duties by resolution duly adopted by the Authority, (ii) as to the Department, the Secretary of the Department, or any other officer of the Department designated by the Secretary of the Department, and (iii) as to the Trustee, any trust officer designated by corporate resolution of the Trustee.

“Auxiliary Agreement” shall mean any Credit Facility Agreement, Exchange Agreement or Liquidity Facility Agreement.

“Auxiliary Agreement Provider” shall mean the provider of an Auxiliary Agreement with respect to any Series of Bonds.

“Auxiliary Obligations” shall mean obligations of the Authority for the payment of money under any Auxiliary Agreement.

“Book-Entry-Only Bonds” shall mean Bonds which, at the election of the Authority, shall be issued in accordance with the DTC Operational Arrangements.

“Bond” or “Bonds” shall mean the Series 2010 Bonds and any other bonds of the Authority authorized and issued under the Trust Agreement, including any Additional Bonds.

“Business Day” shall mean any day other than (i) a day on which the Trustee or the Paying Agent is required, or is authorized or not prohibited, by law (including executive orders) to close and is closed and (ii) a day on which the New York Stock Exchange is closed.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

“Costs of Issuance” shall mean the costs of issuing Bonds as designated by the Authority; including, but not being limited to, the fees and charges of the financial advisors or Underwriter, bond counsel, disclosure counsel, issuer counsel, Underwriter's counsel, Trustee, Trustee's counsel, rating agencies, bond and official statement printers and such other fees and expenses as are normally attendant to an issue of Bonds.

“Counsel” or “Counsel's Opinion” shall mean an opinion signed by such attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds and municipal finance as may be selected by the Authority.

“Counterparty Exchange Payment” shall mean a payment due from an Exchange Counterparty to the Trustee or the Authority pursuant to a Related Exchange Agreement (including, but not limited to, payments in respect of any early termination, as provided in the Related Exchange Agreement).

“Credit Facility” means any letter of credit, bond insurance policy, bond purchase agreement, guaranty, line of credit, surety bond or similar credit or liquidity facility securing any Bond or held to the credit of any fund or account created by the Trust Agreement. When used with reference to any Bonds, “Credit Facility” means any Credit Facility securing such Bonds.

“Credit Facility Agreement” shall mean the reimbursement agreement, bond insurance agreement or similar agreement between the Authority and any Credit Facility Provider.

“Credit Facility Provider” shall mean the provider of a Credit Facility with respect to any Series of Bonds.

“Debt Service Reserve Fund” means the fund established under the Trust Agreement for Additional Bonds pursuant to a Series Trust Agreement.

“Debt Service Reserve Fund Credit Facility” means any Credit Facility held to the credit of the Debt Service Reserve Fund.

“Debt Service Reserve Fund Requirement” means when used with respect to or in connection with any Series of Bonds secured by the Debt Service Reserve Fund, if any, maintained for such Bonds, such amount as shall be established in the Related Series Trust Agreement authorizing the issuance of such Bonds.

“Department” shall mean the Department of Transportation, a department of the State, its successors and assigns.

“Depository” shall mean any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of beneficial interest in any Bonds, and to effect transfers of book entry interests in such Bonds, and includes and means initially DTC.

“Direct GARVEE Reimbursement” shall have the meaning set forth in Article VI of the Master Trust Agreement.

“DTC” shall mean The Depository Trust Company, New York, New York (a limited purpose trust company).

“DTC Operational Arrangements” shall mean DTC's operational arrangements, as amended from time to time.

“Eligible Investments” shall mean, to the extent permitted by law:

(a) (i) Government Obligations and (ii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association, Federal Intermediate Credit Banks, Federal Home Loan Banks, Federal Land Banks, Federal Bank for Cooperatives, Export-Import Bank of the United States, Federal Financing Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Association, Federal Housing Administration, United States Department of Agriculture Rural Development, Government National Mortgage Association, or any other agency controlled by or supervised by and acting as an instrumentality of the United States government (together with Government Obligations, herein sometimes called “Federal Securities”);

(b) repurchase agreements with respect to Federal Securities with (i) financial institutions insured by the Federal Deposit Insurance Corporation or (ii) broker-dealers who are members of the Securities Investors Protection Corporation; provided that (A) the Trustee, the Authority or a Depository (or a third party acting solely as agent for the Trustee, the Authority or such Depository) must have possession of the collateral security and such collateral security must continuously have a market value equal to the amount so invested and must be free of all third party claims and (B) any investment in a repurchase agreement shall be deemed to mature on the date the financial institution or broker-dealer has agreed to repurchase the Federal Security;

(c) certificates of deposit issued by, and time deposits in, any bank or savings and loan association organized under the laws of the State, any other state of the United States or of the United States, including the Trustee; provided that such bank or savings and loan association has combined capital, surplus and undivided profits of at least \$100,000,000; and provided further, that such certificates of deposit or time deposits are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by Government Obligations held by the Trustee or a third party acting solely as agent for the Trustee and having a market value of not less than the face amount of such certificates and deposits;

(d) bankers acceptances drawn on and accepted by commercial banks (which may include the Trustee, the Registrar, any Depository and any Paying Agent) having a combined capital, surplus and undivided profits of at least \$100,000,000;

(e) commercial paper rated in the highest Rating Category by at least two Rating Services;

(f) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by a bond insurance company that is rated in the highest Rating Category by at least two Rating Services;

(g) full faith and credit obligations of state or local government municipal bond issuers that are rated in the highest Rating Category by at least two Rating Services; and

(h) any other obligations that constitute legal investments for State agencies such as the Authority.

“Exchange Agreement” shall mean any transaction entered into by the Authority or by the Authority and the Trustee at the request of the Authority in order to hedge the interest payable or manage interest cost on all or a portion of any the Bonds, any asset or any other derivative arrangement then in effect, including (without limitation) an interest rate swap, a forward or futures contract or an option, such as (without limitation) a call, put, cap, floor or collar or a similar interest rate hedge agreement, as amended or supplemented.

“Exchange Counterparty” shall mean any party with whom the Authority or the Authority and the Trustee shall, from time to time, enter into an Exchange Agreement.

“Exchange Payment” shall mean a payment due from the Authority and payable by the Trustee from the Debt Service Fund to an Exchange Counterparty pursuant to an Exchange Agreement (excluding any payments in respect of any early termination, as provided in the Exchange Agreement).

“Federal Aid Agreements” shall mean all agreements between or among the Authority, the Department and/or FHWA with respect to the Project in accordance with the provisions of Title 23.

“Federal Fiscal Year” shall mean the period commencing October 1 of any year and ending September 30 of the ensuing year, or any other fiscal year of the FHWA.

“FHWA” shall mean the Federal Highway Administration.

“Fiduciary” or “Fiduciaries” shall mean the Trustee, any Paying Agent, the Registrar, or any combination of the foregoing, as may be appropriate.

“Financing Agreement” shall mean the GARVEE Financing and Pledge Agreement (U.S. 301 Project) by and between the Department and the Authority to be dated as of June 1, 2010, and any amendments or supplements thereto.

“Fitch” shall mean Fitch Ratings and its successors and assigns.

“Government Obligations” means direct obligations of, or obligations that are unconditionally guaranteed by, the United States of America, including (without limitation) obligations of Resolution Funding Corporation.

“Holder”, or “Owner”, or any similar term (when used with reference to any Bonds), shall mean the person in whose name a Bond is registered.

“Indirect Reimbursements” shall have the meaning set forth in Article VI of the Master Trust Agreement.

“Initial Project” means the portions of the Project financed with the proceeds of the Series 2010 Bonds.

“Interest Payment Date” shall mean, (a) in the case of Series 2010 Bonds, March 1 and September 1, commencing March 1, 2011 and (b) in the case of any other Series of Bonds, the date upon which interest on the Bonds of such Series shall be payable as provided in the Related Series Trust Agreement.

“Investment Provider” shall mean any commercial bank or trust company, bank holding company, investment company or other entity (which may include the Trustee, the Registrar or the Paying Agent), who is rated (or the guarantor or insurer of whom is rated) by each Rating Service that at the request of the Authority shall have assigned a rating to the Bonds secured by the investment to be provided by such entity that is then in effect which is sufficiently high to maintain the then-current rating on such Bonds by such Rating Service or is otherwise acceptable to each such Rating Service, which entity shall be approved by the Authority for the purpose of providing investment agreements.

“Liquidity Facility” shall mean, with respect to any Series of Bonds, a standby bond purchase agreement, letter of credit, line of credit, revolving credit agreement or similar liquidity enhancement or support facility or agreement or undertaking or combination thereof supporting such Bonds having such terms as are set forth in the Related Series Trust Agreement.

“Liquidity Facility Agreement” shall mean the agreement between the Authority and any Liquidity Facility Provider pursuant to which any Liquidity Facility is issued.

“Liquidity Facility Provider” shall mean the provider of a Liquidity Facility with respect to any Series of Bonds.

“Master Trust Agreement” shall mean the Master Trust Agreement between the Authority and the Trustee dated as of June 1, 2010, as amended or supplemented from time to time.

“Maximum Annual Debt Service” shall mean the greatest of the amounts required to be paid or set aside during the current or any future Federal Fiscal Year commencing after the date of such calculation, for payment of debt service on all Outstanding Bonds. The method for determining Maximum Annual Debt Service for variable rate Bonds shall be set forth in the Related Series Trust Agreement.

“Memorandum of Agreement” shall mean the Memorandum of Agreement among FHWA, the Department and the Authority Accounting for Debt Service Payment on GARVEE Bonds for the U.S. 301 Project dated as of May 13, 2010, as amended or supplemented from time to time.

“Moody's” shall mean Moody's Investors Service, Inc. and its successor and assigns.

“Obligation Authority” means the funds apportioned or allocated by the FHWA to the Department pursuant to Title 23 for each Federal Fiscal Year taking into account both new budget authority and any budget authority made available by the de-obligation of previously obligated funds.

“Original Purchaser” means the Person or Persons defined as such in a Supplemental Trust Agreement for purposes of purchasing a Series of Bonds from the Authority.

“Outstanding” when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or then being authenticated and delivered except: (i) Bonds cancelled upon surrender, exchange or transfer or cancelled because of payment or redemption at or prior to such date; (ii) Bonds which are deemed to have been paid pursuant to the provisions of the Trust Agreement or any Bonds which are deemed to have been paid pursuant to the provisions of the Related Series Trust Agreement; and (iii) Bonds in lieu of which others have been authenticated under the Trust Agreement.

“Paying Agent” shall mean any bank or trust company so designated, and its successor or successors hereafter appointed, as paying agent for any Series of Bonds in the manner provided in the

Trust Agreement or the Related Series Trust Agreement. Unless otherwise designated by the Authority, the Trustee shall be the Paying Agent.

“Person” shall mean any individual, firm, partnership, association, corporation, or governmental agency.

“Pledged Federal Aid” means (i) all present and future Obligation Authority received by or on behalf of, or available to the State from FHWA, excluding any categories of federal highway funds or Obligation Authority not legally available for the payment of debt service on the Bonds and (ii) any rights of the Department to receive such Obligation Authority. Such term includes any funds paid by FHWA to the Trustee directly pursuant to the Trust Agreement or otherwise that would have been paid by FHWA to the Department or the Authority but for a specific agreement between the FHWA, the Department and the Authority to pay such moneys directly to the Trustee.

“Project” shall mean the GARVEE Project as defined in the Financing Agreement.

“Purchase Date” shall mean, when used with respect to Bonds, the date set forth in a Related Series Trust Agreement on which such Bonds may be tendered or must be tendered for purchase.

“Purchase Price” shall mean an amount equal to the principal amount of any Bonds purchased under the terms of a Series Trust Agreement, plus accrued interest, if any, to the Purchase Date.

“Rating Category” means one of the general rating categories of a Rating Service, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

“Rating Service” shall mean Moody's, S&P and Fitch.

“Rebate Amount” shall mean the amount determined by the Authority or by a consultant retained by the Authority to be payable to the United States of America government pursuant to Section 148(f) of the Code with respect to Bonds.

“Record Date” shall mean, for each Series of Bonds, the date designated in the Related Series Trust Agreement.

“Redemption Date” shall mean, when used with respect to Bonds, any date set forth in the Trust Agreement or a Related Series Trust Agreement on which such Bonds may be called for redemption or must be called for redemption.

“Refunding Bonds” shall mean bonds issued under the Trust Agreement, the proceeds of which are used solely and only to refund specified Bonds then Outstanding under the Trust Agreement and to pay the costs of issuing such Refunding Bonds.

“Registrar” shall mean the registrar maintaining the registration books for any Series of Bonds and unless otherwise provided in the Related Series Trust Agreement shall mean the Trustee.

“Related” (whether capitalized or not) shall mean, when used with respect to (a) any Series Resolution, the resolution adopted by the Authority authorizing the issuance of particular Bonds, (b) any Series Trust Agreement, the Supplemental Trust Agreement pursuant to which particular Bonds were issued, (c) any Registrar, Paying Agent, Fiduciary or Remarketing Agent, the Registrar, Paying Agent, Fiduciary or Remarketing Agent, respectively, for such Bonds as provided in such Supplemental Trust Agreement, (d) any Fund or Account, a Fund or Account, respectively, created in connection with the

issuance of, funded from the proceeds of, allocated to or securing such Bonds, as provided in such Supplemental Trust Agreement, (e) an Auxiliary Agreement, an Auxiliary Agreement securing or otherwise supporting or entered into in connection with such Bonds, as the case may be, (f) an Auxiliary Agreement Provider, the provider of such Auxiliary Agreement and (g) any Supplement to Financing Agreement, the Supplement to Financing Agreement entered into to provide for the deposit of Pledged Federal Aid for the repayment of such Series of Bonds.

“Remarketing Agent” shall mean any remarketing agent, dealer or broker-dealer appointed under the terms of a Series Trust Agreement.

“Resolution” shall mean the resolution of the Authority adopted on June 2, 2010 authorizing, among other things, the issuance of the Series 2010 Bonds and the execution and delivery of the Master Trust Agreement and any subsequent resolution of the Authority relating to a Series of Bonds.

“S&P” shall mean Standard & Poor's Rating Services and its successors and assigns.

“Series” shall mean and refer to all of the Bonds designated as such in the Related Series Trust Agreement, regardless of variations in class, dated date, maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the Trust Agreement and the Related Series Trust Agreement.

“Series Trust Agreement” shall mean a Supplemental Trust Agreement providing for the issuance of particular Bonds.

“Series of Bonds” or words of similar import, shall mean the series of Bonds issued pursuant to a particular Series Trust Agreement.

“Series Resolution” shall mean a resolution of the Authority authorizing the issuance of a Series of Bonds other than the Series 2010 Bonds in accordance with the terms and provisions hereof, adopted by the Authority in accordance with the Trust Agreement.

“Series 2010 Bonds” shall mean the Authority’s \$113,490,000 aggregate principal amount Grant Anticipation Bonds, Series 2010 Bonds.

“State” shall mean the State of Delaware.

“State Fiscal Year” shall mean the fiscal year of the State, currently July 1 through June 30 of the following year, or any other fiscal year of the State.

“Supplemental Trust Agreement” shall mean any trust agreement supplemental to or amendatory of the Master Trust Agreement or any Series Trust Agreement entered into by the Authority in accordance with the Trust Agreement.

“Supplement to Financing Agreement” shall mean any supplement to the Financing Agreement entered into in accordance with the terms thereof.

“Title 23” shall mean Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time, and any extension thereof or successor or replacement provision of law.

“Trust Agreement” shall mean the Master Trust Agreement, as may be amended or supplemented from time to time by a Supplemental Trust Agreement.

“Trust Estate” shall mean the property described in the Granting Clauses of the Master Trust Agreement as summarized below under the heading “Trust Estate”.

“Trustee” shall mean Wilmington Trust Company or any other corporation which may at any time be substituted in its place pursuant to the Master Trust Agreement or any Supplemental Trust Agreement, and their successors and assigns.

“Trustee Fee” shall mean the amount determined by the Authority in accordance with its agreement with the Trustee to be payable to the Trustee.

“Underwriter” shall mean the underwriter or underwriters of any Bonds identified in the Resolution or any Related Series Trust Agreement with respect to any Series of Bonds.

Trust Estate

Pursuant to the Trust Agreement, the Authority grants to the Trustee and its successors a security interest in, the following, subject to the provisions of the Trust Agreement to secure the payment of the principal and purchase price of, and interest and premium, if any, on the Bonds, to secure the payment of all amounts due under any Auxiliary Agreements, for the benefit of the holders of such Bonds and the providers of such Auxiliary Agreements:

(a) except as otherwise provided herein or in any Related Series Trust Agreement entered into in connection with the issuance of any Bonds with respect to any funds and accounts established solely for such Bonds, all moneys, securities, letters or credit or investments held in or entitled to be held by the Trustee under the Trust Agreement, including all funds and accounts created in the Trust Agreement (except the Rebate Fund) and all interest, profits and proceeds thereof;

(b) all of the Authority’s right, title and interest in the Financing Agreement, including the Department’s pledge, transfer and assignment of its rights, title and interest in the Pledged Federal Aid contained therein;

(c) all of the Authority’s right, title and interest in and to the Pledged Federal Aid;

(d) any and all property, rights and interests of every kind or description which from time to time hereafter may be sold, transferred, conveyed, assigned, pledged, mortgaged or delivered to the Trustee or the Authority as security hereunder;

(e) all of the Authority’s right, title and interest in and to any Counterparty Exchange Payments; and

(f) all proceeds of the foregoing.

Additional Bonds

From time to time when authorized by the Trust Agreement and subject to the terms, limitations and conditions established in the Trust Agreement, the Authority may authorize the issuance of a Series of Bonds other than the Series 2010 Bonds authorized by the Trust Agreement upon adoption of a Series Resolution and execution of a Series Trust Agreement, and the Bonds of any such Series may be issued and delivered upon compliance with the Trust Agreement. The Bonds of each Series shall bear such designation as shall be determined by the Authority. Bonds of any Series shall be issued in the form provided by the Related Series Trust Agreement.

Each Series Trust Agreement shall specify and determine: (i) the authorized principal amount of the Bonds to be issued thereunder and the amount of each maturity of such Bonds; (ii) the title and designation of the Bonds of that Series; (iii) the date or dates of maturity and the amounts thereof and the dated date of that Series; (iv) the interest rate or rates, which may be fixed or variable, or the manner of determining such rate or rates, on the Bonds of that Series and the Interest Payment Dates of those Bonds; (v) the redemption price or redemption prices and the Redemption Date or Redemption Dates and other terms (if any) of redemption of any of the Bonds of such Series; (vi) the Purchase Price and the Purchase Dates and other terms (if any) for the tender of any of the Bonds of such Series; (vii) if the Paying Agent is to be different from the Paying Agent then serving under the Trust Agreement, the Paying Agent or Paying Agents for such Bonds; (viii) the manner in which Bonds of such Series are to be sold and provisions for the sale thereof; (ix) provisions relating to any Exchange Agreement, Credit Facility and Liquidity Facility, including provisions relating to the renewal, substitution and extension of any such Exchange Agreement, Credit Facility and Liquidity Facility, and the identity of the providers of such Exchange Agreement, Credit Facility and Liquidity Facility; (x) whether (a) the Bonds of such Series shall be secured by the Debt Service Reserve Fund maintained for any Series of Outstanding Bonds, (b) such Bonds shall not be secured by a Debt Service Reserve Fund, or (c) such Bonds shall be secured by a Debt Service Reserve Fund separate from any previously created Debt Service Reserve Fund pursuant to a Related Series Trust Agreement; (xi) if the Series Trust Agreement authorizing the issuance of any Bonds provides that such Series of Bonds shall be secured by a separate Debt Service Reserve Fund, such Series Trust Agreement shall (a) establish the amount of the Debt Service Reserve Fund Requirement for such Debt Service Reserve Fund, (b) provide the period during which any deficiency shall be cured, (c) specify whether any other Additional Bonds may be secured by such Debt Service Reserve Fund and (d) provide such terms with respect to the valuation of such Debt Service Reserve Fund, the application of any earnings on or surpluses in such Debt Service Reserve Fund and any Credit Facilities held to the credit of such Debt Service Reserve Fund as the Authority shall deem appropriate, any other provision of the Trust Agreement to the contrary notwithstanding; and (xii) any other provisions deemed advisable by the Authority, not in conflict with the provisions of the Trust Agreement.

Establishment of Funds and Accounts

The following funds and accounts are created with the Trustee, for the purposes required for the Series 2010 Bonds separate and apart from all other funds and accounts of the Authority: the Debt Service Fund; the Direct GARVEE Reimbursement Account and Indirect Reimbursement Account within the Debt Service Fund; the Construction Fund; the Cost of Issuance Account within the Construction Fund; and the Rebate Fund.

The Authority from time to time may create other Funds and Accounts as provided in the Trust Agreement or in a Series Trust Agreement in order to accomplish the purposes of the Act and the Trust Agreement and which are not inconsistent with the requirements set forth in the Trust Agreement.

Each Fund and Account shall be held and maintained by the Trustee pursuant to the provisions of the Trust Agreement and the Related Series Trust Agreement.

Application of Proceeds of Bonds

The proceeds of each Series of Bonds shall be received by the Trustee on behalf of the Authority. Upon the receipt of the proceeds of the Series 2010 Bonds, the Authority shall make payments from such proceeds as follows: (i) an amount equal to the Costs of Issuance of the Series 2010 Bonds shall be deposited to the Cost of Issuance Account within the Construction Fund and (ii) the balance of such proceeds shall be deposited to the Construction Fund to pay the costs of the Project.

Application of Proceeds of Pledged Federal Aid

The assignment and pledge of Pledged Federal Aid to the Trustee for the benefit of the Holders of the Bonds and any Auxiliary Agreement Providers under the Trust Agreement is intended to and shall constitute a lien on such Pledged Federal Aid. All such Pledged Federal Aid shall be subject to the assignment and lien of the Trust Agreement.

Debt Service Fund and Flow of Funds

(a) The Trustee shall establish and create a separate account of the Indirect Reimbursement Account and the Direct GARVEE Reimbursement Account for each Series of Bonds.

(b) Pursuant to the terms of the Financing Agreement and the Master Trust Agreement, the Department shall request FHWA to transmit the Indirect Reimbursements to the Trustee for deposit into the Indirect Reimbursement Account of the Debt Service Fund. If by the 25th day of the month preceding each Interest Payment Date, the amount of such Indirect Reimbursements on deposit in the Indirect Reimbursement Account does not equal the next maturing debt service payment due to the Trustee on the Bonds, the Trustee shall immediately notify the Authority and the Department of such deficiency. The Department shall make available to the Trustee any Pledged Federal Aid to cover such deficiency as set forth in the Master Trust Agreement.

(c) Except for the Indirect Reimbursements received pursuant to paragraph (b) above, the Trustee shall, upon receipt from the Department, the Authority or the FHWA, deposit all other Pledged Federal Aid into the Direct GARVEE Reimbursement Account of the Debt Service Fund.

On the third (3rd) Business Day prior to each Interest Payment Date, the Trustee shall deliver a written certification in the form set forth in the Master Trust Agreement to the Authority and the Department specifying (a) whether Direct GARVEE Reimbursements have been deposited with the Trustee as required by the Memorandum of Agreement, (b) the total amount of funds on deposit in the Direct GARVEE Reimbursement Account of the Debt Service Fund, indicating that such certified amount will be applied as a credit against amounts required to be paid to the Trustee on or prior to such Interest Payment Date for the payment of principal and interest on the Bonds, and (c) whether or not the Trustee will be required to use the Indirect Reimbursements in the Indirect Reimbursement Account of the Debt Service Fund for payment of the next maturing debt service if all or a portion of the Direct GARVEE Reimbursements have not been deposited with the Trustee prior to the upcoming Interest Payment Date.

If FHWA does not timely provide sufficient Direct GARVEE Reimbursements for the next maturing debt service payment, the Trustee shall use the moneys deposited in the Indirect Reimbursement Account constituting Indirect Reimbursements to cover any such deficiency on the applicable Interest Payment Date. Except as set forth in the Master Trust Agreement, Indirect Reimbursements shall only be used by the Trustee as set forth in the preceding sentence.

Subject to the provisions of the Master Trust Agreement, the Trustee shall use amounts received and deposited into the Debt Service Fund as set forth above only in the manner and order of priority specified below:

1. to pay an amount equal to the next interest payment and any Exchange Payment becoming due on Bonds on such Interest Payment Date or Redemption Date;

2. to pay an amount equal to the next maturing principal payment of Bonds, if any, becoming due on such Interest Payment Date or Redemption Date; and

3. to transfer into the Debt Service Reserve Fund, if any, beginning on the date on which the Authority receives notice of any deficiency in such Debt Service Reserve Fund, in such amount as shall be required to make the amount on deposit in or credited to such Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement.

Amounts remaining after the transfers described above shall be transferred as directed in writing by the Authority or as set forth in a Series Trust Agreement.

(d) There shall be established within the Debt Service Fund in accordance with the Series Trust Agreement authorizing the issuance of Bonds:

1. if such Bonds are subject to purchase prior to maturity, a Purchase Account, consisting of (i) a Remarketing Proceeds Subaccount, into which shall be deposited proceeds of the remarketing of such Bonds received from the Related Remarketing Agent and (ii) a Draw Subaccount, into which shall be deposited amounts received under a draw on the any Related Liquidity Facility or Credit Facility for the payment of the Purchase Price any such Bonds that are tendered and not remarketed by the Remarketing Agent; and

2. if such Bonds are secured by a Credit Facility, a Credit Facility Account, into which shall be deposited all amounts received from draws under the Related Credit Facility to pay the principal of and interest (and any Exchange Payments under any Related Exchange Agreement) and premium, if any, on such Bonds.

(e) Moneys in the Debt Service Fund or any specified Accounts shall be used as follows:

1. Amounts in the Debt Service Fund shall be used to pay (i) interest on the Bonds, unless draws have been made on a Credit Facility for such purpose, in which case, amounts equal to such draws shall be paid to the Credit Facility Provider and (ii) any Exchange Payment under any Related Exchange Payment.

2. Amounts in the Debt Service Fund shall be used to pay principal on the Bonds, unless draws have been made on a Credit Facility for such purpose, in which case amounts equal to such draws shall be paid to the Credit Facility Provider;

3. Amounts in any Purchase Account shall be used to purchase Bonds for which the Purchase Account was created which are tendered for purchase, subject to the provisions of the Related Series Trust Agreement; and

4. Amounts in any Credit Facility Account shall be used to pay the principal of and interest (and any Exchange Payments under any Related Exchange Agreement) and premium, if any, on Bonds for which such Credit Facility Account was created.

(f) The Trustee shall transmit to the Related Paying Agent moneys on deposit in the Debt Service Fund for the payment of the principal and Purchase Price of and interest on and premium, if any, on the Bonds to be applied to the payment thereof as such amounts become due and payable. Exchange Payments and reimbursement payments under Credit Facility Agreements and Liquidity Facilities shall be paid by wire transfer of immediately available funds to the extent the Trustee holds immediately available funds.

(g) Provisions regarding draws on any Credit Facility or Liquidity Facility pursuant to their terms, in the amounts and at the times necessary to pay the principal or Purchase Price of and interest (and any Exchange Payment under Related Exchange Agreements) and premium, if any, on any Bond shall be set forth in the Related Series Trust Agreement to such Bond.

Construction Fund

A separate account of the Construction Fund shall be established for each Series of Bonds. There shall be deposited in the account of the Construction Fund established for each such Series of Bonds the amount required by the applicable Series Trust Agreement. The Trustee is authorized and directed to make disbursements from each Account of the Construction Fund in accordance with written requisitions filed from time to time by an Authorized Officer of the Authority; such requisition payments shall be used to reimburse the General Fund of the State for payments charged by the Authority for the costs associated with the Project. The Trustee shall keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom.

At the option of the Authority, the income derived from investment of each Account of the Construction Fund shall, based on written instructions from the Authority to the Trustee, be transferred as received to the Rebate Fund, be retained in the Construction Fund, be transferred to the Direct GARVEE Reimbursement Account of the Debt Service Fund and disbursed therefrom on the next succeeding Interest Payment Date, be transferred to the Cost of Issuance Account to pay any remaining Cost of Issuance expenses, or be held in such Account and used for the purposes thereof.

If any proceeds of a Series of Bonds remain in an Account of the Construction Fund after an Authorized Officer of the Department certifies (i) that the portion of the Project funded by such Series of Bonds has been completed, (ii) that such funds are not necessary for Construction Fund purposes, or (iii) there is a shortfall in the Debt Service Reserve Fund, if any, or in the Debt Service Fund in any amount necessary for the payment of principal or interest on the Bonds, such amounts shall be transferred to the Direct GARVEE Reimbursement Account of the Debt Service Fund and applied as set forth in this Appendix under the heading "Debt Service Fund and Flow of Funds" or as instructed in the written directions of an Authorized Officer of the Authority.

In the event of any redemption pursuant to the Trust Agreement, the Trustee shall transfer all amounts on deposit in the Construction Fund to the Debt Service Fund and apply such funds to the redemption of the Bonds pursuant to Trust Agreement.

Debt Service Reserve Fund

For Additional Bonds issued under the Trust Agreement and as directed by any Related Series Trust Agreement, the Trustee shall create a special fund known as the Debt Service Reserve Fund which shall be held in trust by the Trustee. If on any Interest Payment Date the amount in the Debt Service Fund shall be less than the amount of interest then due on a particular Series of Bonds, the Trustee forthwith shall transfer moneys from the Debt Service Reserve Fund, if any, or draw upon any Debt Service Reserve Fund Credit Facility (as the case may be) and deposit such funds in the Debt Service Fund, to the extent necessary to cure any deficiency. Upon any such transfer or draw, the Trustee shall immediately notify the Authority and the Secretary of the Department.

In the case of any Debt Service Reserve Fund: (i) a "deficiency" shall mean that the value of the assets of the Debt Service Reserve Fund, determined in accordance with the provisions of the Trust Agreement, is less than the Debt Service Reserve Fund Requirement; and (ii) a "surplus" shall mean that

the value of the assets of the Debt Service Reserve Fund, determined in accordance with the provisions of Trust Agreement, is in excess of the Debt Service Reserve Fund Requirement.

The Trustee shall determine the value of the assets of the Debt Service Reserve Fund, if any, in the manner provided by the Trust Agreement as of the close of business (i) on September 30 in each year, (ii) on the date of any withdrawal from the Debt Service Reserve Fund and on the last Business Day of each month thereafter until such determination discloses that a deficiency no longer exists in such fund, (iii) on any date on which an Authorized Officer of the Trustee obtains actual knowledge that any Debt Service Reserve Fund Credit Facility (if any) held to the credit of the Debt Service Reserve Fund is no longer entitled to be credited against the Debt Service Reserve Fund Requirement, (iv) on the date that is six months prior to the stated expiration date of any Debt Service Reserve Fund Credit Facility, and (v) on any other date directed in writing by the Authority.

As promptly as practicable after making such determination, the Trustee shall notify the Authority of the result of such determination and of the amount of any deficiency or surplus determined to exist in the Debt Service Reserve Fund.

The Trustee shall transfer the amount of any surplus that exists in the Debt Service Reserve Fund, if any, from time to time to the Authority, upon the written direction of the Authority.

If the Authority shall determine to provide for the payment of any Bonds secured by a Debt Service Reserve Fund as provided in the provisions of the Trust Agreement summarized in this Appendix under the heading "Defeasance," then on the date on which such Bonds are deemed to be paid in accordance with such provisions, the amount by which the amount then on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement for Outstanding Bonds secured thereby, taking into account the Bonds then deemed to be paid in accordance with such provisions of the Trust Agreement, shall be paid to the escrow deposit agent for such Bonds or otherwise transferred at the written direction of the Authority.

Rebate Fund

The Rebate Fund shall be created by the Trustee and held separate from any other Fund established and maintained hereunder or under any laws governing the creation and use of funds by the Authority and shall be held by the Trustee as a trust fund.

Upon the written direction of the Authority, the Trustee shall transfer amounts on deposit in any Fund or Account created by the Trust Agreement to the Rebate Fund, any other provision of the Trust Agreement to the contrary notwithstanding. Amounts on deposit in the Rebate Fund from time to time required to be paid to the United States of America pursuant to Section 148 of the Code as a rebate or payment in lieu thereof shall be made available by the Trustee to the Authority for such payments upon the written direction of the Authority and shall not be pledged to the payment of the principal or Purchase Price of or interest or premium, if any, on any Bonds.

Upon the written direction of the Authority, the Trustee shall transfer amounts on deposit in the Rebate Fund not required to be applied to the payment of rebates or payments in lieu thereof to any other Fund or Account created by the Trust Agreement

Investment of Funds

Except as otherwise provided in the Trust Agreement or any Series Trust Agreement, amounts on deposit in any Fund or Account shall be invested in Eligible Investments at the written direction of the Authority.

The Trustee shall sell at the best price reasonably obtainable, or present for redemption or exchange, any Eligible Investments purchased by it as an investment pursuant to the Trust Agreement whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account from which such investment was made. The Trustee shall advise the Authority in writing, on or before the last day of each calendar month, of the details of all investments held for the credit of each Fund or Account in its custody under the provisions of the Trust Agreement as of the end of the preceding month.

The Trustee shall keep the Authority fully advised as to the details of all such investments and shall comply with any directions of the Authority with respect to investments in Eligible Investments. Except as otherwise provided in the Trust Agreement, earnings and losses on investments shall be credited to the Fund or Account with respect to which such investments were made (or pro-rated thereto) and shall become a part thereof for all purposes, except as otherwise provided in the Trust Agreement.

In determining the value of the assets of the funds and accounts created by the Trust Agreement investments shall be valued at the current market value thereof.

In addition, in determining the value of the assets of the Debt Service Reserve Fund, if any, on any date, there shall be credited to the Debt Service Reserve Fund the amount that can be realized by the Trustee under any Debt Service Reserve Fund Credit Facility if each of the following conditions is met: (i) on the date of delivery of such Debt Service Reserve Fund Credit Facility to the Trustee and throughout the period during which such Debt Service Reserve Fund Credit Facility is credited to the Debt Service Reserve Fund, the unsecured indebtedness or claims-paying ability of the issuer thereof is rated in the highest Rating Category of a Rating Service; (ii) such Debt Service Reserve Fund Credit Facility permits the Trustee to realize amounts thereunder at such times as the Trustee is required to transfer any amount (other than any surplus) from the Debt Service Reserve Fund in accordance with the Trust Agreement; (iii) if amounts realized under such Debt Service Reserve Fund Credit Facility are, under any circumstances, payable from the Trust Estate, such amounts shall be payable in no fewer than 12 equal monthly installments; and (iv) the expiration date of such Debt Service Reserve Fund Credit Facility is at least six months after the date of valuation or is after the maturity date of the Bonds secured thereby or such Debt Service Reserve Fund permits the Trustee to draw thereunder for deposit to the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement prior to its expiration. Notwithstanding the foregoing, the Trustee shall have no responsibility to monitor the ratings of the issuer of any Debt Service Reserve Fund Credit Facility provided under the Trust Agreement.

It shall not be necessary for any Paying Agent to give security for the deposit of any moneys held in trust for the payment of principal of or premium, if any, or interest on any Bonds.

Neither the Authority nor the Trustee shall be liable for any depreciation in the value of any obligations in which moneys of the Funds or Accounts created by the Trust Agreement shall be invested in accordance with the provisions of the Trust Agreement, or for any loss arising from any investment permitted therein. The investments authorized by the Trust Agreement shall at all times be subject to the provisions of applicable law.

Powers as to Bonds and Pledge

The Authority has the power and authorization to issue the Bonds and execute and deliver the Trust Agreement and to pledge the Trust Estate pledged by the Trust Agreement in the manner and to the extent provided in the Trust Agreement. The Authority has not created any lien, encumbrance or charge upon its interest in the Trust Estate. The Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with the pledge created by the Trust Agreement, and all official action on the part of the Authority to that end has been or will be duly and validly taken. The Bonds and the provisions of the Trust Agreement and each Series Trust Agreement are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Trust Agreement and each Series Trust Agreement. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the lien on the Trust Estate under the Trust Agreement and all the rights of the Holders under the Trust Agreement against all claims and demands therefor of all persons whomsoever.

Covenant to Enforce the Financing Agreement, Federal Aid Agreement and Memorandum of Agreement

The Authority covenants that so long as any of the Bonds are Outstanding or any obligation of the Authority under a Credit Facility, Liquidity Facility or Exchange Agreement or otherwise under the Trust Agreement remains unpaid, it will take all reasonable action to enforce the Financing Agreement, the Federal Aid Agreements and the Memorandum of Agreement to the extent permitted by law, and will not consent to any modification of the Financing Agreement, the Federal Aid Agreements or the Memorandum of Agreement which would materially impair the security created for the holders of the Bonds and Credit Facility Providers, Liquidity Provider and Exchange Counterparties.

Supplemental Trust Agreements

The Authority and the Trustee may without consent of the owners of a majority in aggregate principal amount of the outstanding Bonds execute and deliver at any time from time to time Supplemental Trust Agreements for any one or more of the following purposes:

- (a) to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Trust Agreement;
- (b) to authorize the issuance and delivery of Additional Bonds in accordance with the Trust Agreement;
- (c) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority;
- (d) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Trust Agreement;
- (e) to confirm as further assurance any pledge under and the subjection to any lien, claim, or pledge created or to be created by the provisions of the Trust Agreement;
- (f) to modify any of the provisions of the Trust Agreement in any other respect, provided that such modifications shall not be effective until after all Bonds Outstanding as of the date of execution and delivery of such Supplemental Trust Agreement shall cease to be Outstanding;

(g) to cure any ambiguity or defect or inconsistent provision in the Trust Agreement or any Supplemental Trust Agreement or to insert such provisions clarifying matters or questions arising under the Trust Agreement or any Series Trust Agreement as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Trust Agreement or Series Trust Agreement as theretofore in effect;

(h) to the extent not inconsistent with the terms of the Trust Agreement, such provisions as may be necessary for the issuance of Additional Bonds under the terms hereof;

(i) to permit the qualification of the Trust Agreement under any federal statute now or hereafter in effect or under any state blue sky law and, in connection therewith, to add to the Trust Agreement such other terms and provisions as may be permitted or required by such federal statute or state blue sky law;

(j) to modify any provisions of the Trust Agreement in order to obtain a Liquidity Facility, Credit Facility or Exchange Agreement, so long as such modifications affect only the Bonds to which such Liquidity Facility, Credit Facility or Exchange Agreement relate;

(k) to obtain or to maintain any ratings on Bonds from any nationally recognized securities rating agency;

(l) to preserve the excludability from gross income for federal income tax purposes of the interest paid on any Bonds theretofore issued; or

(m) for any other purpose provided that, in the opinion of the Authority and the Trustee, any such amendment or modification does not materially adversely affect the rights of Holders affected thereby.

The provisions of the Trust Agreement or any Supplemental Trust Agreement may also be modified or amended at any time or from time to time by a Supplemental Trust Agreement, subject to the written consent of the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding in accordance with and subject to the provisions of the Trust Agreement.

No Supplemental Trust Agreement changing, amending or modifying any of the rights or obligations of any Fiduciary may be entered into by the Authority without the written consent of the Fiduciary affected thereby.

Amendments of Trust Agreement

Any modification or amendment of the Trust Agreement or any Supplemental Trust Agreement and of the rights and obligations of the Authority and of the Holders of the Bonds pursuant to the provisions of the Trust Agreement summarized in the Appendix under “Supplemental Agreements” may be made by a Supplemental Trust Agreement, with the written consent given by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding of each Series affected by such amendment at the time such consent is given and any Related Credit Facility Provider; provided, however, no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage or otherwise affect the Series of Bonds the consent of the Holders of which is required to effect any such modification or amendment without the unanimous consent of such holders. For the purposes of this Section, a Series shall be deemed to be affected by a modification or

amendment of the Trust Agreement or any Supplemental Trust Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series.

In cases where a Series of Bonds is secured by bond insurance or another Credit Facility, the Trustee may accept the consent of the bond insurer or other Credit Facility Providers as the consent of the Holders of such Bonds where the consent of the Holders to any modification or amendment is required.

Notwithstanding anything in the Trust Agreement to the contrary, the consent of the Holders of any Series of Additional Bonds to be issued under the Trust Agreement shall be deemed irrevocably given if the Original Purchaser thereof, whether or not for resale, consents in writing to any modification or amendment and, if such Series of Additional Bonds is expected to be contemporaneously resold pursuant to an official statement or other offering document of the Authority, such modification or amendment, as well as such consent, is disclosed in such official statement or other offering document pursuant to which such Series of Additional Bonds is resold.

Any consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof).

Events of Default and Remedies

Events of Default. In addition to any events declared in a Related Series Trust Agreement to be an “Event of Default” on the Bonds, each of the following events shall constitute an “Event of Default”:

(1) payment of any principal of any Bond shall not be made when and as the same shall become due or upon call for redemption or otherwise; or

(2) payment of any interest on any Bond or any Exchange Payment shall not be made when and as the same shall become due; or

(3) payment of the Purchase Price of any Bond required to be purchased by or on behalf of the Authority pursuant to the terms of the Related Series Trust Agreement shall not be made when due; or

(4) the Authority shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Trust Agreement or the Bonds and such default shall continue for a period of 30 days after written notice thereof by the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Bonds; or

(5) receipt by the Trustee (i) from a Credit Facility Provider, within the time period specified in a Credit Facility, of notice that it will not reinstate amounts drawn on such Credit Facility to pay interest on the Bonds or (ii) from an Auxiliary Agreement Provider of notice that an Event of Default has occurred under and as defined in an Auxiliary Agreement; or

(6) the Authority shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

No Acceleration. The obligations of the Authority for payment of principal of and interest on the Bonds are not subject to acceleration prior to maturity.

Remedies. Upon the occurrence of an Event of Default as described in clauses (1), (2), (3), (5), or (6) under the subheading “Events of Default” above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default described in clause (4) above, the Trustee may proceed, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Outstanding Bonds, any Credit Facility Provider, any Exchange Counterparty or any Liquidity Facility Provider shall proceed, in its own name, to protect and enforce its rights and the rights of the Holders and any Auxiliary Agreement Providers 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, whether for the specific performance of any covenant or agreement contained in the Trust Agreement or in aid of the execution of any power granted therein or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee; being advised by its counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Trust Agreement.

In the enforcement of any rights and remedies under the Trust Agreement, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Authority for principal interest or otherwise, under any provision of the Trust Agreement or of the Bonds, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders, and to recover and enforce a judgment or decree against the Authority, but solely as provided in the Trust Agreement and in the Bonds for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

Priority of Payments After Default

In the event that upon the happening and continuance of any Event of Default, the funds held by the Fiduciaries shall be insufficient for the payment of principal and interest then due on the Bonds, such funds (other than funds held for the payment, redemption or purchase of particular Bonds which have theretofore become due) and any other moneys received or collected by the Trustee acting pursuant to the Act and the Trust Agreement, after making provision (i) for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of any Credit Facility Provider, any Liquidity Facility Provider, any Exchange Counterparty and the Holders of the Bonds, and (ii) for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performances of their respective duties under the Trust Agreement, it being understood that amounts drawn on a Credit Facility shall not be used for the purposes described in clauses (i) and (ii) above, shall be applied as follows:

(a) unless the principal of all of the Bonds shall have become or have been declared due and payable:

(1) to the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order in which such installments became due and payable 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 installments, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in the Bonds; and

(2) to the payment to the persons entitled thereto of the unpaid principal amount of any of the Bonds that shall have become due and payable, whether at maturity or by call for redemption, in order of their due dates and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular due date, together with such

interest, then to the payment first of such interest, ratably, according to the amount of interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on the date, to the persons entitled thereto, including amounts owed to a Credit Facility Provider in respect of principal, without any discrimination or preference, except as to any difference in the respective rates of interest specified in the Bonds; and

(b) if the principal of all of the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, 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 Bond over any other 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 Bonds.

For the purposes of the provisions of the Trust Agreement summarized under this heading, amounts payable to any Credit Facility Providers in respect of amounts advanced under any Credit Facilities for the payment of interest on any Bonds and accrued interest on such amounts and regularly scheduled payments due under any Exchange Agreements shall be deemed to constitute “interest” and amounts payable to any Credit Facility Providers in respect of amounts advanced under any Credit Facilities for the payment of the principal (or the principal portion of the Purchase Price) of any Bonds and amounts payable under any Exchange Agreements upon any termination thereof shall be deemed to constitute “principal”.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Trust Agreement summarized under this heading, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Fiduciaries, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Trust Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Direction of Proceedings

Unless otherwise provided in a Series Trust Agreement, anything in the Trust Agreement or any Series Trust Agreement to the contrary notwithstanding, the owners of a majority of the aggregate principal amount of the Outstanding Bonds and the principal amounts due under any Auxiliary Agreements shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method 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 Trust Agreement and that the Trustee shall have the right to decline to follow any such direction (i) if in the opinion of the Trustee would be unjustly prejudicial to owners not parties to such direction or (ii) if there has not been offered to the Trustee reasonable security and indemnity against the cost, expenses (including reasonable legal expenses) and liabilities to be incurred with respect thereto.

Limitation on Rights of Holders

No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law, or for the protection or enforcement of any right under the Trust Agreement or any right under the law unless such Holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding 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 occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the cost, expenses (including reasonable legal 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, it being understood that the Trustee shall make all required draws on any Credit Facility in accordance with the applicable Series Trust Agreement and make all payments on the Bonds as provided herein (to the extent funds are available for such purpose) regardless of having received any indemnity or security; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Trust Agreement or for any other remedy hereunder or under law. It is understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any right hereunder or under law with respect to the Bonds or the Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders. Nothing in the Article contained shall affect or impair the right of any Holder to enforce the payment of the principal of and interest on its Bonds, or the obligation of the Authority to pay the principal of and interest on each Bond issued to the Holder thereof at the time and place stated in such Bond.

Anything contained in the Trust Agreement to the contrary notwithstanding, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Trust Agreement or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding at least 25% in aggregate principal amount of the Bonds Outstanding, or to any suit instituted by any Holders for the enforcement of the payment of the principal of or premium, if any, or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Responsibilities of Fiduciaries; Fiduciaries Entitled to Indemnity

No Fiduciary makes any representations as to the validity or sufficiency of the Trust Agreement or of any Bonds issued thereunder or in respect of the security afforded by the Trust Agreement or the technical or financial feasibility of the Project, the compliance of the Project with the Act or the tax-exempt status of the Bonds or the due execution of this Master Trust Agreement by the Authority, and no Fiduciary shall incur any responsibility in respect thereof. The Registrar shall, however, be responsible for its representation contained in the Certificate of Authentication executed by it on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or

the application of the proceeds thereof or the application of any moneys paid to the Authority. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect of the Trust Agreement, or to advance any of its own moneys, unless properly indemnified, it being understood that the Trustee shall make all required draws on any Credit Facility and make all payments on the Bonds as provided in the Trust Agreement (to the extent funds are available, for s-ach purpose) regardless of having received any indemnity or security. No Fiduciary shall be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or willful neglect.

Each Fiduciary shall be under no obligation to institute any suit, or to undertake any proceeding under the Trust Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created by the Trust Agreement or in the enforcement of any rights and powers thereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, advances, outlays and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own negligence, willful misconduct or in default of the Trust Agreement. Nevertheless, any Fiduciary may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Fiduciary, without immunity.

Evidence on Which Fiduciaries May Act

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance therewith. The Fiduciary shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument or opinion and is protected in acting or refraining from acting in reliance thereon. Whenever any Fiduciary shall deem necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund or Account, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an Authorized Officer of the Authority, and such certificate shall be fall warrant for any action taken or suffered in good faith under the provisions of the Trust Agreement, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided in the Trust Agreement, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision of the Trust Agreement by the Authority to any Fiduciary shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer of the Authority.

Permitted Acts and Functions of Fiduciaries

The Trustee and any Paying Agent, and their respective officers, directors, employees and agents, may become the owner of any Bonds or may in good faith buy, sell, own, hold and deal in Bonds, with the same rights it would. have if it were not such Fiduciary. Any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Holders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Master Trust Agreement, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding.

Resignation and Removal of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations created by the Trust Agreement by giving not less than 60 days' written notice to the Authority and by mailing notice (specifying the date such resignation is to take effect) through regular United States mail, postage prepaid, to each Holder of Bonds. Such resignation shall take effect upon the day specified in such notice unless (i) no successor has been appointed as provided in the Trust Agreement, or (ii) previously a successor shall have been appointed, as provided in the Trust Agreement, in which event such resignation shall take effect immediately on the appointment of such successor.

The Trustee may be removed by the Authority at any time, so long as no Event of Default has occurred and is continuing, or if an Event of Default has occurred and is continuing, by the Holders of a majority in aggregate principal amount of the Bonds outstanding by an instrument or concurrent instruments in writing, filed with the Trustee and the Authority and signed by the Authority or the Holders of Bonds, as appropriate. No such removal will be effective until a successor Trustee has been appointed and assumed the duties of Trustee as provided in the Trust Agreement.

Appointment of Successor Trustee

If at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Authority shall upon the occurrence of any of the foregoing appoint a successor Trustee. The Authority shall provide notice of any such appointment made by it to Holders of Bonds.

If no appointment of a successor Trustee shall be made within 45 days after the Trustee shall have given to the Authority written notice, as provided in the Trust Agreement, or after a vacancy in the office of the Trustee shall have occurred by reason of its removal or inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Defeasance

If the Authority shall pay or cause to be paid the principal of and premium, if any, and interest on all Bonds and all amounts payable under each Credit Facility Agreement, Liquidity Facility and Exchange Agreement, if any, at the times and in the manner stipulated therein and in the Trust Agreement, then the pledge of the Trust Estate to the Trustee and all other rights granted hereby to the Trustee, the Holders and the Auxiliary Agreement Providers shall be discharged and satisfied. In such event, upon the request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay or deliver to the Authority, or to such officer, board or body as may then be entitled by law to receive the same, all property held by it pursuant to the Trust Agreement (other than any moneys and securities required for the payment of Bonds not theretofore surrendered for such payment).

A Series 2010 Bond and, except as otherwise provided in the Related Series Trust Agreement, any Additional Bond, shall be deemed to have been paid within the meaning of and with the effect expressed in the previous paragraph if (1) money for the payment or redemption of such Bond shall be held by the Trustee (through deposit by the Authority of moneys for such payment or redemption or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption date of such Bond, or (2) if the maturity or redemption date of such Bond shall not have arrived (a)

provision shall have been made by the Authority for the payment of the principal or redemption price of and interest on such Bond on the due dates for such payments by deposit with the Trustee (or other method satisfactory to the Trustee) of moneys or Government Obligations, the principal of and the interest on which when due will provide for such payment, and (b) if such Bond is to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bond and notice of such redemption shall have been duly given or provisions satisfactory to the Trustee shall have been made for the giving of such notice. The Trustee may rely upon a report by an independent certified public accountant or a verification agent with a favorable reputation in the field of verifying defeasance escrows, as to the sufficiency of the deposit (or other method) under clause (a) above to provide for the payment described therein.

Moneys Held for Particular Bonds

Amounts held by the Trustee for the payment of the principal or Purchase Price of or interest or premium on Bonds due on any date shall, pending such payment, be set aside and held in trust by it for the Holders of such Bonds and, for the purposes of the Trust Agreement, such principal or Purchase Price of and interest and premium on such Bonds shall no longer be considered to be unpaid, and the holders of such Bonds shall have no further rights under the Trust Agreement except to receive payment from such amounts set aside or held for such payment.

No Recourse Under Trust Agreement or Bonds

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Trust Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer, director or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the Trust Agreement against any member, officer, director or employee of the Authority or any natural person executing the Bonds.

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Appendix B-
Form of GARVEE Financing Agreement

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GARVEE FINANCING AND PLEDGE AGREEMENT
(U.S. 301 PROJECT)

BY AND BETWEEN

THE DELAWARE DEPARTMENT OF TRANSPORTATION

AND

THE DELAWARE TRANSPORTATION AUTHORITY

This Financing and Pledge Agreement, dated as of June 1, 2010 (the “Agreement” or “Financing Agreement”) by and among the Delaware Department of Transportation (the “Department”) and the Delaware Transportation Authority, (the “Authority,” and together with the Department, the “Parties”). Capitalized terms used herein but not defined shall have the meaning ascribed to them in the Master Trust Agreement (as defined herein).

WITNESSETH:

WHEREAS, the Authority is authorized and empowered under the Transportation Trust Fund Act, constituting Chapter 87, Volume 66 of the laws of the State of Delaware 2 Del.C. Ch. 14 and the Delaware Transportation Authority Act, constituting Chapter 164, Volume 62 of the laws of the State of Delaware 2 Del. C. Ch. 13, both as amended, from time to time, together with 77 Del. Laws Chap. 87 (collectively, the “Act”), to issue grant anticipation bonds secured by a pledge of future federal aid (the “GARVEE Bonds” or “Bonds”); and

WHEREAS, the Secretary of the Department is authorized under Section 83(c) of Chapter 87 of Volume 77 of the Laws of Delaware, as amended (the “FY 2010 Bond Bill”), to pledge the State’s annual obligational authority of future federal highway funds from the FHWA as security for the GARVEE Bonds; and

WHEREAS, the Authority proposes to issue and sell GARVEE Bonds, from time to time, for its corporate purposes and desires to enter into this Agreement for such purposes;

WHEREAS, the Authority has determined to finance a portion of the costs of completing the final design and the right-of-way acquisition activities for a new U.S. 301 Maryland State Line capital improvement project as further described in Section 1.1 hereof (the “Project”), through the issuance of GARVEE Bonds pursuant to a Master Trust Agreement dated as of June 1, 2010 (the “Master Trust Agreement”), by and between the Authority and Wilmington Trust Company (the “Trustee”), a banking corporation organized and existing under the laws of the State of Delaware (the “State”); and

WHEREAS, the Authority is authorized pursuant to the Act to issue GARVEE Bonds for the purpose of financing a portion of the costs of the Project, which GARVEE Bonds shall be secured by a pledge by the Department and the Authority of Pledged Federal Aid; and

WHEREAS, as a condition of issuing the Bonds, the Authority requires that the Department pledge, transfer and assign the Pledged Federal Aid as received by the Department under Title 23 to the Authority which shall in turn pledge the Pledged Federal Aid as security for the Bonds and any Additional Bonds issued under the Master Trust Agreement; and

WHEREAS, the Parties desire to establish the terms and conditions under which the Department will pledge, transfer and assign the Pledged Federal Aid to the Authority and the Authority will issue GARVEE Bonds which are secured by a pledge by the Department and the Authority of Pledged Federal Aid; and

WHEREAS, by a Resolution adopted by the Authority on June 2, 2010, the Authority has authorized the issuance of GARVEE Bonds for the purpose of financing a portion of the costs of the Project.

NOW THEREFORE, in consideration of the mutual covenants and promises between the Parties hereto, the Parties agree as follows:

Section 1. GARVEE Project Description.

1.1. The Project shall generally consist of:

(a) the final planning and design for a new U.S. 301, Maryland State Line to SR 1, capital improvement project consisting of: a new U.S. 301 Mainline, which is a limited-access highway on a new location with two lanes in each direction that will connect existing U.S. 301 at the Delaware/Maryland line with SR 1, south of the C&D Canal, a distance of 14 miles; and a new U.S. 301 Spur Road, which is a limited-access highway, on a new location with one lane in each direction from new U.S. 301 in the vicinity of Armstrong Corner Road to the Summit Bridge crossing of the C&D Canal, a distance of 3.5 miles;

(b) the final determination and acquisition of right-of-ways for the Project;

(c) the final construction, equipping and completion of the new U.S. 301; and

(d) the financing of the costs associated with the issuance of the GARVEE Bonds or any other bonds issued for the Project.

1.2. The Project will be financed from a variety of funding sources. The portions of the Project to be funded with the proceeds of GARVEE Bonds, namely (a), (b) and (d) above, shall be referred to herein as the "GARVEE Project."

Section 2. Authority for Pledge; Pledge and Assignment of Pledged Federal Aid

2.1. The FY 2010 Bond Bill provides that (a) annual obligational authority from the FHWA shall be used to repay debt associated with the GARVEE Bonds issued pursuant to the Act and (b) the Department is authorized to pledge the State's obligational authority from the FHWA as security for the GARVEE Bonds.

2.2. In consideration of the issuance by the Authority of the Bonds pursuant to the Master Trust Agreement and of the purchase of the Bonds from time to time by the owners thereof, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and pursuant to the authority granted to the Department by the FY 2010 Bond Bill, the Department does hereby grant a security interest in, assign, pledge, bargain, sell, alienate, remise, release, convey, set over, transfer and confirm to the Authority and its successors and assigns forever, all and singular the following described property, franchises and income, including any title or interest therein acquired after these presents:

All Pledged Federal Aid available to the Department to fund projects administered by the Department.

The Authority shall in turn pledge its interest in the Pledged Federal Aid to the Trustee in order to secure the payment of debt service on all Bonds at any time Outstanding under the Master Trust Agreement, and to secure the performance and observance of all the covenants and conditions set forth in the Bonds and the Master Trust Agreement,

The Department shall not create any liens on the Pledged Federal Aid other than as set forth in the Master Trust Agreement and this Agreement.

Section 3. Issuance of GARVEE Bonds.

3.1. The Authority expects to finance the costs of the GARVEE Project (the “GARVEE Project Costs”) with proceeds of GARVEE Bonds.

3.2. (a) GARVEE Bonds will be issued from time to time pursuant to the Act and the Master Trust Agreement, as such trust agreement may be amended or supplemented from time to time by one or more series trust agreements (as so amended and supplemented, collectively the “Trust Agreement”).

(b) The Department hereby agrees to execute any certificates the Authority deems reasonably necessary in order to allow the Authority to provide the certificates required by Sections 2.5(g) and 2.5(h) of the Trust Agreement.

3.3. The Parties hereby agree that the principal of and premium, if any, and interest on the Bonds and other amounts due under the Trust Agreement are to be paid in accordance with the further provisions of this Agreement from the Trust Estate (as defined in the Trust Agreement).

3.4. (a) The Department shall monitor the amount of Obligation Authority (as defined in the Master Trust Agreement) in each Federal Fiscal Year.

(b) The Parties agree that the Department shall, on a monthly basis, instruct the FHWA to transmit Pledged Federal Aid equal to one-sixth (1/6) of the next interest payment and one-sixth (1/6) of the next maturing principal payment due on the GARVEE Bonds, or such other amount specified in the Master Trust Agreement or in any Related Series Trust Agreement for any Additional Bonds, (collectively the “Indirect Reimbursements”) to the Authority. Such

Indirect Reimbursements shall be deposited into the Indirect Reimbursement Account of the Debt Service Fund held by the Trustee, as assignee of the Authority, pursuant to the Master Trust Agreement so that the Parties have on deposit by the 25th day of the month preceding each Interest Payment Date the amount needed to pay the next maturing debt service payment on the GARVEE Bonds, or such other amount specified in the Master Trust Agreement or in any Related Series Trust Agreement for any Additional Bonds. Upon receipt by the Trustee of the Direct GARVEE Reimbursements sent directly from the FHWA pursuant to the GARVEE MOA (as defined herein) in an amount sufficient to pay the next maturing debt service payment on the GARVEE Bonds, the Trustee shall, upon direction of the Authority, release and transfer the Indirect Reimbursements held in the Indirect Reimbursement Account of the Debt Service Fund to the State's General Fund.

The Department acknowledges that the Authority has pledged and assigned all of its right, title and interest in and to the Pledged Federal Aid pledged and transferred to the Authority pursuant to Section 2.2 hereof to the Trustee pursuant to the Master Trust Agreement, and the Department consents to such assignment. The Authority hereby directs that the assigned Pledged Federal Aid in the amounts described in the preceding paragraphs will be paid directly to the Trustee, as assignee, and the Department will make or cause to make such payments directly to the Trustee, as if the Trustee were expressly named in this Section, and references to the Authority in this Section shall be deemed references to the Trustee.

(c) If and to the extent the entire amount of the debt service due on an Interest Payment Date is not paid to the Trustee, as assignee of the Authority, in accordance with clause (b) of this Section 3.4 and the Master Trust Agreement, the Trustee shall immediately notify the Authority and the Department and, if and to the extent the Department has Pledged Federal Aid on deposit in any other account or fund, the Department shall pay directly to the Trustee, within 24 hours after the receipt of such notice, Pledged Federal Aid in an amount equal to the amount of the deficiency.

(d) The Master Trust Agreement shall provide that the Trustee, as assignee of the Authority, shall notify the Parties as directed in the Master Trust Agreement on the third (3rd) Business Day prior to any Interest Payment Date of the following: (i) whether Direct GARVEE Reimbursements have been deposited with the Trustee as required by the GARVEE MOA; (ii) the total amount of funds on deposit in the Direct GARVEE Reimbursement Account of the Debt Service Fund, indicating that such certified amount will be applied as a credit against amounts required to be paid to the Trustee on or prior to such Interest Payment Date, and (c) whether or not the Trustee will be required to use the Indirect Reimbursements in the Indirect Reimbursement Account of the Debt Service Fund for payment of the next maturing debt service if all or a portion of the Direct GARVEE Reimbursements have not been deposited with the Trustee prior to the upcoming Interest Payment Date.

Section 4. Payment of GARVEE Project Costs.

4.1. The Authority expects to use the Pledged Federal Aid available under the Master Trust Agreement to pay debt service on the Bonds, the proceeds of which will be used to pay GARVEE Project Costs.

4.2. The Authority will charge the State's General Fund to pay costs necessary to complete the final design and right-of-way acquisitions for the Project and will submit at least on a monthly basis an invoice for eligible expenditures to the Trustee for reimbursement of the State's General Fund from the proceeds of GARVEE Bonds held in the Construction Fund. The Authority will direct the Trustee in writing to reimburse the State's General Fund for GARVEE Project Costs incurred and paid from the State's General Fund pursuant to Section 1.150-2(f)(2) of the United States Treasury Regulations to the extent such reimbursement is consistent with the provisions of Authority's Section 148 Certificate (as defined herein) executed in connection with the issuance of the GARVEE Bonds.

4.3. The Master Trust Agreement shall provide that the Trustee will hold, in trust, all proceeds of the GARVEE Bonds and, at the Authority's written direction, will immediately release such funds for reimbursement of the State's General Fund or direct payment to third parties.

4.4. The Parties hereby agree that the deposit of legally available Pledged Federal Aid with the Trustee by or on behalf of any Party as set for in Section 3.4 hereof shall continue until all of the GARVEE Bonds are fully and finally paid or provision for the payment thereof is made in accordance with the Master Trust Agreement and all other amounts due under the Master Trust Agreement are paid.

4.5. The Master Trust Agreement shall provide that the Authority will establish the appropriate accounts from which eligible GARVEE Project Costs will be paid.

Section 5. Pledged Federal Aid; Responsibilities Relating to Federal Approval Processes; Perfection of Pledged Federal Aid.

5.1. The Department hereby acknowledges that it is the applicant and recipient of all federal funds for the GARVEE Project and, accordingly, will administer and manage all federal applications and receipts.

5.2. The Department will coordinate the submission of, and will submit all applications and documentation needed to proceed with federal project agreements, pursuant to all applicable regulations and guidelines.

5.3. As set forth in the Memorandum of Agreement between FHWA, the Department and the Authority Accounting for Debt Service Payment on GARVEE Bonds for the U.S. 301 Project dated May 13, 2010 (the "GARVEE MOA"), the Department will establish the U.S. 301 Federal Aid Project as an advance construction project and will ensure that the Project complies with Federal-aid procedures to preserve its eligibility for reimbursement of debt-related costs with future Federal-aid funds.

5.4. Federal eligibility of GARVEE Project Costs will be pursued by the Department as detailed in the GARVEE MOA and the Department will submit all applications and/or documentation necessary to comply with the provisions of the GARVEE MOA.

5.5. The Department and the Authority hereby affirm their commitment to follow the provisions of the GARVEE MOA, including, but not limited to, those provisions related to

GARVEE Bonds, federal aid project authorizations, budgeting of bond proceeds, authorization of individual GARVEE Project Costs, setting aside Obligation Authority sufficient to make debt service payments, payment of debt service, accounting for individual GARVEE Project Costs, and the execution of federal aid agreements for GARVEE Project Costs.

5.6. Prior to the issuance of any series of GARVEE Bonds, the Parties may enter into a supplement to this Agreement setting forth the amounts required to pay debt service on such GARVEE Bonds and confirming the agreement of the Department set forth in the GARVEE MOA to take all actions necessary to cause FHWA to deposit electronically with the Trustee an amount equal to the debt service on such GARVEE Bonds at least three (3) Business Days prior to any date on which principal or interest on such GARVEE Bonds is due.

5.7. The Authority will provide or cause to be provided to the Department such financial statements and records as the Department shall reasonably request in order to permit the Department to account for the Pledged Federal Aid paid to the Trustee, including (without limitation) quarterly financial reports and records documenting all deposits and disbursements of Pledged Federal Aid under the Master Trust Agreement in the Debt Service Fund and the accounts within such Fund.

5.8. The Parties will maintain adequate records and documents with respect to the Project and make such records and documents available for audit by State and federal auditors. In addition, the Parties will, jointly and severally, retain accounting records and documents in accordance with any applicable retention requirements of federal and State law, regulations, directives and executive orders and federal grant assurances.

5.9. The Department agrees that it will take any actions necessary to comply with federal and State law, regulations, directives and executive orders and federal grant assurances with respect to the Project, as applicable, and any existing or future agreements between the Department and the United States Government relative to the operation and maintenance of the Project, the execution of which has been or may be required as a condition precedent to the transfer of federal rights or property to the Department for Project purposes, or to the expenditure of federal funds for the development of the Project, in accordance with any applicable federal law.

5.10. Pursuant to the pledge and assignment of the Pledged Federal Aid by the Department hereunder, the Department hereby consents to enter into any agreements or to file such financing statements or continuation statements, if and as needed, to perfect or continue to perfect the Authority's (and Trustee's, as assignee of the Authority) security interest in the Pledged Federal Aid granted hereunder.

Section 6. Representations, Warranties and Covenants of the Department. The Department hereby represents, warrants and covenants as follows:

6.1. The Department is authorized by federal law to receive Pledged Federal Aid payable to the Department from FHWA for those projects and programs that are under the jurisdiction of the Department. The GARVEE Project is a project under the jurisdiction of the Department.

6.2. The execution, delivery and performance of the Federal Aid Agreements by the Department are authorized by State law and, upon execution and delivery of the Federal Aid Agreements by the Department and FHWA, the Federal Aid Agreements are and will be enforceable against the Department in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

6.3. The execution, delivery and performance of the agreements to which the Department is a party in connection with the issuance of the Bonds (the "DeIDOT Agreements") are authorized by State law and, upon execution and delivery of the DeIDOT Agreements by the Department, the DeIDOT Agreements are and will be enforceable against the Department in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

6.4. The execution, delivery and performance of its obligations under the Federal Aid Agreements and the DeIDOT Agreements by the Department do not and will not conflict with or result in violation or a breach of any law or the terms, conditions or provisions of any restriction or any agreement or instrument to which the Department is now a party or by which the Department is bound, or constitute a default under any of the foregoing, or, except as specifically provided in this Agreement, result in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the Department.

6.5. The Department will comply with its obligations under the Federal Aid Agreements and will take all other actions required to maintain the Federal Aid Agreements in full force and effect.

6.6. The Department will take all action necessary to ensure that: (i) the GARVEE Project at all times qualifies as federal-aid eligible; (ii) the GARVEE Project at all times qualifies as a project with respect to which the Department is entitled to reimbursement of previously-expended funds under 23 U.S.C. § 115, as amended, and the regulations promulgated thereunder; and (iii) Federal Aid Agreements are maintained in full force and effect pursuant to which FHWA has agreed to make payments of federal highway funds in an amount at least equal to the debt service payments on the Bonds due each Interest Payment Date. Such action shall include, but shall not be limited to (A) entering into any modification of a Federal Aid Agreement required to assure that federal highway funds payable thereunder are payable with respect to any Additional Bonds; and (B) the repayment to FHWA, from moneys other than moneys included in the Trust Estate, of any federal highway funds paid pursuant to a Federal Aid Agreement during any period in which the Project did not qualify under clause (i) or (ii) of this Section 6.6.

6.7. The pledge and transfer by the Department of the Pledged Federal Aid to the Authority for the payment of the debt service on the Bonds and other Bond-related costs shall be irrevocable so long as any of the Bonds are Outstanding under the Master Trust Agreement or there is any other amount due under the Master Trust Agreement.

6.8. The Department will annually apply for and reasonably cooperate with FHWA in order to receive the greatest amount of Obligation Authority reasonably available to the Department, including amounts sufficient for payment of the debt service on the Bonds, amounts constituting Auxiliary Obligations, if any, other Bond-related costs and all other amounts due under the Master Trust Agreement.

6.9. The Department's obligations to make payment of Pledged Federal Aid to Authority (or to the Trustee, as assignee) for the payment of debt service on the Bonds is unconditional and the Department is not entitled to offset any such payment as a result of the failure to perform by any contractor of any of its obligations relating to the Project or for any other reason.

6.10. For each of the Federal Fiscal Years during which Bonds are Outstanding, (i) as soon as practicable prior to such Federal Fiscal Year, the Department will request Obligation Authority sufficient to pay debt service on the Bonds and other Bond-related costs coming due during such Federal Fiscal Year and (ii) the Department will obligate (to the extent not previously obligated) Pledged Federal Aid to make debt service payments on the Bonds and other Bond-related costs coming due in that Federal Fiscal Year prior to obligating Pledged Federal Aid for any other purpose coming due in that Federal Fiscal Year or subsequent Federal Fiscal Years. In any event, the Department will set aside Obligation Authority sufficient for scheduled payments of debt service and other Bond-related costs.

6.11. The Department will, to the extent within its reasonable power and authority, ensure that the Project will be constructed expeditiously. Upon completion of construction for the Project, the Department will take all steps necessary to obtain any required approval of FHWA of the Project.

6.12. The Secretary of the Department is the official of the State authorized to receive Pledged Federal Aid available to the Department for the Project and to receive other amounts of Obligation Authority allocated or apportioned to the State and other United States Government funds available to the State for the Department to carry out its programs, duties or services and the Secretary of the Department has applied for and received and will continue to receive federal highway funds.

6.13. The Department is the agency or department of the State that is entitled to receive the Pledged Federal Aid pledged hereunder.

6.14. The Department shall at all times comply with the Act and Title 23, the regulations promulgated thereunder, all other federal laws and regulations, the State Constitution and all other State laws relating to the Bonds, the Project and the subject matter of the Master Trust Agreement, the Federal Aid Agreements and the DelDOT Agreements, including this Agreement.

6.15. The Department will cause the Authority to submit requisitions in a timely manner to the Trustee sufficient for the Authority to withdraw funds under the Master Trust Agreement for GARVEE Project Costs as such form may be revised from time to time by the Authority. Such requisitions shall be true, correct and complete in all material respects, and the Authority shall not submit any requisition or otherwise apply proceeds of Bonds in a manner that would cause any limitation contained in the Act to be exceeded.

6.16. The Department agrees to pay to the Authority (or, at the direction of the Authority, to the Trustee) an amount sufficient to pay all debt service on the Bonds and other Bond-related costs on a timely basis, subject to the limitation that such amounts are payable solely from Pledged Federal Aid that are available for such purpose.

Section 7. Compliance with Master Trust Agreement.

7.1. The Department hereby acknowledges that the Authority will enter into the Master Trust Agreement with the Trustee for the purposes of issuing the GARVEE Bonds to be secured by the Pledged Federal Aid to be received by the Department, and the Department accepts the terms thereof and hereby agrees to be bound by the terms of the Master Trust Agreement as if it were a contract to which the Department is a direct party, and the Department further agrees that the Authority and the Trustee each may enforce any obligations or purported obligations of the Department under the Master Trust Agreement directly against the Department. The Department agrees to take all such lawful action as may be required, at the request of the Authority, to enable the Authority to comply with all requirements and to fulfill all covenants of the Authority under the Master Trust Agreement, a copy of which is attached hereto as Exhibit A. The agreements of the Department in this Section shall apply to any Supplemental Trust Agreement executed by the Authority pursuant to the Master Trust Agreement.

7.2. Notwithstanding any provision hereof to the contrary, in the event that any provision hereof shall conflict with any provision of the Master Trust Agreement, then the provisions of the Master Trust Agreement shall control to the extent they do not conflict with State and federal law, regulations, directives and executive orders and federal grant assurances.

7.3. (a) The Department acknowledges that part or all of the GARVEE Bonds may be issued as tax-exempt obligations. The Department covenants and agrees that it will not knowingly take any action nor permit anyone under its control to take any action with respect to the Project that will impair, and will take all actions necessary to preserve, the exclusion from gross income of interest on such tax-exempt obligations for federal income taxation purposes.

(b) The Master Trust Agreement will require that the Authority deliver on the date of each issuance of the GARVEE Bonds issued thereunder a certificate (a "Section 148 Certificate") that complies with the requirements of Section 148 of the Internal Revenue Code of 1986 and that states the Authority's reasonable expectations as to relevant facts, estimates and circumstances relating to the use of the proceeds of the GARVEE Bonds or of any moneys, securities or other obligations that may be deemed to be proceeds of the GARVEE Bonds within the meaning of Section 148 (collectively, "Bond Proceeds"). The Department recognizes that certain of the facts, estimates and circumstances required to be set forth in the Section 148 Certificate of necessity will be based upon the written representations of the Department. The

Department agrees to provide, or cause to be provided, such facts and estimates as the Authority reasonably considers necessary to enable it to execute and deliver its Section 148 Certificate. The Department further agrees that (i) such facts and estimates will be based on its reasonable expectations on the date of each issuance of the GARVEE Bonds and will be, to the best of the knowledge of the officers of the State providing such facts and estimates, true, correct and complete in all material respects as of that date, and (ii) it will make reasonable inquiries to ensure such truth, correctness and completeness.

(c) Without limiting the generality of the foregoing, the Department specifically agrees to enter into such further agreements in order to ensure the continued excludability from gross income for federal income tax purposes of the interest paid on the GARVEE Bonds as the Authority, upon the advice of Bond Counsel, may reasonably deem necessary or desirable.

(d) The Authority and the Department agree that they will not enter into any amendment or supplement to this Financing Agreement which is not consistent with the provisions of the Master Trust Agreement or which has a material adverse effect on the holders of the GARVEE Bonds.

Section 8. Defense of the Trust Estate.

8.1. (a) The Department shall at all times, to the extent permitted by law, defend, preserve and protect title to the Trust Estate, the grant of the Trust Estate to the Trustee under the Master Trust Agreement and all the rights of the owners of the Bonds under the Master Trust Agreement against all claims and demands of all Persons whomsoever.

(b) In addition to the amounts necessary to pay debt service on the Bonds, the Department agrees to take all actions within its reasonable control to ensure that sufficient federal highway funds are obtained and transferred to the Trustee, as assignee of the Authority, to provide for the fees and expenses of the Trustee.

(c) The Department agrees that so long as the Master Trust Agreement is in full force and effect, the Department shall have full power to carry out the acts and agreements provided therein and in the DelDOT Agreements including this Agreement, and the Department will, from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such further instruments and agreements as may be required for correcting any inadequate or incorrect description of the federal grants pledged, the payment arrangements, or for otherwise carrying out the intention of or facilitating the performance of the Master Trust Agreement, any Supplemental Trust Agreement, the DelDOT Agreements and this Agreement.

Section 9. Miscellaneous Provisions.

9.1. Notices and all other communications required under the terms of this Agreement shall be made or sent to the following:

For the Authority:

Delaware Transportation Authority
Attn: TTF Administrator
Transportation Administration Building
P.O. Box 778
Dover, Delaware 19903
Telephone: (302) 760-2692
Facsimile: (302) 739-8291

With a copy to Bond Counsel for the Authority:

Timothy A. Frey, Esq.
Saul Ewing LLP
222 Delaware Avenue, Suite 1200
Wilmington, Delaware 19801
Facsimile: (302) 421-5867

For the Department:

Delaware Department of Transportation
Attn: Secretary of Transportation
Transportation Administration Building
800 Bay Road
Dover, Delaware 19901
Facsimile: (302) 739-7725

With a copy to Counsel for the Department:

Frederick H. Schranck, Esq.
Deputy Attorney General
Delaware Department of Transportation
Transportation Administration Building
800 Bay Road
Dover, Delaware 19901
Facsimile: (302) 739-2585

9.2. Whenever the approval of either Party is required under this Agreement, such approval will not be unreasonably withheld or delayed. The Parties agree to exercise good faith to cooperate with each other to accomplish the terms and conditions of this Agreement.

9.3. This Agreement may be amended only by written instrument, executed by both the Department and the Authority.

9.4. This Agreement shall be governed by and construed in accordance with the laws of the State, including (without limitation) the Act.

9.5. This Agreement, if necessary, may be executed in separate counterparts, all of which taken together shall constitute one and the same Agreement.

9.6. If any clause, provision or section of this Agreement is held illegal or invalid by any court, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof, and this Agreement shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained herein. In case any agreement or obligation contained in this Agreement is held to be in violation of law, such agreement or obligation shall nevertheless be determined to be the agreement or obligation of the Parties, as the case may be, to the full extent permitted by law.

9.7. All terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the respective heirs and successors of the Department and the Authority, except as otherwise expressly provided herein.

IN WITNESS WHEREOF, the parties hereto have caused this GARVEE Financing and Pledge Agreement to be executed by their proper and duly authorized officers, on the day and year first above written.

DELAWARE DEPARTMENT OF
TRANSPORTATION

By: _____
Secretary of Transportation

DELAWARE TRANSPORTATION
AUTHORITY

By: _____
Secretary of Transportation

By: _____
Director of Finance

By: _____
Transportation Trust Fund Administrator

EXHIBIT A

Copy of Trust Agreement

[See Appendix A of the Official Statement for a Summary of the Trust Agreement]

Appendix C-
Form of Continuing Disclosure Agreement

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DELAWARE TRANSPORTATION AUTHORITY

\$113,490,000 Grant Anticipation Bonds, Series 2010

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of June 1, 2010 (the “Disclosure Agreement”), is executed and delivered by the DELAWARE TRANSPORTATION AUTHORITY (as more fully defined below, the “Authority”) and the DELAWARE DEPARTMENT OF TRANSPORTATION (as more fully defined below, the “Department”) in connection with the issuance of the above-captioned bonds (the “2010 Bonds”) by the Authority. The Authority and the Department, each intending to be legally bound, hereby covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by each of the Authority and the Department for the benefit of the Holders from time to time of the Bonds and in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement (defined below), which apply to any capitalized terms used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Additional Bonds” shall mean any indebtedness of the Authority issued subsequent to the 2010 Bonds which the Authority has declared in writing to be covered by this Disclosure Agreement.

“Annual Reports” shall mean the Authority Annual Report and the Department Annual Report.

“Authority” shall mean the Delaware Transportation Authority, or any successor Obligated Person that assumes either by operation of law or by contract or both (i) the obligation to pay debt service on the Bonds, and (ii) the obligations of the Authority under this Disclosure Agreement.

“Authority Annual Report” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3(a) and 4(a) of this Disclosure Agreement

“Bonds” shall mean the 2010 Bonds and any Additional Bonds, if any.

“Continuing Disclosure Information” shall mean, collectively, (i) the Annual Reports; and (ii) any notice of a Listed Event required to be filed by the Authority with the MSRB pursuant to Section 5(b) of this Disclosure Agreement.

“Department” shall mean the Delaware Department of Transportation, or any successor Obligated Person that assumes either by operation of law or by contract or both the obligations of the Department under this Disclosure Agreement.

“Department Annual Report” shall mean any Annual Report provided by the Department pursuant to, and as described in, Sections 3(b) and 4(b) of this Disclosure Agreement.

“Dissemination Agent” shall mean any agent of the Authority and the Department designated in writing by the Authority and the Department which has filed with the Authority and the Department a written acceptance of such designation.

“Holder” shall mean any registered holder of Bonds, provided however that with respect to any Bond registered in a “street name” or the name of a nominee such as The Depository Trust Company, the term “holder” shall mean any person which produces reasonable documentary evidence that it is a beneficial owner of a Bond.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor organization.

“Obligated Person” shall have the meaning set forth in the Rule.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission.

“State” shall mean the Department of Finance of the State of Delaware, to the attention of the Director of Bond Finance.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

“Trust Agreement” shall mean the Master Trust Agreement, dated as of June 1, 2010, between the Authority and the Trustee.

“Trustee” shall mean Wilmington Trust Company, as trustee under the Trust Agreement or any successor trustee appointed under the Trust Agreement.

“Underwriter” shall mean any of the underwriters of any Bonds required to comply with the Rule in connection with the offering of such Bonds.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the first day of the ninth (9th) calendar month immediately following the end of the Authority's fiscal year, provide to the MSRB, in accordance with Section 6 of this Disclosure Agreement, an Authority Annual Report which is consistent with the requirements of Section 4(a) of this Disclosure Agreement. The Authority Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4(a) of this Disclosure Agreement.

If the Authority is unable to provide the Authority Annual Report to MSRB by the date required in subsection (a), the Authority shall send a notice to the MSRB in substantially the form attached as Exhibit A.

The Dissemination Agent, if any, shall file a report with the Authority certifying that the Authority Annual Report has been filed pursuant to this Disclosure Agreement and stating the date it was provided.

The Authority shall promptly provide written notice of any change in its fiscal year to the MSRB.

(b) The Department shall, or shall cause the Dissemination Agent to, not later than the first day of the ninth (9th) calendar month immediately following the end of the Department's fiscal year, provide to the MSRB, in accordance with Section 6 of this Disclosure Agreement, an Department Annual Report which is consistent with the requirements of Section 4(b) of this Disclosure Agreement. The Department Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4(b) of this Disclosure Agreement.

If the Department is unable to provide the Department Annual Report to MSRB by the date required in subsection (b), the Department shall send a notice to the MSRB in substantially the form attached as Exhibit A.

The Dissemination Agent, if any, shall file a report with the Department certifying that the Department Annual Report has been filed pursuant to this Disclosure Agreement and stating the date it was provided.

The Department shall promptly provide written notice of any change in its fiscal year to the MSRB.

(c) Nothing contained herein shall prohibit the Authority and the Department from submitting joint Annual Reports as a single document so long as such joint Annual Reports contain all of the information set forth in Section 4 of this Disclosure Agreement.

SECTION 4. Content of Annual Reports

(a) The Authority Annual Report shall contain or incorporate by reference the information listed in Exhibit B1 with respect to the relevant fiscal year.

Any or all of the information required may be incorporated by reference from other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by reference.

If any information described in Section 4(a) above can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations of the Authority under this Section 4(a), provided however that the Authority shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

(b) The Department Annual Report shall contain or incorporate by reference the information listed in Exhibit B2 with respect to the relevant fiscal year.

Any or all of the information required may be incorporated by reference from other documents which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Department shall clearly identify each such other document so incorporated by reference.

If any information described in Section 4(b) above can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations of the Department under this Section 4(b), provided however that the Department shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds (each, a “Listed Event”):

1. Principal and interest payment delinquencies;
2. Non payment-related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bondholders;
- 8.. Bond calls (other than mandatory sinking fund redemption);
9. Defeasance of Bonds;
10. Release, substitution, or sale of property securing repayment of any Bonds;
or
11. Rating changes.

(b) If the occurrence of a Listed Event would be material to holders of Bonds in accordance with the applicable “materiality” standard under then-current securities laws, the Authority shall in a timely manner file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Trust Agreement, provided that such notice is given in a timely manner.

SECTION 6. Filing of Continuing Disclosure Information. Any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in searchable electronic format as shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such indentifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

SECTION 7. Termination of Reporting Obligation. The Authority's and the Department's obligations under this Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) the assumption by a successor Obligated Person of all of the obligations of a prior Obligated Person hereunder. The applicable prior Obligated Person shall provide timely written notice to the MSRB of any termination of its obligations hereunder.

SECTION 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its and/or the Department's obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendments.

(a) Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Department may modify or amend this Disclosure Agreement upon receipt of a written opinion of nationally recognized bond counsel to the effect that the then-current requirements of the Rule have been satisfied. Compliance with the provisions of this Section 9(a) shall be conclusively evidenced by a written opinion of nationally recognized bond counsel to the effect that the modification or amendment satisfies the requirements of this Section 9(a) and the then-current requirements of the Rule.

(b) The Authority and the Department shall report any modification or amendment of this Disclosure Agreement as required by the Rule. To the extent required by the Rule, the Authority and the Department shall include as a component of the first Annual Reports to be provided subsequent to the relevant amendment, a copy of the amendment, together with a notice explaining in narrative form both (i) the reasons for the amendment, and (ii) the impact of the change in the type of operating data or financial information being provided. To the extent required by the Rule, if the amendment relates to changes in accounting principles to be followed in preparing financial statements, the first Annual Reports to be provided subsequent to the relevant amendment shall also include a comparison between the financial statements: or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles and a qualitative (and to the extent reasonably feasible, quantitative) discussion of the differences in the accounting principles and the impact of the change in the accounting principles upon the presentation of the financial information. Written

notice of any such change in accounting principles shall be provided in a timely fashion to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority and the Department from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority or the Department chooses to include any information in its Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, neither the Authority nor the Department shall have an obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Authority or the Department to comply with any provisions of this Disclosure Agreement, the Trustee, any Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the Authority or the Department to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Department to comply with this Disclosure Agreement shall be an action to compel performance; provided however that nothing herein shall limit any Holder's rights under applicable federal securities law.

SECTION 12. Severability. In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of the Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 13. Entire Agreement. This Disclosure Agreement contains the entire agreement of the Authority and the Department with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto, provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and *in pari materia* with the Rule.

SECTION 14. Captions. The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 15. Beneficiaries. This Disclosure Agreement is being entered into solely for the benefit of the Underwriters and Holders from time to time of the Bonds, and nothing in this Disclosure Agreement expressed or implied is intended to or shall be construed to give to any other person or entity any legal or equitable right, remedy or claim under or in respect to this Disclosure Agreement or any covenants, conditions or provisions contained herein.

SECTION 16. Governing Law. This Disclosure Agreement shall be deemed to be a contract made under the laws of the State of Delaware, and all provisions hereof shall be governed and construed in accordance with the laws of the State of Delaware, without reference to the choice of law principles thereof.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the Delaware Transportation Authority and the Delaware Department of Transportation has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

(SEAL)

DELAWARE TRANSPORTATION AUTHORITY

By: _____
Transportation Trust Fund Administrator

(SEAL)

DELAWARE DEPARTMENT OF TRANSPORTATION

By: _____
Title:

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

DELAWARE TRANSPORTATION AUTHORITY

\$113,490,000 Grant Anticipation Bonds, Series 2010

NOTICE IS HEREBY GIVEN that the [Delaware Transportation Authority (the “Authority”)] [Delaware Department of Transportation (the “Department”)] has not provided an Annual Report as required by the Continuing Disclosure Agreement which was entered into in connection with the issuance of the above-captioned bonds. The [Authority] [Department] anticipates that the [Authority] [Department] Annual Report will be filed by

Date:

[DELAWARE TRANSPORTATION AUTHORITY]
[DELAWARE DEPARTMENT OF TRANSPORTATION]

By: _____

EXHIBIT B1

CONTENTS OF AUTHORITY ANNUAL REPORT

The Authority Annual Report shall contain, with respect to the prior fiscal year, any updated information pertaining to the financial and the operating data of the Authority circulated in the Official Statement in connection with the issuance of 2010 Bonds under the captions “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal-Aid Funding Procedures”, “ – Federal Reimbursements Received by the State” and “STATE PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM – Funding History”.

EXHIBIT B2

CONTENTS OF DEPARTMENT ANNUAL REPORT

The Department Annual Report shall contain, with respect to the prior fiscal year, any updated information pertaining to the financial and the operating data of the Department or the State circulated in the Official Statement in connection with the issuance of 2010 Bonds under the captions “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal-Aid Funding Procedures”, “ – Federal Reimbursements Received by the State” and “STATE PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM – Funding History”.

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Appendix D-
Proposed Form of Opinion of Bond Counsel

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[FORM OF OPINION OF BOND COUNSEL]

June __, 2010

BOND COUNSEL OPINION

\$113,490,000
DELAWARE TRANSPORTATION AUTHORITY
Grant Anticipation Bonds, Series 2010

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as bond counsel in connection with the issuance of \$113,490,000 Grant Anticipation Bonds, Series 2010 (the ‘Bonds’), on the date hereof, by the Delaware Transportation Authority, a body politic and corporate constituting a public instrumentality (the ‘Authority’) of The State of Delaware (the ‘State’). The Bonds are subject to redemption, in whole or in part, at the times, in the manner and upon the terms set forth in the Bonds.

The Bonds are issued pursuant to Chapter 13, Title 2, Delaware Code, as amended, and Chapter 14, Title 2, Delaware Code, as amended, together with 77 Del. Laws Chapter 87 (collectively, the ‘Act’), a Master Trust Agreement, dated as of June 1, 2010, by and between the Authority and Wilmington Trust Company, a State banking corporation (‘WTC’) (WTC, not in its individual capacity but solely as trustee, the ‘Trustee’) (the ‘Trust Agreement’), and a resolution of the Authority dated June 2, 2010 (the ‘Resolution’), and other laws of the State, for the purposes of financing a portion of the Delaware Department of Transportation’s (the ‘Department’) capital project described in the Resolution (the ‘Project’) and paying costs of issuing the Bonds.

As bond counsel, we have examined an executed counterpart of the Trust Agreement, a certified copy of the Resolution, the GARVEE Financing and Pledge Agreement dated as of June 1, 2010 by and between the Department and the Authority (the ‘Financing Agreement’), the forms of the Bonds and applicable laws. In addition, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary for the purposes of the opinion rendered below, including the Authority’s Tax Certificate (the ‘Tax Certificate’). In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. We have relied upon the aforesaid instruments, certificates and documents as to any facts material to our opinion, when relevant facts were not independently established and on the performance of the covenants of the Authority contained in the Resolution. We have relied, as to the execution, authentication and delivery of, and payment for, the Bonds, on certificates of the Authority and the Trustee.

Based on the foregoing, we are of the opinion, on the date hereof, that:

(1) The Authority is a body politic and corporate constituting a public instrumentality of the State duly created and validly existing under and by virtue of the Act and has the power to issue the Bonds for the purpose of financing the Project.

(2) The Resolution has been duly adopted by the Authority, is in full force and effect and is a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms.

(3) The Authority has duly authorized, executed and delivered the Trust Agreement and the Trust Agreement constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms. The Authority and Department have duly authorized, executed and delivered the Financing Agreement and the Financing Agreement constitutes a legal, valid and binding obligation of the Department and the Authority enforceable against the Department and the Authority in accordance with its terms.

(4) The Trust Agreement creates the lien on the Trust Estate (as defined in the Trust Agreement) created therein.

(5) The Bonds have been duly authorized, issued and sold by the Authority and constitute legal and valid limited obligations of the Authority enforceable against the Authority in accordance with their terms. The Bonds are entitled to the benefits and the security, and are subject only to the terms and conditions, set forth in the Resolution and the Trust Agreement.

(6) Interest on the Bonds (including accrued original issue discount) is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The Authority has covenanted to comply with all such requirements. Interest on the Bonds is not subject to the alternative minimum tax imposed on individuals or corporations. We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

(7) In addition, under existing law, the Bonds, interest on the Bonds and their transfer shall be exempt from taxation by the State and its political subdivisions, except for estate, inheritance or gift taxes imposed by the State.

The foregoing opinions relating to the enforceability against the Authority of the Resolution, the Trust Agreement and the Bonds are qualified to the extent that enforceability

may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights and remedies of creditors generally, and general principles of equity.

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