

**NEW ISSUE – BOOK ENTRY ONLY****Ratings: S&P: “AA+”  
Moody’s: “Aa3”**

*In the opinion of Bond Counsel, interest on the 2008A 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 and interest on the 2008A Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the “Code”) for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the 2008A Bonds. Under existing law, the 2008A Bonds, interest on the 2008A Bonds and their transfer shall be exempt from taxation by the State of Delaware and its political subdivisions except for estate, inheritance or gift taxes imposed by the State of Delaware. For a more complete discussion, see “TAX MATTERS” herein.*

**DELAWARE TRANSPORTATION AUTHORITY****\$84,720,000****Transportation System Senior Revenue Bonds, 2008 Series A****Dated: Date of Issuance****Due: July 1, as shown below**

The Transportation System Senior Revenue Bonds, 2008 Series A (the “2008A Bonds”) will be issued in book-entry only form. Beneficial owners of 2008A Bonds will not receive physical delivery of Bond certificates. Principal and interest payments on the 2008A Bonds are to be made to The Depository Trust Company or its nominee as record owner of the 2008A Bonds. Interest will be payable January 1, 2009 and thereafter semi-annually on each January 1 and July 1.

The 2008A Bonds maturing on and after July 1, 2019 are subject to optional redemption prior to maturity, at the option of the Authority, in whole or in part at any time on or after July 1, 2018, in any order of maturity selected by the Authority and within any maturity by lot, at a redemption price equal to 100% of the principal amount of the 2008A Bonds to be redeemed plus interest accrued and unpaid to the redemption date.

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES**

<u>Due (July 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price</u>	<u>Yield (%)</u>	<u>Due (July 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price</u>	<u>Yield (%)</u>
2009	2,270,000	4.000	102.236	1.850	2019	2,330,000	5.000	109.511	3.850*
2010	5,175,000	5.000	105.389	2.300	2020	2,445,000	4.000	100.000	4.000
2011	5,435,000	5.000	106.791	2.670	2021	2,540,000	4.000	99.494	4.050
2012	5,705,000	5.000	107.978	2.900	2022	2,645,000	4.000	98.517	4.140
2013	1,735,000	5.000	109.119	3.040	2023	2,750,000	4.125	99.167	4.200
2014	1,825,000	5.000	109.951	3.180	2024	2,865,000	4.125	98.553	4.250
2015	14,620,000	5.000	110.488	3.320	2025	2,980,000	4.250	99.397	4.300
2016	15,355,000	5.000	110.818	3.450	2026	3,105,000	4.250	98.755	4.350
2017	2,110,000	5.000	110.898	3.580	2027	3,240,000	4.250	98.076	4.400
2018	2,215,000	5.000	110.831	3.700	2028	3,375,000	4.375	99.009	4.450

\* Yield to call.

The 2008A Bonds are limited obligations of the Authority, payable solely from and secured by a pledge and assignment of Pledged Revenue. See “SECURITY FOR THE BONDS.” The 2008A Bonds are secured on a parity with other Transportation System Senior Revenue Bonds which have been issued by the Authority and remain outstanding. The Authority may issue additional bonds which are secured on a parity with all such Senior Bonds. THE 2008A BONDS DO NOT CONSTITUTE A DEBT OF THE STATE OF DELAWARE OR OF ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF, OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE GENERAL TAXING POWER OR THE FAITH AND CREDIT OF THE STATE OF DELAWARE OR ANY SUCH POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY.

*The 2008A Bonds are offered when, as and if issued and received by the Underwriters, subject to the issuance of a legal opinion as to validity by Bond Counsel, Saul Ewing LLP, Wilmington, Delaware and certain other conditions. A Deputy Attorney General of The State of Delaware will opine as to certain legal matters for the Authority. It is expected that the 2008A Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about June 11, 2008.*

Dated: June 4, 2008

No dealer, broker, salesman or other person has been authorized by the Delaware Transportation Authority or the underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2008A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. 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 or The State of Delaware since the date hereof. This Official Statement is distributed in connection with the sale of securities referred to herein and may not be reproduced or used in whole for any other purpose. In no instance may this Official Statement be reproduced or used in part.

IN CONNECTION WITH THE OFFERING OF THE 2008A Bonds, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE 2008A Bonds SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED. THE ANNUAL FINANCIAL REPORT OF THE AUTHORITY MAY BE OBTAINED BY WRITTEN REQUEST TO THE DEPARTMENT OF TRANSPORTATION, FINANCE, P.O. BOX 778, DOVER, DELAWARE 19903.

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**OFFICIAL STATEMENT**  
**Delaware Transportation Authority**

**\$84,720,000**

**Transportation System Senior Revenue Bonds, 2008 Series A**

**INTRODUCTION**

This Official Statement (which includes the cover page, graphs and the appendices hereto) sets forth information in connection with the issuance of \$84,720,000 aggregate principal amount of Transportation System Senior Revenue Bonds, 2008 Series A (the “2008A Bonds”) by the Delaware Transportation Authority (the “Authority”), a body corporate and politic constituting a public instrumentality of The State of Delaware (the “State”). The 2008A Bonds, together with the Authority’s other Transportation System Senior Revenue Bonds which have been or may be issued in the future on a parity with the 2008A Bonds, and remain outstanding from time to time, are herein referred to collectively as the “Senior Bonds”. The Authority also has outstanding certain Transportation System Junior Revenue Bonds which, together with the Authority’s other Transportation System Junior Revenue Bonds which may be issued in the future on a parity with such Junior Bonds, are herein referred to collectively as the “Junior Bonds”. As hereinafter more fully described, the Junior Bonds have a lien on the Pledged Revenue, subordinate to the lien of the Senior Bonds.

The 2008A Bonds are being issued pursuant to the Delaware Transportation Authority Act, Chapter 13, Title 2, Delaware Code, as amended, and the Transportation Trust Fund Act, Chapter 14, Title 2, Delaware Code, as amended (collectively, the “Act”) and a Trust Agreement, dated as of August 1, 1988, by and between the Authority and Wilmington Trust Company, Wilmington, Delaware (“WTC”) (WTC, not in its individual capacity but solely as trustee, the “Trustee”), as supplemented and amended (the Trust Agreement as so supplemented and amended is hereinafter referred to as the “Agreement”).

This Official Statement contains, among other topics, a description of the current Capital Transportation Program and the sources of funding therefor; the security for the 2008A Bonds; the terms of the 2008A Bonds; and the powers, responsibilities, membership and projected operations of the Authority and the Department of Transportation.

Capitalized words and terms used in this Official Statement and not defined herein, if defined in the Agreement, shall have the same meanings herein as are ascribed to such words and terms in the Agreement. See APPENDIX B, “Definitions”. References herein to the Agreement, the Act and the Bonds do not purport to be complete. Copies of the Agreement are available upon request to the Authority.

**DELAWARE TRANSPORTATION 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. See "THE TRANSPORTATION TRUST FUND".

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. See "SOURCES OF REVENUE FOR THE TRUST FUND - Toll Revenue" and "THE TRANSPORTATION TRUST FUND".

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.

### **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 Delaware's eighth Transportation Secretary by Governor Ruth Ann Minner in February, 2006. 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 20 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.

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 Delaware 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.

DARREL W. COLE, Director of Public Relations since December 2005, first served as Manager of Public Relations. He has more than 17 years experience in the communications field, including most recently as a public relations/media consultant. Prior to that Mr. Cole worked for several news publications in Michigan, California, Pennsylvania and Delaware as a reporter and editor. He graduated from Oakland University in Michigan with a B.A. in Journalism.

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 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.

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.

JAMES R. McNINCH III became Director of Maintenance and Operations in January 2002. Mr. McNinch began his transportation career in the transit arena in 1977 working for the Delaware Authority for Specialized Transportation (DAST). He served as Operations Manager for DAST, and later in the same capacity for the Delaware Administration for Regional Transit (DART). Most recently, he was the Transportation Manager and then Director of Operations for the Delaware Transit Corporation. Mr. McNinch graduated from the University of Delaware in 1977.

BRIAN G. MOTYL, Assistant Director of Finance and Transportation Trust Fund Administrator, joined the Department in May 2006. Mr. Motyl has 9 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 15+ 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.

ROBERT J. TAYLOR, Chief Engineer and Director of Transportation Solutions, has over 34 years experience with the Department, becoming a registered Professional Engineer in 1979 and serving in various capacities during his career including Chief of Transit Plans and Operations, DART Administrator, Deputy Director of DTC and Assistant Director of Engineering Support before being named Director and Chief Engineer in February 2006. Mr. Taylor graduated from Virginia Tech with a Bachelor of Science Degree in Civil Engineering.

## **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. See "TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS - Capital Improvements Planning and Budgeting."

The issuance of Authority debt obligations is subject to approval by the State's Bond Issuing Officers and to one of the provisions of the State's statutory debt limitations designed to control total indebtedness of the State and the Authority. The applicable limit (the "15% Test") states that no "tax-supported debt obligation" of the State and no "Transportation Trust Fund debt obligation" of the Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations (plus certain lease obligations) will exceed 15% of the estimated aggregate General Fund revenue from all sources, plus Transportation Trust Fund revenue. Estimated revenue figures are for the fiscal year following the fiscal year in which such obligation is incurred, as determined by the most recent projections made by the Delaware Economic and Financial Advisory Council ("DEFAC"). Such estimated revenue figures are adjusted, if appropriate, by the fiscal impact of subsequently enacted legislation as certified by the Secretary of Finance. After the issuance of the 2008A Bonds, the applicable debt service under the 15% Test will be approximately 7.7% of the applicable revenue in fiscal 2009. The State and the Authority expect that the Bonds projected to be issued in the current Capital Transportation Program can be issued within the limits of the 15% Test.

### *Delaware Economic and Financial Advisory Council*

Delaware Economic and Financial Advisory Council (“DEFAC”) is a council comprised currently of 29 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.

### **Initial Funding**

The Trust Fund was initially funded in fiscal 1988 with existing cash balances of \$22.5 million, a special one time appropriation from the General Fund of \$27.8 million plus the dedication of revenue streams (including investment earnings) then aggregating approximately \$76.2 million per year. Since establishing the Trust Fund, the State has increased fee and tax rates for existing dedicated revenue streams and has assigned to the Trust Fund certain additional sources of transportation related revenue, as well as certain additional transportation related expenses. As a result, revenues to the Trust Fund have increased substantially since fiscal 1988 and totaled \$469.3 million in fiscal 2007.

## Summary of Revenue Dedicated to the Trust Fund

The following table and chart summarize the revenue which is currently dedicated to the Trust Fund, and identify that revenue which is pledged to secure the Bonds:

	Fiscal 2007 (dollars in millions)	Percentage of Total Fiscal 2007 Pledged Revenue
Pledged to the Bonds:		
Motor Fuel Taxes.....	\$ 117.5 <sup>(1)</sup>	33.9%
Delaware Turnpike Toll/Concession .....	96.7	27.9%
Motor Vehicle Document Fees .....	62.7	18.0%
Motor Vehicle Registration Fees .....	31.5 <sup>(2)</sup>	9.0%
Miscellaneous Transportation Revenue.....	23.8 <sup>(3)</sup>	6.9%
Investment Earnings .....	<u>14.8</u>	<u>4.3%</u>
Total Pledged Revenue.....	\$347.0	100.0%
Non-Pledged to the Bonds:		
Toll Revenue – Delaware SR-1 .....	32.6	
Non-Pledged Miscellaneous Transportation Revenue <sup>(4)</sup>	<u>89.7</u>	
Total Non-Pledged Revenue.....	<u>\$122.3</u>	
Total Trust Fund Revenue	<u>\$469.3</u>	

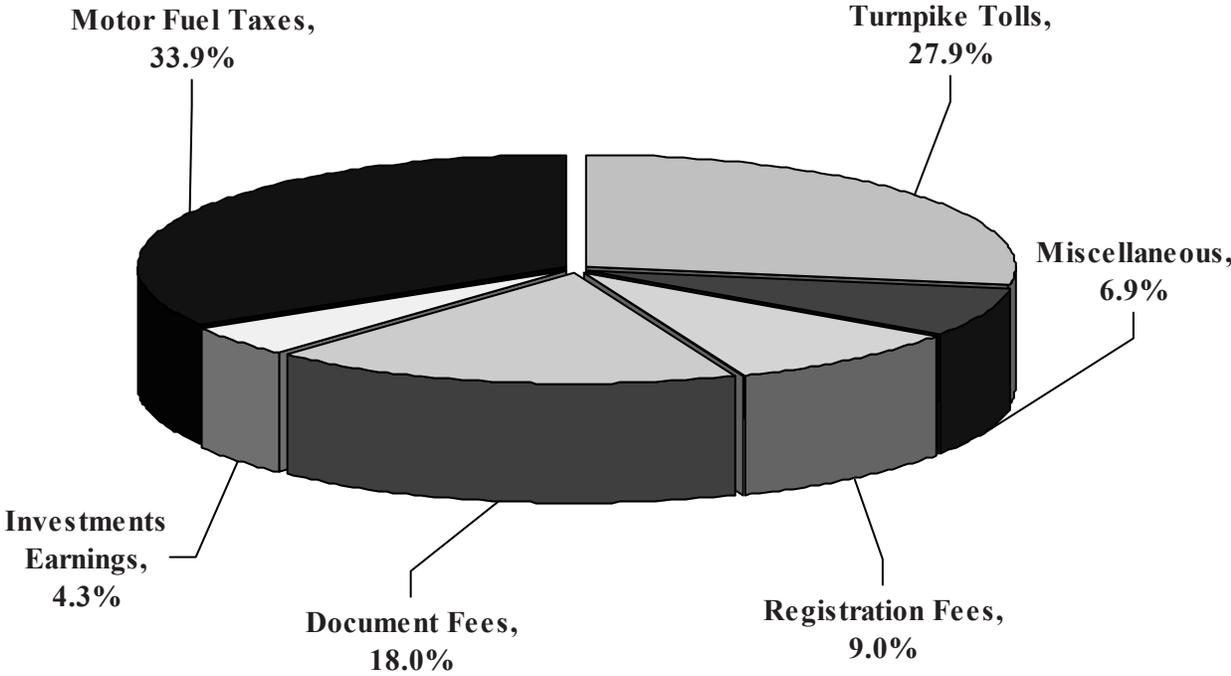
(1) Revenue from motor fuel and special tax receipts. Net of refunds for fuel consumed for non-highway use (\$0.1 million).

(2) Net of refunds to other states under the International Registration Plan (\$0.7 million).

(3) Net of refunds to other jurisdictions under the International Motor Fuel Tax Agreement (\$2.6 million) and transfers to the General Fund (\$0.3 million). Includes motor carrier fees.

(4) Includes \$24 million annual transfer from escheat revenues, plus other additional General Fund support including motor vehicle dealer handling fees, motor vehicle dealer annual licensing fees, motor vehicle use taxes on vehicle lease payments, Department review fees for development plans, real estate lease fees, property sales, and other miscellaneous revenues.

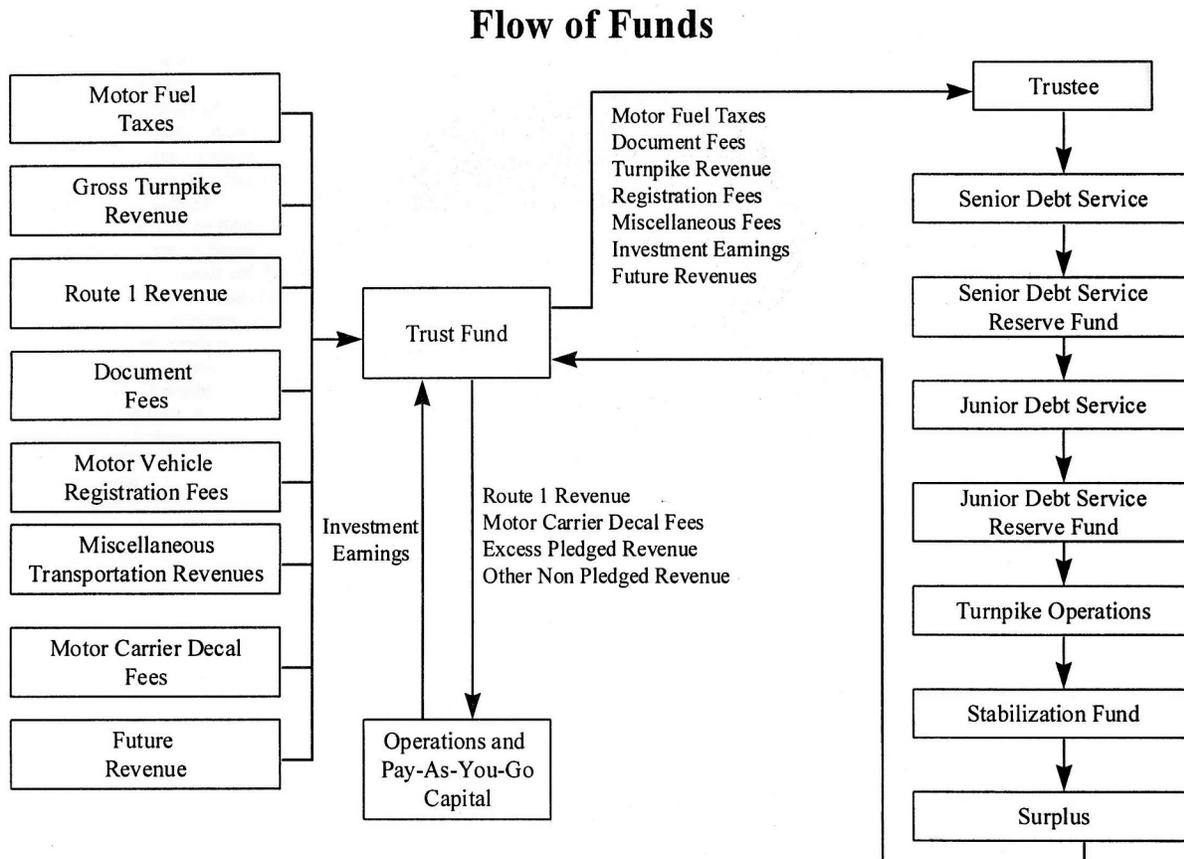
**Sources of Pledged Revenue  
Transportation Trust Fund - Fiscal 2007**



## Uses of Funds in the Trust Fund

Funds in the Trust Fund are applied to meet the funding requirements of the Agreement including debt service on the Bonds, operating expenses of the Authority and the Department, debt service on existing State general obligation bonds issued for transportation projects and the costs of capital projects of the Authority and the Department.

The flow of funds to the Trust Fund and under the Agreement is summarized in the following diagram:



## Sources and Uses of Funds for Fiscal Years 2004, 2005, 2006 and 2007

The following summary of the results of the Sources and Uses of Funds are for fiscal years ended June 30, 2004, 2005, 2006 and 2007. (Audited financial statements for the fiscal year 2007 are included in APPENDIX A). The summary reflects the flow of funds required by the Agreement as illustrated in the Flow of Funds diagram above.

## Summary Results

Fiscal Years Ended  
(dollars in thousands)

<u>Sources of Funds</u>	2004	2005	2006	2007
<u>Existing Pledged Revenue</u>				
Motor Fuel Tax Administration <sup>(1)</sup>	\$ 117,225	\$ 117,917	\$ 123,714	\$120,804
I-95 Tolls & Concessions <sup>(2)</sup>	62,861	60,021	87,696	96,748
DMV Fees	105,663	116,180	115,415	114,629
Interest Income	<u>4,923</u>	<u>5,207</u>	<u>10,523</u>	<u>14,774</u>
<b>Total Pledged Revenue</b>	<b>290,672</b>	<b>299,325</b>	<b>337,348</b>	<b>346,955</b>
<u>Non-Pledged Revenues</u>				
Route 1 Toll Road	27,101	30,563	31,524	32,606
Continuing General Fund Support	10,000	10,000	10,000	24,000
One Time General Fund Support/Pass-through	0	52,100	72,869	60,000
DNREC Reimbursement – White Clay	0	0	0	0
DE Transit (Farebox, FTA, & Other)	13,064	14,100	15,676	14,332
Port of Wilmington – Refinancing	1,059	0	0	1,000
Other Miscellaneous Revenue	<u>31,491</u>	<u>7,597</u>	<u>12,196</u>	<u>15,704</u>
<b>Total Non-Pledged Revenue</b>	<b>82,715</b>	<b>114,360</b>	<b>142,265</b>	<b>147,642</b>
<b>Total Revenue</b>	<b>373,387</b>	<b>413,685</b>	<b>479,613</b>	<b>494,597</b>
Borrowing	<u>0</u>	<u>140,251</u>	<u>150,585</u>	<u>124,214</u>
<b>TOTAL SOURCES</b>	<b>373,387</b>	<b>553,936</b>	<b>630,198</b>	<b>618,811</b>
 <u>Uses of Funds:</u>				
<u>Debt Service</u> <sup>(3)</sup>				
DTA Bonds & Notes	94,397	98,609	145,430 <sup>(4)</sup>	114,080
State G.O. Bonds	<u>622</u>	<u>546</u>	<u>803</u>	<u>1,002</u>
Debt Service	95,019	99,155	146,233	115,082
<u>Operations</u>				
Department Operations	125,415	135,287	149,703	157,947
M&O Support	0	0	(14,000)	0
Delaware Transit Corp. Operations	<u>65,023</u>	<u>70,401</u>	<u>74,509</u>	<u>79,282</u>
Total Operations	190,438	205,688	210,212	237,229
State Capital Spending	224,135	290,718	260,656	165,900
<b>TOTAL USES</b>	<b>509,592</b>	<b>595,561</b>	<b>617,101</b>	<b>518,211</b>
Additional Senior Bonds Test	3.59	3.47	3.56 <sup>(5)</sup>	3.29
Additional Junior Bonds Test	13.97	15.05	18.04 <sup>(5)</sup>	17.73

(1) Includes motor carrier fees.

(2) Includes toll, concession and other revenue on the Delaware Turnpike.

(3) Based on the assumption that July 1 payments are made on the previous June 30.

(4) This figure includes the principal and interest of a general obligation bond anticipation note (\$40,691,000) which was funded from a series of senior bonds.

(5) This figure does not reflect the principal and interest on the general obligation bond anticipation note which was funded from a series of senior bonds.

## REFUNDING PROGRAM

The Authority will use a portion of the proceeds of the 2008A Bonds to provide for the current refunding of the Senior Bonds identified below (the "Refunded Bonds"). The Refunded Bonds are being refunded for debt service savings.

### Senior Bonds Being Refunded

<u>Series</u>	<u>Maturity (July 1)</u>	<u>Principal Amount (\$)</u>	<u>Call Date (July 11)</u>
1998	2009	3,550,000	2008
	2010	3,710,000	2008
	2011	3,885,000	2008
	2012	4,060,000	2008
	2015	12,770,000	2008
	2016	13,345,000	2008

## ESTIMATED SOURCES AND USES OF FUNDS

The following table summarizes the estimated sources and uses of money which the Authority estimates will be available to accomplish the refunding program and to pay costs of issuance of the 2008A Bonds.

### Sources of Funds

Principal amount of 2008A Bonds.....	\$ 84,720,000.00
Net Original Issue Premium.....	5,110,752.05
Other Sources of Funds .....	<u>810,736.98</u>
Total.....	<u>\$ 90,641,489.03</u>

### Uses of Funds

Escrow Deposit for Refunded Bonds.....	\$ 42,695,664.24
Capital Improvements	47,100,000.00
Senior Bond Debt Service Reserve Account	254,000.00
Financing and Other Expenses	
Underwriting discount .....	287,200.80
Other financing expenses.....	<u>304,623.99</u>
Total.....	<u>\$ 90,641,489.03</u>

## **DESCRIPTION OF THE 2008A BONDS**

The 2008A Bonds are to be issued in the total aggregate principal amount of \$84,720,000. The 2008A Bonds are dated and bear interest from their date of delivery payable commencing January 1, 2009, and thereafter semi-annually on each January 1 and July 1 at the rate or rates per annum and shall mature, all as set forth on the cover page of this Official Statement.

The 2008A Bonds will be payable as to principal upon presentation and surrender thereof to the Trustee at the principal office of Wilmington Trust Company, Wilmington, Delaware. The 2008A Bonds will be issued as fully registered bonds, and, when issued will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company (“DTC”). Purchases of beneficial interests in the 2008A Bonds will be made in book-entry form (without certificates) in the denomination of \$1,000 or any whole multiple thereof. Under certain limited circumstances described herein, the Authority may determine to forego immobilization of the 2008A Bonds at DTC, or another securities depository, in which case, such beneficial interests are expected to become exchangeable for one or more fully registered bonds of like principal, series and maturity in the denomination of \$5,000 or any whole multiple thereof.

So long as DTC or its nominee, Cede & Co., is the registered owner of the 2008A Bonds, payments of the principal of and interest on the 2008A Bonds are to be made by the Trustee directly to Cede & Co. Distribution of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to owners of beneficial interests in the 2008A Bonds is the responsibility of the DTC participants. See “BOOK-ENTRY ONLY SYSTEM.”

### **Optional Redemption**

The 2008A Bonds maturing on or after July 1, 2019 are subject to redemption, at the option of the Authority, in whole or in part at any time on or after July 1, 2018, in any order of maturity selected by the Authority and within any maturity by lot, at a redemption price equal to 100% of the principal amount of the 2008A Bonds to be redeemed plus interest accrued and unpaid to the redemption date.

### **Notice of Redemption**

The Agreement provides that at least 30 days but not more than 60 days before the redemption date of any of the 2008A Bonds, the Trustee shall mail notice of such redemption to all owners of 2008A Bonds or portions thereof to be redeemed at their addresses as they appear on the registration books held by the Trustee. Each such notice will set forth the 2008A Bonds or portions thereof to be redeemed, the date for such redemption, the redemption price to be paid, and if less than all of the 2008A Bonds will be called for redemption, the maturities of the 2008A Bonds to be redeemed and shall otherwise comply with Securities Exchange Act of 1934 Release No. 34-23856, including the requirement that notice be given to all organizations registered with the Securities and Exchange Commission as securities depositories, and to at least two information services of national recognition which disseminate redemption information with respect to tax exempt securities. So long as DTC is the registered owner of the 2008A Bonds, this notice is required to be mailed by the Trustee to DTC only. Any failure of DTC to mail such notice to any participant will not affect the validity of the redemption of the 2008A Bonds.

## **SECURITY FOR THE BONDS**

### **Pledge and Assignment of Revenue and Funds**

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge and assignment of motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees, certain miscellaneous transportation related fees (“Pledged Miscellaneous Transportation Revenue”),

revenue of the Delaware Turnpike, certain funds held by the Trustee under the Agreement and investment earnings on all funds of the Authority, all as more fully described below (the “Pledged Revenue”).

#### *Tax and Fee Revenue*

The State has pledged and assigned to the Trust Fund, for the use of the Authority, (i) all motor fuel tax revenue imposed and collected by the State, (ii) all motor vehicle document fees imposed and collected by the State, (iii) all motor vehicle registration fees imposed and collected by the State, (iv) the Pledged Miscellaneous Transportation Revenue plus certain other miscellaneous transportation revenue and reimbursement which have not been pledged as security for the Bonds and (v) certain escheat revenues, which escheat revenues have not been pledged as security for the Bonds. Escheat revenues in the amount of \$10,000,000 were transferred to the Trust Fund from fiscal 2000 until fiscal 2002, but were not transferred in fiscal 2003. Such escheat revenues were again transferred to the Trust Fund in fiscal 2004, fiscal 2005 and fiscal 2006. Escheat revenues in the amount of \$24,000,000 were transferred to the Trust Fund in fiscal 2007. The scheduled fiscal 2008 transfer of escheat revenues to the Trust Fund has been suspended. These revenues will be used by the General Fund to help make up for revenue shortfalls during fiscal 2008. There is also no transfer planned in fiscal 2009, however it is expected that \$24,000,000 of escheat revenues will be transferred to the Trust Fund in the fiscal years subsequent to fiscal 2009. In the Agreement the Authority has, in turn, pledged and assigned motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees, investment earnings and the Pledged Miscellaneous Transportation Revenue to secure the Bonds. The Pledged Miscellaneous Transportation Revenue and the Non-Pledged Miscellaneous Transportation Revenue (hereinafter defined) are hereafter collectively referred to as the “Miscellaneous Transportation Revenue”.

The State has covenanted in the Act that it will not repeal or reduce the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees or the fees constituting Pledged Miscellaneous Transportation Revenue, which are pledged to secure the Bonds, below the levels in effect on the date of issuance of the 2008A Bonds until such Bonds are paid or provision for their payment is made. The State, however, has not authorized nor does it have any obligation to increase the rates of those taxes or fees to generate revenue to meet debt service on the 2008A Bonds. The above covenant does not apply to the Non-Pledged Miscellaneous Transportation Revenue, or other non-pledged revenue.

#### *Delaware Turnpike Revenue*

All revenue received by the Authority from the operation of the Delaware Turnpike (including toll and concession revenue) is pledged by the Authority in the Agreement to secure the Bonds.

The Authority covenants in the Agreement that it will fix and revise from time to time, and charge and collect charges, fares, fees, rentals and tolls for the use of the Delaware Turnpike and that it will not reduce the tolls on the Delaware Turnpike below the level in effect on the date of issuance of the 2008A Bonds, except as provided in the Agreement. The Authority may increase tolls, reduce tolls and make certain other adjustments or reclassifications of toll rates or establish special toll rates for the Delaware Turnpike as provided in the Agreement.

#### *Bond Proceeds*

All proceeds of Bonds which are deposited in the Capital Fund under the Agreement to be applied to pay for improvements to the State's transportation system are pledged by the Authority in the Agreement to secure the Bonds.

### *Debt Service Fund; Stabilization Fund*

Under the Agreement there is established a Debt Service Fund and within that fund there is a separate Principal and Interest Account, and Redemption Account, for the Senior Bonds and the Junior Bonds. All funds held by the Trustee in such Senior Bonds accounts are pledged to secure only the Senior Bonds, and all funds held by the Trustee in such Junior Bonds accounts are pledged to secure only the Junior Bonds, all as hereinafter more fully described. See “Flow of Funds” and APPENDIX B, “Flow of Funds” and “Events of Default and Remedies; Respective Rights of Senior and Junior Bondholders.” All funds held by the Trustee in the Debt Service Stabilization Fund (the “Stabilization Fund”) are also pledged to secure the Bonds. The Authority is required to fund the Stabilization Fund (in such amount as the Authority determines at the time of the funding of the Stabilization Fund) if it determines that Test Revenue (hereinafter defined) based on the applicable historical test for issuing additional Bonds (hereinafter described) is less than 3.5 times the maximum Principal and Interest Requirements on Senior Bonds, including any Senior Bonds proposed to be issued. In the event sufficient funds are not otherwise available in the Debt Service Fund when required to pay debt service, the Trustee is required to draw upon the Stabilization Fund to pay debt service, first on the Senior Bonds and next on the Junior Bonds. See APPENDIX B, “Flow of Funds.”

### *Debt Service Reserve Fund*

Under the Agreement there is established a Debt Service Reserve Fund and within that fund there is a separate Debt Service Reserve Account for the Senior Bonds and the Junior Bonds. All funds held by the Trustee in the Debt Service Reserve Fund are pledged to secure the Senior Bonds and the Junior Bonds, as the case may be, as hereinafter more fully described. If there are insufficient funds otherwise available in the Senior Bonds or Junior Bonds debt service account, or in the Stabilization Fund, as applicable, when required to pay debt service on the Bonds, the Trustee is required to draw on the applicable Debt Service Reserve Account to make up the deficiency. The Authority is required to maintain funds in the Debt Service Reserve Fund at least equal to the Senior and Junior Bonds Debt Service Reserve Account Requirements.

The Debt Service Reserve Account Requirements with respect to the Senior and Junior Bonds are one half of the maximum Principal and Interest Requirements with respect to Senior and Junior Bonds, respectively. The Senior Bonds Debt Service Reserve Account Requirement is subject to increase as described below.

Two months prior to each July 1 (as of a date during such two-month period), the Authority must prepare the certificate required to be prepared in connection with the issuance of additional Bonds. In the event that the certificate shows that Test Revenues do not cover maximum Principal and Interest Requirements of the Senior Bonds Outstanding by 2.00 times, then the Authority will file the certificate with the Trustee and (i) the Senior Bonds Debt Service Reserve Account Requirement shall become an amount equal to the maximum Principal and Interest Requirements on Senior Bonds Outstanding and (ii) the Authority shall commence to make deposits to the Senior Bonds Debt Service Reserve Account on at least an equal monthly basis to fund fully the Senior Bonds Debt Service Reserve Account Requirement on or by the second anniversary of the date of calculation. On any subsequent July 1, if such coverage exceeds 2.25 times, the Senior Bonds Debt Service Reserve Account Requirement may be reduced to an amount equal to one-half maximum Principal and Interest Requirements on Senior Bonds Outstanding, subject to increase as provided above.

Two months prior to each October 1 (as of a date during such two-month period) unless the Authority has filed with the Trustee the certificate described above during the two-month period prior to the next preceding July 1, the Authority shall prepare such certificate. In the event that the certificate shows that Test Revenues do not cover maximum Principal and Interest Requirements of the Senior Bonds

Outstanding by 2.00 times, then the Authority will file the certificate with the Trustee and (i) the Senior Bonds Debt Service Reserve Account Requirement shall become an amount equal to the maximum Principal and Interest Requirements on Senior Bonds Outstanding and (ii) the Authority shall commence to make deposits to the Senior Bonds Debt Service Reserve Account on at least an equal monthly basis to fund fully the Senior Bonds Debt Service Reserve Account Requirement on or by the second anniversary of the date of calculation. On any subsequent July 1, if such coverage exceeds 2.25 times, the Senior Bonds Debt Service Reserve Account Requirement may be reduced to an amount equal to one-half maximum Principal and Interest Requirements on Senior Bonds Outstanding, subject to increase as provided above. The foregoing certificate shall also be filed by the Authority with the Trustee at the time of issuance of additional Bonds.

The Debt Service Reserve Account Requirements may be satisfied by the acquisition of a Credit Facility as provided in the Agreement. A portion of the Debt Service Reserve Account Requirement with respect to the Authority's Senior Bonds, and a portion of the Debt Service Reserve Account Requirement with respect to the Authority's Junior Bonds, are being satisfied by surety bonds issued by Municipal Bond Investors Assurance Corporation (now MBIA Insurance Corporation). The terms of the surety bonds provide that the Trustee must deplete funds available in the applicable Debt Service Reserve Account before drawing on the surety bond held with respect to the applicable Bonds. See APPENDIX B, "Additional Bonds; Debt Service Reserve Fund".

#### *Investment Earnings*

All investment earnings on the Revenue Fund, the Capital Fund, the Debt Service Fund, the Stabilization Fund and the Debt Service Reserve Fund, net of any amounts required to be paid to the Internal Revenue Service in order to preserve the tax-exempt status of the 2008A Bonds, are to be retained in or deposited by the Trustee in the Revenue Fund and are pledged by the Authority in the Agreement to secure the 2008A Bonds. The Authority is also required to cause the investment earnings on all of its other funds not held by the Trustee, including particularly the Transportation Trust Fund, to be paid to the Trustee for deposit in the Revenue Fund at least once a year (the "TTF Investment Earnings"). These investment earnings are also pledged by the Authority in the Agreement to secure the Bonds; however, such earnings shall not be treated as Additional Revenue for purposes of satisfying the coverage test which must be met as a condition of issuing additional bonds in the Agreement (See "SECURITY FOR THE BONDS - Additional Senior Bonds" and "SECURITY FOR THE BONDS - Additional Junior Bonds").

#### **Non-Pledged Revenue**

The Authority has not pledged to secure the Bonds (i) the toll revenue from the Route 1 Toll Road (the "Route 1 Toll Revenue"), (ii) certain other miscellaneous transportation revenue and reimbursements which includes various amounts which may not be transferred in future fiscal years. Escheat revenues in the amount of \$10,000,000 were transferred to the Trust Fund from fiscal 2000 until fiscal 2002, but were not transferred in fiscal 2003. Such escheat revenue was again transferred to the Trust Fund in fiscal 2004, fiscal 2005 and fiscal 2006. Escheat revenue in the amount of \$24,000,000 was transferred to the Trust Fund in fiscal 2007. The scheduled fiscal 2008 transfer of escheat revenues to the Trust Fund has been suspended. These revenues will be used by the General Fund to help make up for revenue shortfalls during fiscal 2008. There is also no transfer planned in fiscal 2009, however, it is expected that \$24,000,000 of escheat revenues will be transferred to the Trust Fund in the fiscal years subsequent to fiscal 2009. The revenue described in clause (ii) above, together with any escheat revenues, are hereinafter sometimes referred to as "Non-Pledged Miscellaneous Transportation Revenues". Certain components of the Non-Pledged Miscellaneous Transportation Revenue are not projected to be recurring in future fiscal years. See "SOURCES OF REVENUE FOR THE TRUST FUND -- Miscellaneous Transportation Revenue - Non-Pledged Miscellaneous Transportation Revenues" for a discussion of revenue sources transferred to the Trust Fund but which have not been pledged by the Authority to secure the Bonds.

## Flow of Funds

The State is required to transfer all motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees and Miscellaneous Transportation Revenue to the Trust Fund from where such revenue is required to be immediately transferred to the Trustee for deposit in the Revenue Fund to the extent that such revenues constitute "Revenues and Receipts of the Authority". The Agreement requires the Authority to collect tolls and other charges, fares, fees, and concessions for use of the Delaware Turnpike and its facilities and to deposit this revenue, upon receipt, in the Revenue Fund. On or before the fifteenth day of each month, the Trustee is required under the Agreement to withdraw all funds from the Revenue Fund on deposit on the tenth day of that month and to deposit these funds in the following order of priority:

- (i) to fund debt service and debt service reserve requirements with respect to all Senior Bonds;
- (ii) to fund debt service and debt service reserve requirements with respect to all Junior Bonds;
- (iii) to pay Operating Expenses of the Delaware Turnpike;
- (iv) to make up any deficiency in the Operating Reserve Fund;
- (v) to make up any deficiency in the Stabilization Fund; and
- (vi) the remainder to be transferred to the Trust Fund, free of the lien of the Agreement, subject to an obligation to transfer investment income on the Trust Fund, if any, to the Revenue Fund.

See APPENDIX B, "Flow of Funds" and the flow of funds diagram under "THE TRANSPORTATION TRUST FUND -- Uses of Funds in the Trust Fund".

## Senior Lien for Senior Bonds

The lien of the Junior Bonds against the Pledged Revenue, with certain limited exceptions, is subordinate to the lien of the Senior Bonds. If there is an event of default resulting from a failure in payment of debt service on the Senior Bonds or from an insolvency of the Authority or if there is an event of default which the Trustee attempts to remedy by acceleration, no payment of debt service may be made on the Junior Bonds except from certain Junior Bonds Priority Funds -- funds already on deposit in the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account (but not any funds held for optional redemption) or the Junior Bonds Debt Service Reserve Account -- until the default with respect to the Senior Bonds is cured.

## Credit of the State Not Pledged; Certain Covenants of the State

**THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY SECURED ONLY BY THE PLEDGED REVENUE OF THE AUTHORITY AS DESCRIBED ABOVE UNDER "PLEDGE AND ASSIGNMENT OF REVENUE AND FUNDS". THE BONDS DO NOT CONSTITUTE A DEBT OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, NOR A PLEDGE OF THE GENERAL TAXING POWER OR THE FAITH AND CREDIT OF THE STATE OR OF ANY SUCH POLITICAL SUBDIVISION.**

The State has covenanted in the Act that it will not repeal or reduce the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees or the fees constituting Pledged

Miscellaneous Transportation Revenue, which are pledged to secure the Bonds, below the levels in effect on the date of issuance of the 2008A Bonds until such Bonds are paid or provision for their payment is made. The State has not, however, authorized nor does it have any obligation to increase the rates of those taxes or fees to generate revenue to meet debt service on the 2008A Bonds.

The State has also covenanted in the Act that it will not (i) limit or alter the rights or powers vested in the Authority by the Act in any way that would jeopardize the interest of the holders of the Bonds or inhibit or prevent performance or fulfillment by the Authority of the terms of any agreement made with the holders or (ii) prevent the Authority from obtaining revenue which, together with other available funds, shall be sufficient to meet all expenses of the Authority and fulfill the terms of any agreement made with the holders of Bonds and all costs and expenses in connection with any action or proceedings by or on behalf of the holders, or (iii) prevent the Authority from receiving payment of funds as provided in any agreement, until the Bonds together with interest and premium, if any, thereon are fully met and discharged or provided for.

The State has also covenanted in the Act that it will not limit or restrict the rights granted to the Authority by the Act to construct, reconstruct, improve, extend, alter, modernize, repair, operate and maintain any transportation facilities, or to establish and collect such charges, fares, fees, rates, rentals and tolls as may be convenient or necessary to produce sufficient revenue to meet the expenses of maintenance and operation thereof and to fulfill the terms of any agreements made with the holders of bonds authorized by the Act or in any way impair the rights or remedies of the holders of such bonds until all of such bonds are fully paid or discharged.

### **Additional Senior Bonds**

The Agreement and the Act permit the Authority to issue additional Senior Bonds (or to convert outstanding Junior Bonds to Senior Bonds) secured on a parity with the other Senior Bonds issued and outstanding under the Agreement for any purpose permitted under the Act, provided that there is satisfied the Senior Bonds Historical Test (described in (i)(A) below) and the Junior Bonds Historical Test (described in (i)(B) below) or the Senior Bonds Alternate Test (described in (ii)(A) below) and the Junior Bonds Alternate Test (described in (ii)(B) below).

(i)(A) The Senior Bonds Historical Test is satisfied if the aggregate amount of motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees, revenue from the Delaware Turnpike, Pledged Miscellaneous Transportation Revenue and Additional Revenue pledged to secure the Bonds (excluding TTF Investment Earnings) (the "Test Revenue") for any 12 consecutive month period of the preceding 15 months ending not later than three months prior to the date of the additional Senior Bonds, which date shall not be more than 90 days prior to the date of issuance of the additional Senior Bonds (adjusted to reflect adjustments in the tax rates, fees and tolls as if such adjustments had been in effect for the entire period) equals or exceeds 2.00 times the maximum Principal and Interest Requirements for all Senior Bonds, including the Senior Bonds proposed to be issued.

(B) The Junior Bonds Historical Test is satisfied if the aggregate amount of Test Revenue, calculated in the same manner and for the same 12 month period as in (i)(A) above, reduced by the maximum Principal and Interest Requirements for the Senior Bonds, equals or exceeds 3.0 times the maximum Principal and Interest Requirements for all Junior Bonds, including the Junior Bonds proposed to be issued.

(ii)(A) The Senior Bonds Alternate Test is satisfied if estimated Test Revenue (assuming for each fiscal year described below, that Test Revenue is equal to the aggregate amount of Test Revenue for the same 12 month period as in (i)(A) above as adjusted in subsequent fiscal years for any increase in tolls, taxes or fees from the date such increase is to be in effect) (I) for the current fiscal year and each of the

following four fiscal years equals or exceeds 2.00 times the Principal and Interest Requirements for all Senior Bonds Outstanding during each such year and (II) for the fifth following fiscal year equals or exceeds 2.00 times the maximum Principal and Interest Requirements for all Senior Bonds for that year or any subsequent fiscal year.

(B) The Junior Bonds Alternate Test is satisfied if estimated Test Revenue (assuming for each fiscal year described below, that Test Revenue is equal to the aggregate amount of Test Revenue for the same 12 month period as in (i)(A) above as adjusted in subsequent fiscal years for any increase in tolls, taxes or fees from the date such increase is to be in effect), less (x) for the current and each of the next four fiscal years, the Principal and Interest Requirements on the Senior Bonds for each such year, and (y) for the fifth following fiscal year, the maximum Principal and Interest Requirements on the Senior Bonds for that year or any subsequent fiscal year, (I) for the current fiscal year and each of the following four fiscal years equals or exceeds 3.0 times the Principal and Interest Requirements for all Junior Bonds Outstanding during each such year and (II) for the fifth following fiscal year equals or exceeds 3.0 times the maximum Principal and Interest Requirements for all Junior Bonds for that year or any subsequent fiscal year.

The Authority may also issue additional Senior Bonds to refund any Senior Bonds, without meeting the coverage tests described above, if the maximum Principal and Interest Requirements for the refunding bonds is less than the maximum Principal and Interest Requirements for the Bonds to be refunded.

#### **Additional Junior Bonds**

The Agreement and the Act permit the Authority to issue additional Junior Bonds secured on a parity with all other Junior Bonds issued and outstanding under the Agreement for any purpose permitted under the Act, provided that either the Junior Bonds Historical Test or the Junior Bonds Alternate Test, as described above, is satisfied.

The Authority may also issue additional Junior Bonds to refund any Junior Bonds or Senior Bonds, without meeting the coverage tests described above, if the maximum Principal and Interest Requirements for the refunding bonds are less than the maximum Principal and Interest Requirements for the Bonds to be refunded.

#### **Additional Revenue Considered in Additional Bonds Tests**

For the purposes of the additional bonds coverage tests described above, Additional Revenue (excluding the TTF Investment Earnings) may be included and taken into account as Test Revenue provided that (1) a Supplemental Agreement is duly adopted by the Authority providing for the pledge of such Additional Revenue under the Agreement for the benefit of the holders of Bonds, (2) the Authority receives a written opinion of nationally recognized bond counsel to the effect that such pledge is valid and binding on the Authority and any pledge or assignment of such additional revenue to the Authority by the State is valid, (3) the State or the Authority, as the case may be, shall have covenanted not to repeal, reduce or adversely alter such Additional Revenue below rates in effect at the time of such pledge and assignment, (4) all approvals and authorizations necessary to effect such pledge and assignment have been obtained and (5) the Supplemental Agreement evidencing the pledge of Additional Revenues shall incorporate all of the covenants, terms and conditions contained in the Agreement.

#### **Subordinate Indebtedness**

Under the Agreement, the Authority may also issue additional obligations secured by a lien on the Pledged Revenue which is subordinate to the lien of the Senior Bonds and the Junior Bonds. Such obligations may be issued without regard to any additional bonds debt service coverage test. The rights of holders of any Subordinate Indebtedness will be limited, however, as follows: all principal and interest on

all Senior and Junior Bonds must be paid before any payment of debt service may be made on any Subordinate Indebtedness if any of the following occur (i) insolvency, bankruptcy, receivership or any similar proceeding with respect to the Authority or its property; (ii) the acceleration of principal and interest on the Subordinate Indebtedness; (iii) an Event of Default with respect to Senior or Junior Bonds resulting in acceleration of principal of and interest on the Senior Bonds and/or the Junior Bonds; or (iv) an Event of Default resulting from the failure in payment of Principal and Interest Requirements on any Bond. An event of default with respect to Subordinate Indebtedness shall not in itself create the right to declare an Event of Default with respect to the Senior Bonds or the Junior Bonds.

## **SOURCES OF REVENUE FOR THE TRUST FUND**

### **General**

The Transportation Trust Fund receives the motor fuel taxes, the Delaware Turnpike toll and concession revenue, Route 1 Toll Revenue, the motor vehicle document fee revenue, the motor vehicle registration fee revenue, Miscellaneous Transportation Revenue and the interest earnings on the Trust Fund's balances. All of the revenue derived from these sources, except the Route 1 Toll Revenue and the Non-Pledged Miscellaneous Transportation Revenue (which includes, among others, the escheat revenues), is pledged to secure the Bonds.

The Delaware Economic and Financial Advisory Council ("DEFAC") forecasts revenue of the Transportation Trust Fund applying various assumptions and forecasts provided to it by the Department. The revenue forecasts contained herein reflect the DEFAC forecasts.

### **Motor Fuel Tax Revenue**

#### *General*

Motor fuel tax revenue is derived from taxes imposed by the State on gasoline and special fuels. This revenue totaled \$117.5 million (net of refunds) in fiscal 2007. Motor fuel tax revenue provided 33.9% of the revenue pledged to secure the Bonds in fiscal 2007 and is the largest component of such pledged revenue.

The term "gasoline" includes all products commonly or commercially known as gasoline but does not include liquefied gases. The term "special fuel" means all combustible gases and liquids, except gasoline, suitable for the generation of power for propulsion of motor vehicles. Gasoline taxes are payable by licensed distributors and special fuel taxes are remitted by licensed special fuel suppliers, users and dealers based on the sale or use of special fuels. Distributors, licensed special fuel users, dealers and suppliers are required to file tax reports monthly and remit the taxes due for the preceding month. Failure to file reports or remit taxes subjects the distributor, dealer, user or supplier to monetary penalties plus civil or criminal proceedings. Exemptions from the motor fuel tax are provided to the United States or any government agencies thereof and to the State and its political subdivisions, among other entities.

Motor fuel taxes were imposed at the rate of 16 cents per gallon for gasoline and special fuels for the period from September 1, 1987 to December 31, 1990. On January 1, 1991 the motor fuel tax increased to 19 cents per gallon. In June, 1993, the General Assembly enacted increases in both the gasoline and special fuels tax rates as follows: (1) the gasoline tax rate increased to 22 cents per gallon on September 1, 1993 and to 23 cents per gallon on January 1, 1995; and (2) the special fuels tax rate increased to 22 cents per gallon on January 1, 1995.

*Historical Summary of Gallonage and Revenue from Motor Fuel Taxation*

The following table summarizes certain historical information pertaining to motor fuel taxes and motor fuel usage in the State.

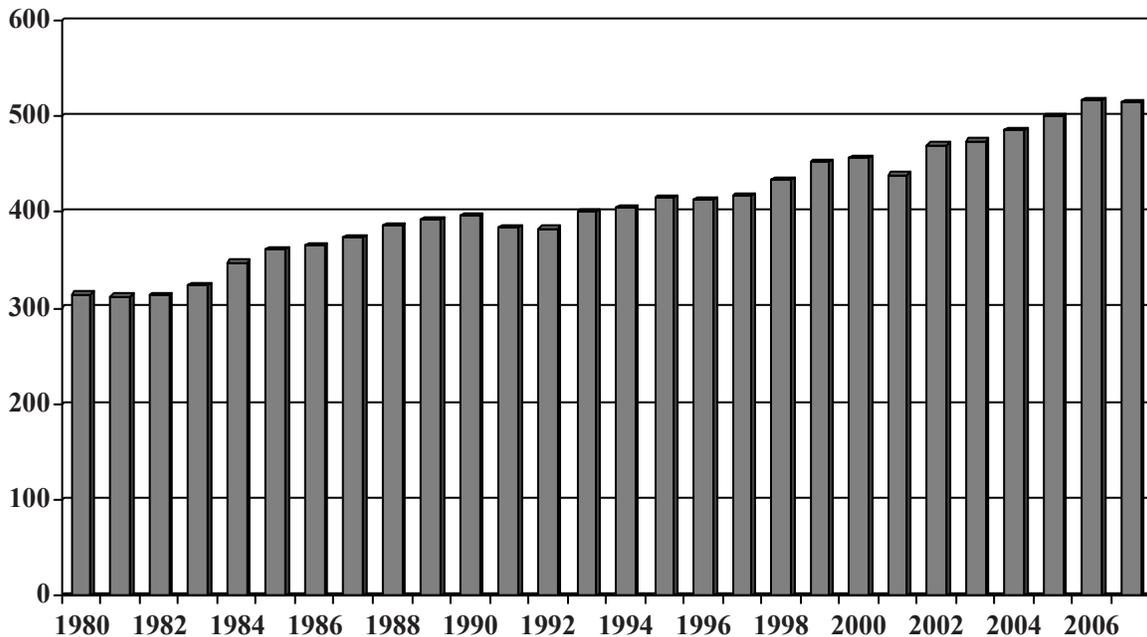
**History of Gallonage and Revenue from Motor Fuel Taxes**  
(dollars and gallonage in millions; percent change calculated from unrounded data)

<u>Fiscal Year</u>	<u>Gallonage</u>	<u>Percent Change</u>	<u>Revenue</u> <sup>(1)</sup>	<u>Percent Change</u>
1980 .....	314.7	--	\$28.2	--
1981 .....	312.4	(0.7)	27.7	(1.8)
1982 .....	313.0	0.2	33.5 <sup>(2)</sup>	20.9
1983 .....	323.9	3.5	35.3	5.4
1984 .....	347.8	7.4	38.0	7.7
1985 .....	361.5	3.9	39.4	3.7
1986 .....	365.6	1.1	40.2	2.0
1987 .....	374.2	2.4	45.7 <sup>(3)</sup>	13.7
1988 .....	386.4	3.3	59.2 <sup>(4)</sup>	29.5
1989 .....	392.5	1.6	62.6	5.7
1990 .....	395.8	0.8	63.4	1.3
1991 .....	383.9	(3.0)	66.0 <sup>(5)</sup>	4.1
1992 .....	382.8	(0.3)	72.5	9.9
1993 .....	399.7	4.4	75.6	4.3
1994 .....	404.8	1.3	84.7 <sup>(6)</sup>	12.0
1995 .....	415.5	2.6	91.7 <sup>(7)</sup>	8.3
1996 .....	412.7	(0.7)	94.1	2.6 <sup>(8)</sup>
1997 .....	417.2	1.1	95.1	1.1
1998 .....	433.8	4.0	98.5	3.6
1999 .....	451.9	4.1	102.5	4.0
2000 .....	455.7	.8	103.9	1.4
2001 .....	438.8	(3.7)	98.9	(4.8)
2002 .....	469.6	7.0	107.7	8.9
2003 .....	474.2	1.0	107.3	(.4)
2004 .....	485.7	2.4	112.4	4.8
2005 .....	499.2	2.8	113.7	1.1
2006 .....	516.2	3.4	120.1	5.7
2007 .....	514.6	(0.3)	117.5	(2.2)

- (1) Net of refunds for non-highway use.  
(2) Rate increased from 9 to 11 cents per gallon on August 1, 1981.  
(3) Rate increased from 11 to 13 cents per gallon on October 1, 1986.  
(4) Rate increased from 13 to 16 cents per gallon on September 1, 1987.  
(5) Rate increased from 16 to 19 cents per gallon for gasoline on January 1, 1991.  
(6) Rate increased from 19 cents to 22 cents per gallon for gasoline on September 1, 1993.  
(7) Rate increased from 22 cents to 23 cents per gallon for gasoline and from 19 to 22 cents per gallon for special fuels on January 1, 1995.  
(8) Reflects full year impact of fiscal 1995 rate increase.

The following graph plots the taxable motor fuel consumed in the State from fiscal 1980 through fiscal 2007.

## Motor Fuel Consumption 1980-2007 (in millions of gallons)



### *Motor Fuel Consumption*

Motor fuel consumption is affected by various factors, including population growth, stages of the business cycle, cost and availability of fuel, the requirements of the Federal Energy Act and the Federal Clean Air Act Amendments of 1991 and the fuel efficiency of the vehicle fleet. Historically, growth in consumption of motor fuel in Delaware has exceeded national and regional averages due in large part to a stronger local economy. Declines have occurred during economic downturns and during periods of rapidly rising fuel costs.

During the twenty-eight year period from fiscal 1980 through fiscal 2007, motor fuel consumption has risen from a low of 312.4 million gallons during the fiscal 1981 recessionary period to an all time high of 516.2 million gallons during fiscal 2006. The average percentage growth during this time period was 2.0%.

Special fuel consumption has doubled since fiscal 1980 primarily because of the increased use of diesel engines. Special fuel's percentage of total consumption has increased from 9.2% in fiscal 1980 to 13.1% in fiscal 2007.

*Projections of Gallonage and Revenue from Motor Fuel Taxes*

Based on the historical data regarding motor fuel consumption and some of the factors referenced above, DEFAC has provided projections of fuel revenues through fiscal 2014. The single most important factor which will affect future motor fuel consumption and revenues, both nationally and in Delaware, is the trend toward increasing the vehicle engine efficiency rate resulting in increased average miles per gallon. New vehicles entering the fleet have increased the average number of gallons for all vehicles and future changes in vehicle technology may affect gasoline consumption.

The forecasted motor fuel consumption and revenue from motor fuel taxation, assumes the current and approved rate structure of \$.23 per gallon for gasoline and \$.22 per gallon for special fuels.

**Projections of Gallonage and Revenue from Motor Fuel Taxes<sup>(1)</sup>**  
(dollars and gallonage in millions)

<u>Fiscal Year</u>	<u>Gallonage</u>	<u>Percent Change</u>	<u>Revenue<sup>(2)</sup></u>	<u>Percent Change</u>
2008 .....	524.7	2.0	\$119.8	2.0 <sup>(3)</sup>
2009 .....	535.4	2.0	122.3	2.0
2010 .....	546.4	2.0	124.8	2.0
2011 .....	557.5	2.0	127.3	2.0
2012 .....	568.9	2.0	129.9	2.0
2013 .....	580.5	2.0	132.6	2.0
2014 .....	592.3	2.0	135.3	2.0

- (1) Projections for fiscal 2008 through fiscal 2014 provided by DEFAC from its May 19, 2008 meeting.
- (2) Revenue net of refunds for non-highway use.
- (3) Increase over fiscal 2007 actual.

**Toll Revenue**

*Delaware Turnpike Revenue*

General. The toll and concession revenue of the Delaware Turnpike generated the second largest source of revenue to the Trust Fund: \$96.7 million in fiscal 2007 or 27.9% of the revenue pledged to secure the Bonds. Of the total toll and concession revenue in fiscal 2007, toll revenue comprised 96.8% and concession revenue comprised 3.2%.

Electronic Tolls. In 1998, the Department joined a consortium of several transportation agencies from New Jersey and New York (the "Consortium") for the purpose of installing an electronic toll collection system ("E-Z Pass System") on the toll roads and bridges operated by the members of the Consortium. Pursuant to a Contract (the "Vendor Contract"), dated March 10, 1998, between The New Jersey Turnpike Authority, as the designated representative of the Consortium, and Adesta Communications (formerly MFS Network Technologies, Inc.) (the "Vendor"), the Department completed the installation of the E-Z Pass System on the Route 1 Toll Road and the Delaware Turnpike (which became operational on the Delaware Turnpike in November 1998, the southern section of the Route 1 Toll Road in April 1999 and the northern section in November 1999). All tolls paid by the users of the E-Z Pass System in Delaware are promptly being remitted to the Authority. Under the Vendor Contract, the Department has a contingent liability for a share of various costs to the extent that such costs are not covered by the anticipated revenues. The Department prepaid its entire liability in fiscal 2007.

For a variety of reasons, the Department determined to separate from the Consortium. In connection with that decision, the Department entered into an agreement in late March 2003 with the New Jersey Turnpike Authority, pursuant to which the Department received certain one-time payments totaling \$7.6 million and a further \$1 million in work effort required to complete a Fiber Optic network.

In connection with the decision to separate from the Consortium, the Department issued a Request for Proposals and subsequently entered into an Agreement with TransCore for the build-out and operation of the Department's new stand-alone E-Z Pass Customer Service Center and Violations Processing Center. The Center was completed and made operational in October 2003.

The implementation of the E-Z Pass System occurred in stages. The implementation of E-Z Pass coincided with the increase in tolls at the Delaware Turnpike in January 1999. Implementation on the southern section of State Route 1 occurred in April 1999 and implementation in the northern section occurred with the opening of the tolls at Biddles Corner, southern New Castle County, in November 1999.

The E-Z Pass System has increased the Authority's ability to track traffic and transactions at the toll barriers and has aided in the electronic transfer of funds to Transportation Trust Fund accounts. It has also increased the Authority's enforcement of violations for non-payment of tolls.

Delaware's E-Z Pass utilization rates have increased as expected. The Delaware Turnpike has a utilization rate of 52%, while the rate on State Route 1 was 63% for fiscal 2007. These rates will continue to increase as neighboring toll facilities join the E-Z Pass network. The Delaware River and Bay Authority (operator of the Delaware Memorial Bridge), started operating in the E-Z Pass network in July 2001. The Maryland Transportation Authority (operator of the John F. Kennedy Memorial Highway and several bridges) accepts E-Z Pass on the John F. Kennedy Memorial Highway, the Key Bridge, and the Fort McHenry and Harbor Tunnels, and in November 2001 it began accepting E-Z Pass on the Bay Bridge and Harry Nice Bridge. Delaware's toll roads are now connected to E-Z Pass participants to the north and the south, which will lead to further increases in utilization.

Description of Delaware Turnpike. The Delaware Turnpike comprises 11.3 miles of the nation's Interstate 95, which extends along the east coast from Maine to Florida. To the southwest, the Delaware Turnpike connects directly to the Maryland Turnpike, a similar toll facility extending southward to Baltimore.

The easterly terminus of the Delaware Turnpike is at Delaware Route 141 where the Delaware Turnpike meets the following three non-toll sections of the State's interstate road system: Interstate 95 which extends north to Wilmington, Delaware and into Pennsylvania; Interstate 495 which bypasses Wilmington to the east and rejoins I-95 at the Delaware/Pennsylvania state line; and Interstate 295 which connects with U.S. Routes 13, 40 and 301 immediately to the east, and continues across the Delaware Memorial Bridge, connecting with the New Jersey Turnpike and New Jersey I-295.

Most of the Delaware Turnpike consists of four twelve-foot wide lanes in each direction. There are four interchanges to serve communities along the route. A main barrier toll plaza consisting of 20 lanes (four of which were added in November 1997), the only toll collection point on the Delaware Turnpike, is located near the Maryland state line.

The Authority owns restaurants and two service stations which, through contracts with concessionaires, provide additional revenue for the Delaware Turnpike. The concession facilities are located approximately midway on the Delaware Turnpike, between the north and southbound lanes.

The Delaware Turnpike restaurants were renovated in 1988 and are operated by the HMS Host Corporation pursuant to a twenty-year contract which extends through June 2008. In fiscal 2007,

restaurant revenue to the Delaware Turnpike totaled \$1.7 million. One service station was operated by Exxon Corporation under a ten-year contract that expired during the fiscal year. The station was closed January 15, 2008. The remaining service station is operated by Sunoco, Inc. under a ten-year contract that expires in October 2008. Options for use of these facilities are currently under consideration. It is anticipated that a new design-build contract will be entered into by the end of calendar year 2008, at which time construction will begin on the new facility. To make up for lost revenues, the Department intends to negotiate a temporary rent payment guarantee, consisting of monthly rent payments during the construction period. In fiscal 2007, the two service stations sold 10.9 million gallons of motor fuel and generated \$1.1 million of concession revenue for the Delaware Turnpike. Revenue generated from other miscellaneous sources including public telephone contracts totaled \$0.3 million during fiscal 2007.

Historic Traffic and Toll Summary. The Delaware Turnpike's facilities have experienced significant growth in usage in the past few years.

The average annual growth of vehicle trips since fiscal 1980 has been 2.8%. During fiscal 2007, passenger traffic decreased 1.8% and commercial traffic was up 0.07%. The decrease in traffic can be attributed to the October 2005 toll increase and the increase in gasoline prices.

The following table summarizes the recorded vehicle trips through the Delaware Turnpike toll barrier and the revenue derived from tolls and concessions from fiscal 1980 through fiscal 2007.

#### **Fiscal 2008 Toll Increase**

With input from the General Assembly and the Administration, the Authority evaluated the current toll structure and found that amending the current structure for the Delaware Turnpike would be in the best interest of the Authority. Effective October 1, 2007, all vehicle class tolls increased by \$1.00 and the discounts offered to commercial E-Z Pass customers during the hours of 10 p.m. to 6 a.m. was discontinued.

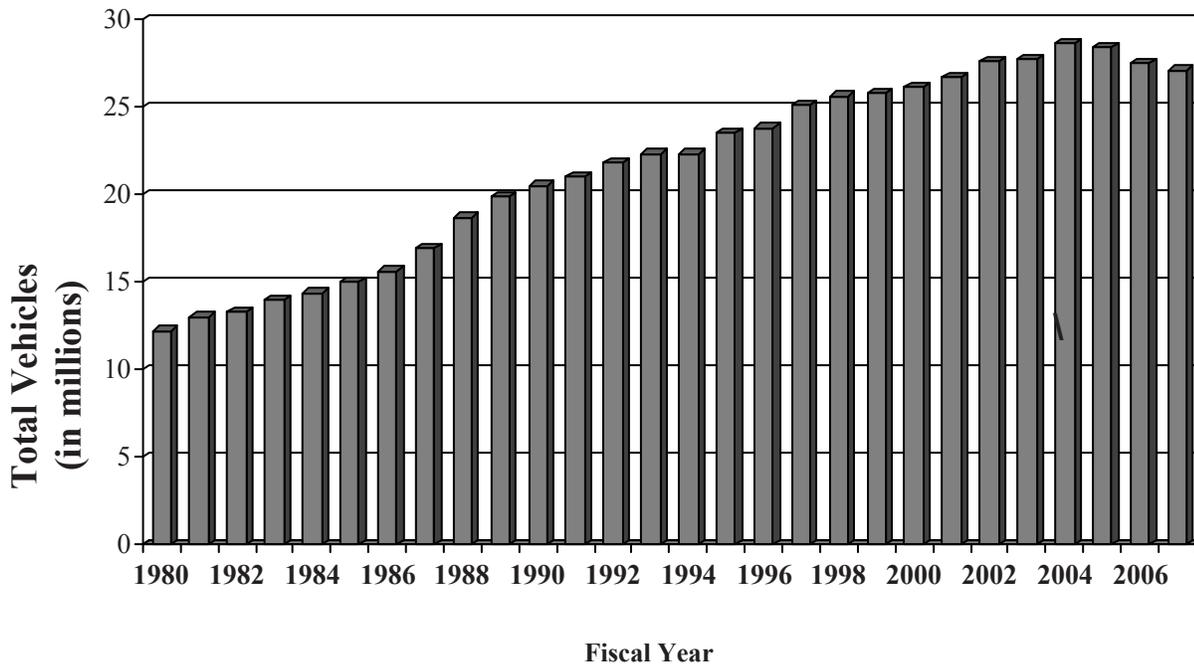
**Vehicle Trips and Delaware Turnpike Revenue**  
(dollars and vehicles in millions, percent change and totals  
calculated from unrounded data)

<u>Fiscal Year</u>	<u>Vehicles Through the Toll Barrier</u>	<u>Percent Change</u>	<u>Toll Revenue</u>	<u>Concession Revenue</u>	<u>Toll and Concession Revenue</u>	<u>Percent Change</u>
1980.....	12.2	--	\$ 7.6	\$ 1.0	\$ 8.6	--
1981.....	13.0	6.8	9.0 <sup>(1)</sup>	1.1	10.1	17.4 <sup>(1)</sup>
1982.....	13.3	1.9	2.4	1.1	13.5	33.7 <sup>(1)</sup>
1983.....	14.0	5.5	13.1	1.0	14.1	4.4
1984.....	14.4	2.5	18.2 <sup>(2)</sup>	1.3	20.1	42.6
1985.....	15.0	4.5	19.7	1.3	21.0	4.5
1986.....	15.6	4.1	20.5	1.3	21.8	3.8
1987.....	16.9	8.3	22.3	1.4	23.7	8.7
1988.....	18.7	10.4	24.6	1.4	26.0	9.7
1989.....	19.9	6.5	26.1	1.7	27.8	6.9
1990.....	20.5	3.2	28.3 <sup>(3)</sup>	1.7	30.0	7.9
1991.....	21.0	2.1	29.0	1.7	30.7	2.3
1992.....	21.8	4.0	29.5	1.9	31.4	2.3
1993.....	22.3	2.4	30.4	2.0	32.4	3.2
1994.....	22.3	(0.2)	36.7 <sup>(4)</sup>	2.1	38.8	19.7
1995.....	23.5	5.4	40.3	2.2	42.5	9.5
1996.....	23.8	1.7	40.6	2.3	42.9	0.9
1997.....	25.1	5.2	41.8	2.4	44.2	3.0
1998.....	25.6	2.2	43.3	2.4	45.7	3.4
1999.....	25.8	0.7	51.3 <sup>(5)</sup>	2.5	53.8	17.6
2000.....	26.1	1.2	60.1	2.5	62.6	16.3
2001.....	26.7	2.2	61.6	2.6	64.2	2.6
2002.....	27.6	3.4	62.1	2.5	64.6	0.6
2003.....	27.7	.3	60.1	2.5	62.6	(3.0)
2004.....	28.6	3.0	60.1	2.8	62.9	.4
2005.....	28.4	(0.5)	57.9	2.8	60.7	(3.4)
2006.....	27.5	(3.1)	84.7 <sup>(6)</sup>	3.0	87.7	44.5
2007.....	27.1	(1.5)	93.6	3.1	96.7	10.3

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- (1) Toll increase effective April 15, 1981.  
(2) Toll increase effective July 1, 1983.  
(3) Toll adjustments effective October 1, 1989.  
(4) Toll increase effective September 1, 1993.  
(5) Toll increase for Non-EZ Pass cars effective on January 4, 1999.  
(6) Toll increase effective October 1, 2005.

The following graph illustrates the growth of traffic through the toll gates of the Delaware Turnpike from fiscal 1980 through fiscal 2007.

## Delaware Turnpike Toll Traffic Fiscal 1980-2007



Delaware Turnpike Toll Schedules. The Act authorizes the imposition of tolls at the main barrier of the Delaware Turnpike. The Authority has broad power to determine the levels of the tolls. The establishment of tolls does not involve public hearings, nor are the levels of tolls subject to approval by any person or entity other than the Authority itself. In general, the Authority has set tolls to meet debt service and reserve requirements on obligations sold to fund Turnpike projects, to meet operating and maintenance costs and to fund the costs of constructing and reconstructing feeder roads and related facilities used by Delaware Turnpike travelers.

The following table summarizes the recent toll history and indicates the percentage of toll revenue collected in fiscal 2007 by class of vehicle.

### Delaware Turnpike Barrier Tolls

	July 1, 1983 - Sept. 30, 1989	Oct. 1, 1989 – Aug. 31, 1993	Sept. 1, 1993 - Jan. 3, 1999	Jan. 4, 1999 – Sept. 30, 2005	Oct. 1, 2005 - Sept. 30, 2007	Oct. 1, 2007 <sup>(4)</sup>	Percentage of Fiscal 2007 Toll Revenue by Vehicle Class
Commuter Vehicle	N/A	\$ .50	\$ .50	N/A	N/A	N/A	N/A
High Occupancy Vehicle <sup>(2)</sup>	N/A	N/A	\$ .50	\$ .63	N/A	N/A	N/A
Passenger cars, pick up and panel trucks.....	\$ 1.00	\$ 1.00	\$ 1.25	\$ 2.00	\$ 3.00	\$4.00	43.9% <sup>(1)</sup>
Passenger cars, pick up and panel trucks – E-Z Pass .....	1.00	1.00	1.25	1.25	3.00	\$4.00	41.7%
Two axle, six tire trucks .....	1.20	1.00	1.25	N/A	N/A	N/A	N/A
Three axle trucks .....	1.80	2.00	2.50	2.50	5.00	\$6.00	1.6%
Three axle trucks – E-Z Pass 10 p.m. – 6 a.m. <sup>(3)(4)</sup> .....	N/A	N/A	N/A	N/A	1.25	N/A	0.2%
Four axle trucks .....	2.40	3.00	3.75	3.75	6.00	\$7.00	1.2%
Four axle trucks – E-Z Pass 10 p.m. – 6 a.m. <sup>(3)(4)</sup> .....	N/A	N/A	N/A	N/A	1.50	N/A	0.3%
Five axle trucks.....	3.00	4.00	5.00	5.00	8.00	\$9.00	8.6%
Five axle trucks – E-Z Pass 10 p.m. – 6 a.m. <sup>(3)(4)</sup> .....	N/A	N/A	N/A	N/A	2.00	N/A	2.3%
Six axle trucks .....	3.60	5.00	6.25	6.25	10.00	\$11.00	0.1%
Six axle trucks – E-Z Pass 10 p.m. – 6 a.m. <sup>(3)(4)</sup> .....	N/A	N/A	N/A	N/A	2.50	N/A	0.1%
Special permit vehicles.....	10.00	10.00	10.00	10.00	10.00	\$11.00	0.0%

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- (1) Includes toll revenue from two axle, six tire trucks which are now in the same vehicle class as passenger cars, pick up and panel trucks.
  - (2) Special 50% discount applied when commuter's vehicle has two or more passengers.
  - (3) Commencing October 1, 2005, toll increase and discounts offered to commercial E-Z Pass customers during the hours of 10 p.m. to 6 a.m.
  - (4) Commencing October 1, 2007, all vehicle class tolls increased by \$1.00 and the night-time discount offered to commercial E-Z customers during the hours of 10 p.m. to 6 a.m. was discontinued.

Projections of Delaware Turnpike Toll and Concession Revenue. DEFAC projects toll and concession revenue which projections are set forth in the following chart.

**Projected Toll and  
Concession Revenue of Delaware Turnpike<sup>(1)</sup>**  
(dollars in millions)

<u>Fiscal Year</u>	<u>Toll Revenue<sup>(2)</sup></u>	<u>Concessions<sup>(3)</sup></u>	<u>Total Revenue</u>	<u>Percent Change</u>
2008 .....	\$ 115.7	\$2.7	\$ 118.4	22.4 <sup>(4)</sup>
2009 .....	125.4	2.7	128.1	8.2 <sup>(2)</sup>
2010 .....	127.7	2.7	130.4	1.8
2011 .....	130.0	2.7	132.7	1.8
2012 .....	132.3	2.8	135.1	1.8
2013 .....	134.7	2.8	137.5	1.8
2014 .....	137.1	2.8	139.9	1.8

- 
- (1) Projections provided by DEFAC from its May 19, 2008 meeting.
  - (2) New toll rate structure effective October 1, 2007.
  - (3) Excludes "Other Turnpike Revenue".
  - (4) Percent change from fiscal 2007 actual.

*Route 1 Toll Road*

General. The Authority has completed a fully controlled access highway of 41 miles extending from a connection with the southern terminus of the new Route 1 Toll Road just south of Wilmington to points south of Dover on U.S. Routes 13 and 113. A new high-level bridge across the Chesapeake and Delaware Canal was opened for traffic during December 1995.

The southern portion of the project was opened for traffic during December 1993. This section is approximately 9 miles and extends from north of Smyrna southward to south of State Route 10 in the vicinity of the Dover Air Force Base. This section also includes a mainline toll plaza and one ramp toll for access to and from the City of Dover.

A portion of the northern section of approximately 4.8 miles, including a new bridge over the Chesapeake and Delaware Canal, was opened for traffic in December 1995. On November 17, 1999, this Section was extended another 9 miles south to Odessa. This section has a main-line toll plaza (the Biddle's Plaza) and tolls on the southerly interchange ramps at Route 896 (Boyd's Corner). The final section from south of Odessa to north of Smyrna was finished in May 2003.

**Fiscal 2008 Toll Increase**

With input from the General Assembly and the Administration, the Authority evaluated the current toll structure and found that amending the current structure of the Route 1 Toll Road would be in the best interest of the Authority.

Effective October 1, 2007, passenger tolls at the Biddles and Dover plazas were increased by \$1.00 on weekends (Weekends are defined as the period between 7:00 p.m. ET on Friday through 11 p.m. ET on Sunday). Passenger weekday and weekend tolls at the other toll areas remained unchanged.

Commercial traffic tolls were raised by \$.25 per axle at Smyrna and \$.50 per axle at Denneys and Boyds. At Biddles and Dover the commercial toll was raised by \$1.00 per axle on weekdays and an additional \$1.00 per axle on weekends.

Effective October 1, 2007, the 15% EZ-Pass discount was eliminated. Passenger frequency discounts of 50% for travelers who meet the “30 trips in 30 days” requirement remained in place. The commercial EZ-Pass discount was reduced from 50% to 25%, and is still available without a minimum trip requirement. The High Occupancy Vehicle (HOV) Plan discount was also eliminated. The new toll structure is listed below:

<u>Vehicle Class</u>	<u>Smyrna</u>	<u>Denneys Road and Boyds Corner</u>	<u>Biddles Plaza and Dover Plazas</u>	
	All Days	All Days	Weekday	Weekend
Two Axle.....	\$ 0.25	\$ 0.50	\$ 1.00	\$ 2.00
Three axle.....	0.75	1.50	3.00	4.00
Four axle.....	1.00	2.00	4.00	5.00
Five axle.....	1.25	2.50	5.00	6.00
Six axle.....	1.50	3.00	6.00	7.00
Permit.....			\$11.00	\$11.00

Historic and Projected State Route 1 Toll Revenue. Fiscal 1995 represented the first full year of operation for the Route 1 Toll Road. Total revenues of \$6.4 million exceeded the forecast of \$5.7 million projected in connection with the sale of the 1994 Series Senior Bonds. DEFAC’s projected toll revenue for the entire Route 1 Toll Road, assuming the present toll structure was maintained at both mainline toll barriers, is set forth in the following table. Total annual revenues to be generated from the entire toll road are expected to increase to approximately \$54.5 million by fiscal 2014. Revenue from the Route 1 Toll Road is not pledged to secure the Bonds.

**Route 1 Toll Road**  
**Historical and Projected Toll Revenue**  
(dollars in millions, percentage change calculated from unrounded data)

<u>Fiscal Year</u>	<u>Total Toll Revenue</u>	<u>Percent Change</u>
1995 .....	\$6.4	---
1996 .....	7.4	15.6
1997 .....	8.4	13.1
1998 .....	9.2	8.9
1999 .....	9.7	5.8
2000 .....	16.4	69.8
2001 .....	20.7	25.7
2002 .....	24.2	17.2
2003 .....	25.4	5.0
2004 .....	27.1	6.5
2005 .....	30.2	11.3
2006 .....	31.5	4.5
2007 .....	32.6	3.4
2008 .....	40.7 <sup>(1)(2)</sup>	24.8 <sup>(2)</sup>
2009 .....	46.3 <sup>(1)</sup>	13.8
2010 .....	48.0 <sup>(1)</sup>	3.7
2011 .....	49.7 <sup>(1)</sup>	3.5
2012 .....	51.4 <sup>(1)</sup>	3.4
2013 .....	52.9 <sup>(1)</sup>	2.9
2014 .....	54.5 <sup>(1)</sup>	3.0

- 
- (1) Projections provided by DEFAC from its May 19, 2008 meeting.  
(2) Toll increase effective October 1, 2007.

## **Motor Vehicle Document Fees**

### *General*

Motor vehicle document fees are imposed upon the sale or transfer of any new or used motor vehicle, truck tractor, trailer or motorcycle in the State. These fees contributed \$62.7 million in fiscal 2007, 18.0% of the revenue pledged to the Bonds in fiscal 2007.

### **Fiscal 2008 Fee Increase**

Effective October 1, 2007, the document fee increased by \$.50 per hundred dollars of the net vehicle purchase price. The new fee increased from \$2.75 per hundred to \$3.25 per hundred. A second increase of an additional \$.50 per hundred is planned to go into effect on October 1, 2008, this will bring the fee up to \$3.75 per hundred.

The document fee, which is based on the vehicle purchase price, is paid by the owners and collected by the State for deposit in the Trust Fund. If the price of the vehicle is less than \$400, the fee is \$8; if the price is \$400 to \$500, the fee is \$13.75. Thereafter, the fee increases by \$3.25 for each additional \$100 of vehicle purchase price or any fraction thereof. The following table summarizes the history of motor vehicle document fee collections from fiscal 1980 through fiscal 2007.

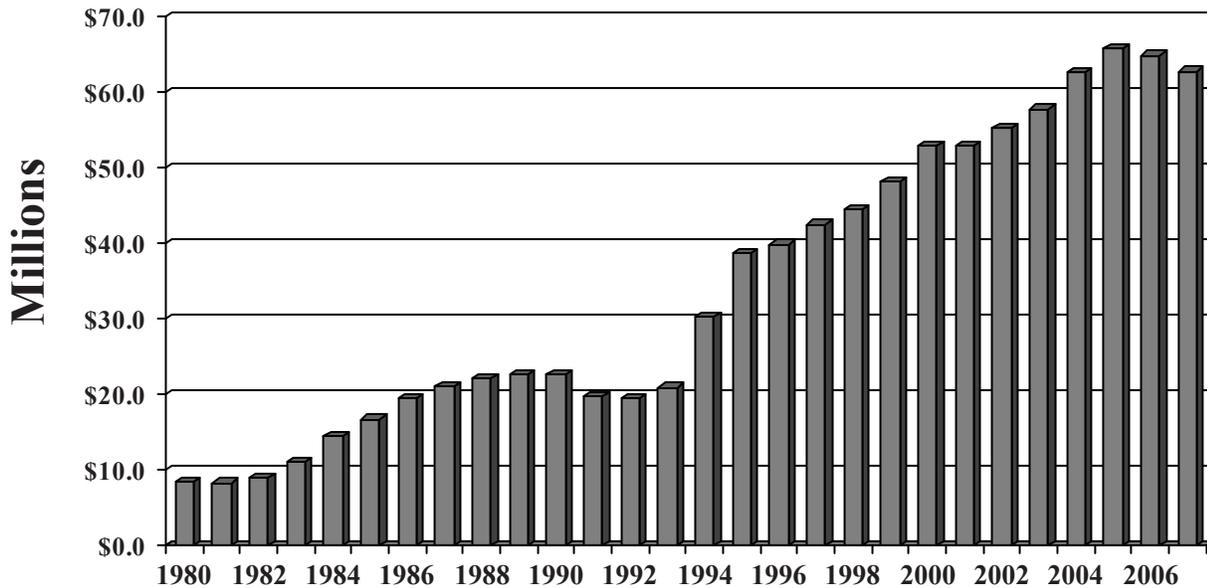
**History of Motor Vehicle Document Fees**  
(vehicles in thousands and dollars in millions,  
percent change calculated from unrounded data)

<u>Fiscal Year</u>	<u>Vehicles Titled<sup>(1)</sup></u>	<u>Percent Change</u>	<u>Revenue</u>	<u>Percent Change</u>
1980 .....	189.1	--	\$ 8.5	--
1981 .....	181.7	(3.9)	8.4	(1.6)
1982 .....	177.2	(2.5)	9.0	7.2
1983 .....	190.0	7.2	11.1	23.5
1984 .....	233.8	23.1	14.5	30.0
1985 .....	229.6	(1.8)	16.7	15.5
1986 .....	251.4	9.5	19.5	17.0
1987 .....	274.3	9.1	21.1	8.1
1988 .....	270.6	(1.3)	22.1	4.7
1989 .....	233.2	(13.8)	22.6	2.3
1990 .....	213.8	(8.3)	22.6	(0.2)
1991 .....	209.7	(1.9)	19.7	(12.7)
1992 .....	196.4	(6.3)	19.5	(0.8)
1993 .....	193.0	(1.7)	21.0	7.7
1994 .....	199.0	3.1	30.3 <sup>(2)</sup>	44.3
1995 .....	215.5	8.3	38.6	27.4
1996 .....	211.6	(1.8)	39.9	3.3
1997 .....	216.5	2.3	42.5	6.7
1998 .....	217.0	0.3	44.4	4.4
1999 .....	224.9	3.6	48.1	8.3
2000 .....	232.7	3.5	52.9	9.9
2001 .....	234.0	0.5	52.8	0.0
2002 .....	244.1	4.3	55.2	4.5
2003 .....	248.2	1.7	57.7	4.6
2004 .....	262.3	5.7	62.5	8.4
2005 .....	276.1	5.2	65.7	5.0
2006 .....	275.8	(0.1)	64.8	(1.3)
2007 .....	264.7	(4.0)	62.7	(3.3)

- 
- (1) Includes titles for both new and used vehicles which closely approximates total car sales during each fiscal year.  
(2) Reflects rate increase from 2% to 2.75%, effective September 1, 1993.

The revenue stream in the previous table is illustrated by the following graph.

### Motor Vehicle Document Fee Revenue 1980-2007



The average annual rate of growth in revenue was 8.0% between fiscal 1994 and fiscal 2007, due in large part to increases in new car sales and document fees (as described below). The average annual rate of growth in revenue was 4.2% between fiscal 1996 and fiscal 2007, despite no increase in the document fee. Document fee revenue is generated by the number of transactions as well as the cost of the vehicle transferred.

Document fee revenue decreased in fiscal years 1990 through 1992 reflecting that recessionary period. Fiscal 1993 revenue increased 7.7% as the economy improved as indicated by the increase in new car sales of 5.6%. The trend continued during fiscal 1994 as revenue increased over 44% as a result of an increase in new car sales of over 9.1% combined with the document fee increase from 2% to 2.75% in September 1993.

Document fee revenues for fiscal 2007 were down 3.3% from fiscal 2006. Both new and used car sales were down compared to the previous year. Tightening credit conditions along with higher interest rates slowed vehicle sales. These issues combined with increased energy costs reduced consumers disposable income and borrowing ability which resulted in weaker vehicle sales.

#### *Projections of Motor Vehicle Document Fees*

Due to an economic downturn and continued poor credit conditions, motor vehicle sales continued to be down during fiscal 2008 and are expected to be flat through fiscal 2009. However, revenues have increased as a result of the new fee structure. Vehicle sales and revenues are expected to return to historic growth rates by fiscal 2010. Underlying demographics remain favorable and customers will return to the auto market. Pent-up demand will also help sales later in the forecast period. A sharp decline in U.S.

manufacturing market share will likely cause domestic manufacturers to find ways to improve their sales performance. Increased incentives are likely, and increased new car sales should result.

Listed below are the DEFAC forecasts of document fee revenue through fiscal 2014.

**Projected Motor Vehicle Document Fees <sup>(1)</sup>**  
(vehicles in thousands and dollars in millions)

<u>Fiscal Year</u>	<u>Vehicles Titled</u>	<u>Percent Change</u>	<u>Revenue</u>	<u>Percent Change</u>
2008.....	243.5	(8.0)	\$65.2	4.0 <sup>(2)</sup>
2009.....	243.5	0.0	77.9	19.4 <sup>(2)</sup>
2010.....	250.8	3.0	83.1	6.7
2011.....	258.3	3.0	85.6	3.0
2012.....	266.1	3.0	88.2	3.0
2013.....	274.1	3.0	90.8	3.0
2014.....	282.3	3.0	93.5	3.0

(1) Projections provided by DEFAC from its May 19, 2008 meeting.

(2) Reflects fee increase October 1, 2007 and a second fee increase October 1, 2008.

**Motor Vehicle Registration Fees**

*General*

Motor vehicle registration fees are paid at the time of application for the registration of a motor vehicle and prior to the issuance of the required registration plates by the Division of Motor Vehicles. The revenue (net of refunds to other states) from this source was \$31.5 million in fiscal 2007 and constituted 9% of the revenue pledged to the Bonds in fiscal 2007.

Since October 1986, new cars can be registered for a three year period and effective September 1990, new or used cars have had the option to renew for a two year period. Commencing in July 2000, any newly-manufactured current model year motor vehicle or trailer with a gross registered weight of 10,000 lbs. or less not previously registered or titled in any state or country may be initially registered by the owner for five years or less. Passenger cars have paid \$20 per year since 1965 while trucks pay according to their weight. On October 1, 1991, the registration fee for commercial vehicles increased from \$2.60 to \$5.20 for each 1000 pounds or fraction thereof in excess of 5,000 pounds as part of the three year plan to increase fees in this category. On July 1, 1992 this fee was increased to \$12.00 for each such 1000 pounds or fraction thereof. The third increase to \$16.80 for each such 1000 pounds or fraction thereof became effective on July 1, 1993.

Effective October 1, 2007, passenger car registration and the base commercial registration fee increased by \$20 per year to \$40 per year. Additionally, the registration weight fee for commercial vehicles increased from \$16.80 for each 1000 pounds or fraction thereof in excess of 5,000 pounds to \$18.00 for each 1,000 pounds. Motorcycle registration increased from \$10 to \$15 annually; recreational vehicle, farm truck and trailer registrations and weight fees were also increased.

During January 1995 the Department established the Motor Carrier Service Section to support the trucking industry and entered into a base state agreement under the International Registration

Plan (“IRP”) for the collection and distribution of commercial registration fees for vehicles in excess of 26,000 pounds. Under IRP, commercial registration fee revenue is a function of the miles traveled in each state and the registration fee assessed by each state.

Since fiscal 1980, the average annual growth rate of registrations in the State has been 2.5% and the average annual growth rate of revenue from those registrations has been 3.7%, largely due to commercial fee increases enacted in fiscal 1992. Registration fee revenue growth since fiscal 1987 has varied from the growth in the number of vehicles registered. In fiscal 1987 and fiscal 1988, revenue increased faster than vehicles registered, whereas in fiscal 1989 and fiscal 1990 revenue decreased while the number of vehicles registered increased. The variances are primarily due to the option, beginning in fiscal 1987, for new car owners to elect a three year registration period. In fiscal 1991, growth in vehicles registered was flat but revenue increased 14.8% due to the implementation of a two year registration option for used vehicles. Increases in commercial registration fees were phased in from fiscal 1992 through 1994, contributing to increases in revenue of 7.8%, 4.7% and 11.4%, respectively. The growth in registered vehicles from fiscal 2000 to fiscal 2007 was 22%. This motor vehicle growth rate is directly correlated to the population growth rate in Delaware.

#### *Historical Summary of Vehicle Registrations and Revenue*

The following table shows the historical record of vehicle registrations and registration fees for the last twenty-eight fiscal years:

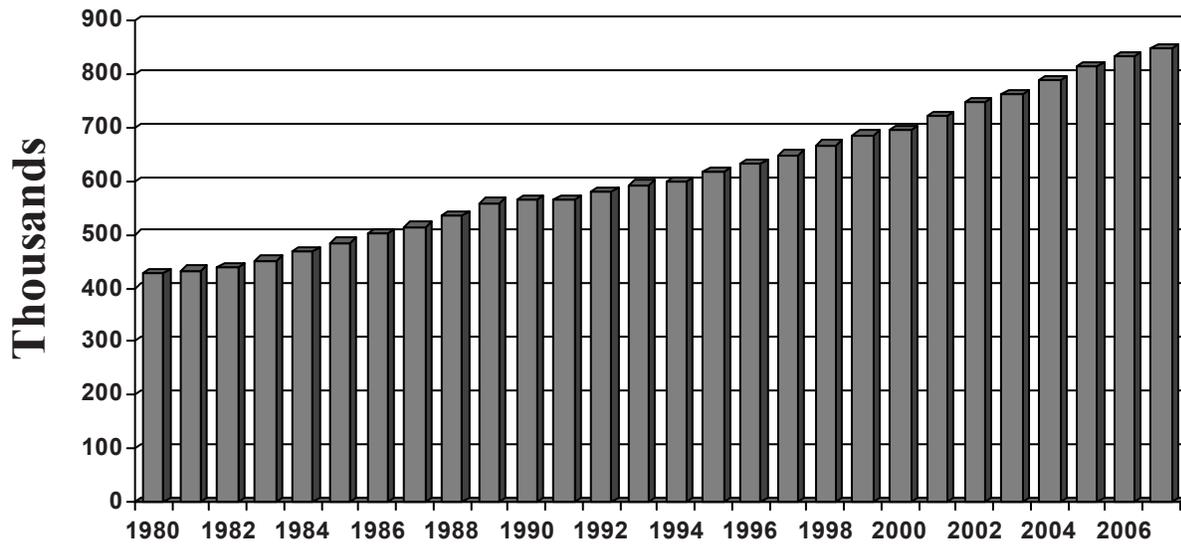
**History of Vehicle Registrations and Revenue**  
(dollars in millions, vehicle registrations in thousands,  
percent change calculated from unrounded data)

<u>Fiscal Year</u>	<u>Vehicle Registrations</u>	<u>Percent Change</u>	<u>Registration Revenue<sup>(1)</sup></u>	<u>Percent Change</u>
1980 .....	426.9	---	\$12.4	---
1981 .....	433.7	1.6	12.6	2.1
1982 .....	438.7	1.2	12.6	(0.1)
1983 .....	451.3	2.9	12.9	2.3
1984 .....	468.0	3.7	13.5	4.6
1985 .....	485.2	3.7	14.2	4.8
1986 .....	503.0	3.7	14.4	1.6
1987 .....	515.7	2.5	15.3	6.5
1988 .....	536.0	3.9	16.2	5.7
1989 .....	560.4	4.5	15.6	(3.7)
1990 .....	565.0	0.8	14.9	(4.3)
1991 .....	565.1	0.0	17.1 <sup>(2)</sup>	14.8
1992 .....	581.0	2.8	18.4 <sup>(3)</sup>	7.8
1993 .....	592.8	2.0	19.3 <sup>(4)</sup>	4.7
1994 .....	598.3	0.9	21.5 <sup>(5)</sup>	11.4
1995 .....	617.7	3.2	22.2 <sup>(6)</sup>	3.3
1996 .....	632.6	2.4	22.6 <sup>(6)</sup>	1.8
1997 .....	649.3	2.6	23.0 <sup>(6)</sup>	1.6
1998 .....	668.3	2.9	24.8 <sup>(6)</sup>	8.0
1999 .....	687.1	2.8	24.2 <sup>(6)</sup>	(2.4)
2000 .....	695.2	1.2	26.6 <sup>(6)</sup>	10.1
2001 .....	722.9	4.0	27.0 <sup>(6)</sup>	1.0
2002 .....	747.5	3.4	28.0 <sup>(6)</sup>	4.0
2003 .....	762.9	2.1	27.8 <sup>(6)</sup>	(.7)
2004 .....	790.0	3.5	28.3 <sup>(6)</sup>	1.8
2005 .....	814.3	3.1	30.2 <sup>(6)</sup>	6.5
2006 .....	834.3	2.5	30.2 <sup>(6)</sup>	0.2
2007 .....	848.6	1.7	31.5 <sup>(6)</sup>	4.1

- (1) Effective October 1, 1986, new cars owners had the option to register the vehicle for a three year period. Commencing on October 1, 1999, new car owners had the option to register the cars for a four-year period or a five-year period for a fee equal to \$20.00 for each year in the period.
- (2) New and used vehicle owners had the option to renew the registration for a two year period commencing September 1, 1990.
- (3) Fee increase for vehicles in excess of 5,000 pounds effective October 1, 1991.
- (4) Fee increase for vehicles in excess of 5,000 pounds effective July 1, 1992.
- (5) Fee increase for vehicles in excess of 5,000 pounds effective July 1, 1993.
- (6) Net of refunds to other states under IRP.

The growth of vehicle registrations in the previous table is illustrated in the following graph:

## Motor Vehicle Registrations 1980-2007 (thousands)



*Projections of Motor Vehicle Registration Fees*

DEFAC has also projected the revenue from motor vehicle registration fees from fiscal 2008 through fiscal 2014. The number of motor vehicle registrations is expected to grow at an annual rate of approximately 3%, which is the historic average growth rate. Revenues will increase at a greater rate in fiscal 2008 and fiscal 2009 due to the new fee increase. Fiscal 2008 registration revenue was positively affected by the fee increase but negatively affected by decreased vehicle sales and a shift in customer registration renewals and purchases from longer-term options to a shorter one-year registration term. As economic conditions improve the longer-term options will again become more popular.

### Projected Registration Fee Revenue<sup>(1)</sup> (vehicles in thousands and dollars in millions)

<u>Fiscal Year</u>	<u>Vehicles</u>	<u>Percent Change</u>	<u>Revenue</u>	<u>Percent Change</u>
2008 .....	863.9	1.8	\$41.9	33.2 <sup>(2)</sup>
2009 .....	881.2	2.0	47.9	14.2
2010 .....	907.6	3.0	49.3	3.0
2011 .....	934.8	3.0	50.8	3.0
2012 .....	962.9	3.0	52.3	3.0
2013 .....	991.7	3.0	53.9	3.0
2014 .....	1,021.5	3.0	55.5	3.0

(1) Projections provided by DEFAC from its May 19, 2008 meeting. All amounts are net of refunds for IRP.

(2) The fee increase effective October 1, 2007.

## Miscellaneous Transportation Revenue

### *Pledged Miscellaneous Transportation Revenue*

Motor carrier registration fees, operator license fees, titling fees, Division of Motor Vehicles record sales, vanity tag fees and other miscellaneous transportation related revenue which have been assigned by the State to the Trust Fund and which have been pledged by the Authority to secure the bonds are herein referred to as “Pledged Miscellaneous Transportation Revenue”.

Motor carrier registration fee revenue is collected with respect to trucks registered in Delaware and totaled \$3.3 million (net of refunds) in fiscal 2007. Motor carrier registration fees are comprised of the motor fuel road use tax, hauling permits, temporary operating permits, and penalty and interest. The road use tax is calculated based upon the miles traveled in Delaware, the average miles per gallon, the actual fuel purchased in Delaware and the rate of the motor fuel tax. To the extent that fuel purchases are less than fuel used, the truckers are taxed at the current motor fuel tax rate for the difference. If fuel purchases in the State exceed the amount of fuel used while traveling roads in Delaware, refunds are made to the motor carrier.

The State charges various fees for obtaining a driver's license. Effective July 9, 2007, the fee for a five-year license to operate a passenger vehicle was increased from \$12.50 to \$25.00. Commercial drivers' licenses remained unchanged at \$30.00. The revenue from these fees was \$2.7 million in fiscal 2007, a 6.5% increase from fiscal 2006.

The Division of Motor Vehicles sells driver and vehicle records for \$15 per document and \$20 per certified document. Revenue from these sales was \$8.3 million in fiscal 2007. Motor vehicle titling fees are also charged by the Division of Motor Vehicles. Prior to August 1, 1991, a certificate of title cost \$4. Effective August 1, 1991, titling fees increased from \$4 to \$15. Effective October 1, 2007, the title fee increased from \$15 to \$25, and from \$25 to \$35 for titles with a lien. These fees generated \$6.0 million in revenue in fiscal 2007.

State residents may buy “vanity” license plates for their vehicles. The current annual cost for a “vanity” license plate is \$40.00 in addition to the \$40.00 annual registration fee. There were 10,292 “vanity tags” sold in fiscal 2007, generating revenue of \$.8 million. In addition to vanity tag revenue, the Department also receives other Division of Motor Vehicle revenue from the issuance of temporary tags and permits, reinstatement fees and nine other miscellaneous categories. Effective August 1, 1991, fees for temporary tags and permits each increased from \$4 to \$10. Revenue from other miscellaneous sources of Pledged Miscellaneous Transportation Revenue aggregated \$2.7 million in fiscal 2007.

Effective July 9, 2007, the fee for ID cards was also increased from \$5.00 to \$20.00.

*Historical Summary of Pledged Miscellaneous Transportation Revenue*

The following table outlines the history of revenue from these sources from fiscal 1980 through fiscal 2007.

**History of Pledged Miscellaneous Transportation Revenue**  
(dollars in millions, percent change calculated from unrounded data)

<u>Fiscal Year</u>	<u>Total Pledged Miscellaneous Transportation Revenue</u>	<u>Percent Change</u>
1980.....	\$3.3	---
1981.....	3.4	(2.9)
1982.....	3.5 <sup>(1)</sup>	2.9
1983.....	3.8	8.6
1984.....	4.1	7.9
1985.....	4.4	7.3
1986.....	5.3 <sup>(2)</sup>	20.5
1987.....	5.8 <sup>(3)</sup>	9.4
1988.....	7.1 <sup>(4)</sup>	22.4
1989.....	6.3	(11.3)
1990.....	7.0	11.1
1991.....	7.9 <sup>(5)</sup>	12.9
1992.....	12.3 <sup>(6)</sup>	55.7
1993.....	13.0	5.7
1994.....	12.9	(0.8)
1995.....	13.9 <sup>(7)</sup>	7.8
1996.....	14.6	5.0
1997.....	15.5	6.2
1998.....	15.7	1.3
1999.....	15.8	0.6
2000.....	16.4	3.5
2001.....	17.4	6.2
2002.....	18.2	4.5
2003.....	17.3	(4.9)
2004.....	19.6	13.2
2005.....	24.5 <sup>(8)</sup>	25.5
2006.....	24.0	(2.4)
2007.....	23.8	(0.7)

- (1) Motor Fuel Tax increased from 9 to 11 cents on August 1, 1981.
- (2) Titling Fee increased from \$2 to \$4 effective September 1, 1985.
- (3) Motor Fuel Tax increased from 11 to 13 cents on October 1, 1986.
- (4) Motor Fuel Tax increased from 13 to 16 cents on September 1, 1987. Sale of driver and vehicle records increased from \$2 to \$4 per copy effective July 1, 1987.
- (5) Fee increases for Vanity Tags (\$25 to \$28.75), Temporary Tags (\$2 to \$4), License Reinstatement Fees (\$125 to \$143.75) and Temporary Permits (\$2 to \$2.30) on July 1, 1990.
- (6) Motor Fuel Tax increased from 16 to 19 cents effective January 1, 1991. Titling fees increased from \$4 to \$15 effective August 1, 1991. Increases in miscellaneous motor vehicle fees (Vanity Tags, Temporary Tags and Temporary Permits) became effective August 1, 1991.
- (7) Hauling permits transferred from General Fund and rate on special fuels increased 3 cents from \$.19 to \$.22 per gallon effective January 1, 1995.
- (8) Driving and vehicle records increased from \$4 to \$15 per record and certified documents increased from \$8 to \$20 effective July 1, 2004.

### *Non-Pledged Miscellaneous Transportation Revenue*

During its August 1999 legislative session, the General Assembly dedicated an annual amount of \$10,000,000 from its escheat revenues for transfer to the Transportation Trust Fund on an annual basis. In fiscal 2003, the \$10,000,000 escheat revenue was not transferred to the Transportation Trust Fund. Such escheat revenue was transferred to the Trust Fund in fiscal 2004, fiscal 2005 and fiscal 2006. In fiscal 2007, the escheat contribution to the Transportation Trust Fund was increased to \$24,000,000. The scheduled fiscal 2008 transfer of escheat revenues to the Trust Fund has been suspended. These revenues will be used by the General Fund to help make up for revenue shortfalls during the fiscal year. There is also no transfer planned in fiscal 2009, however, it is expected that \$24,000,000 of escheat revenues will be transferred to the Trust Fund in the fiscal years subsequent to fiscal 2009. During its June 1997 legislative session, the General Assembly approved the transfer of three revenue sources from the General Fund to the Trust Fund effective during fiscal 1998. These revenue sources, which totaled \$2.7 million in fiscal 2007, include: (1) the motor vehicle dealer handling fee assessed at \$2 for every vehicle sold by auto dealers; (2) the annual license fees for all motor vehicle dealers charged at \$100 per year; and (3) the motor vehicle use tax on lessees and lessors based on amount of lease payments. The tax rate for lessees is 1.92% of total amount and the rate for lessors is .288%. In addition to transferring existing revenues to the Trust Fund, the General Assembly also approved the implementation of new fees to be assessed by the Department for the review of development plans. These fees, \$0.6 million in fiscal 2007, are included in the projections of “Non-Pledged Miscellaneous Transportation Revenues” below and have not been pledged by the Authority to secure the Bonds.

The Department’s capital program requires the acquisition of real property in advance of actual construction. Once construction is completed, any property acquired for the project, but no longer needed, is sold. As a by-product of this process the Department manages a portfolio of properties awaiting construction or disposal. All such lease revenues are transferred to the Transportation Trust Fund, and in fiscal 2007 amounted to \$0.4 million. These revenues are not pledged. The Department has provided preliminary forecasts through fiscal 2014 for this revenue stream which are included in the table below.

The amount of Non-Pledged Miscellaneous Transportation Revenue in 2007 contains approximately \$50.0 million which represents a one-time funding by the General Fund.

### *Projections of Miscellaneous Transportation Revenue*

Current Dedicated Sources. Projections for “Miscellaneous Transportation Revenue” through fiscal 2014 are shown below.

**Projected Miscellaneous Transportation Revenue**  
(dollars in millions)

<u>Fiscal Year</u>	<u>Pledged Miscellaneous Transportation Revenues<sup>(1)</sup></u>	<u>Non-Pledged Miscellaneous Transportation Revenues<sup>(2)</sup></u>	<u>Total Miscellaneous Transportation Revenue</u>	<u>Percent Change</u>
2008 .....	\$28.3	\$10.2 <sup>(3)</sup>	\$38.5	(68.8%)
2009 .....	29.9	10.4 <sup>(3)</sup>	40.3	4.5
2010 .....	30.7	34.6 <sup>(3)</sup>	65.3	62.1
2011 .....	31.5	34.8 <sup>(3)</sup>	66.3	1.6
2012 .....	32.3	35.0 <sup>(3)</sup>	67.3	1.5
2013 .....	33.2	35.3 <sup>(3)</sup>	68.5	1.7
2014 .....	34.1	35.3 <sup>(3)</sup>	69.4	1.3

- (1) Provided by DEFAC from its May 19, 2008 meeting. Includes IFTA/Motor Carrier Fees, vanity tags, record sales, titles and other motor vehicle related fees, net of IFTA and DMV refunds.
- (2) Not pledged by the Authority to secure the Bonds. Excludes the tolls from Route 1 Toll Road and the DTC farebox. Includes escheat revenue, real estate lease and sales proceeds, use tax on motor vehicle leases, motor vehicle handling and license fees, and development plan review fees, and various other transfers to the Trust Fund.
- (3) \$24,000,000 escheat revenue added in fiscal 2010 through fiscal 2014. Removed from fiscal 2008 and fiscal 2009.

**Projected Total Revenue Sources**

The following table shows in the aggregate for fiscal years 2007 through 2014 the projections of total Pledged Revenue and Non-Pledged Revenue.

**Projected Total Revenue Sources<sup>(1)</sup>**  
(dollars in millions)

<u>Fiscal Year</u>	<u>Pledged Revenue<sup>(2)</sup></u>	<u>Percent Change</u>	<u>Non-Pledged Revenue<sup>(3)</sup></u>	<u>Percent Change</u>	<u>Total</u>	<u>Percent Change</u>
2008.....	\$386.1	11.3%	\$50.9	(61.5%)	\$437.0	(8.8%)
2009.....	416.0	7.7	56.7	11.4	472.7	8.2
2010.....	428.2	2.9	82.6	45.7	510.8	8.1
2011.....	437.9	2.3	84.5	2.3	522.4	2.3
2012.....	447.8	2.3	86.4	2.2	534.2	2.3
2013.....	458.0	2.3	88.2	2.1	546.2	2.2
2014.....	468.3	2.2	89.8	1.8	558.1	2.2

- (1) Delaware Turnpike toll and concession revenue, investment earnings, Route 1 Toll Revenue, motor fuel revenue, motor vehicle document fee revenue, motor vehicle registration fee revenue, Pledged Miscellaneous Transportation Revenue and Non-Pledged Miscellaneous Transportation Revenue projected by DEFAC.
- (2) Includes Delaware Turnpike Revenues, motor fuel tax revenues, motor vehicle document fee revenue, motor vehicle registration fee revenue, Pledged Miscellaneous Transportation Revenue and investment earnings.
- (3) Route 1 Toll Revenue, \$24,000,000 in escheat revenues annually (fiscal 2010 – fiscal 2014) and other Non-Pledged Miscellaneous Transportation Revenues. Does not include DTC farebox transit revenue.

## DEBT SERVICE REQUIREMENTS

The following table summarizes debt service requirements for the Authority's outstanding Senior and Junior Bonds, as well as the 2008A Bonds in each fiscal year ending June 30 (assuming July 1 payments are made on the previous June 30).

Fiscal Year	Prior Outstanding Senior Bonds Debt Service <sup>(1)</sup>	2008A Senior Bonds		Total Senior Bonds Debt Service	Total Junior Bonds Debt Service	Total Debt Service on all Senior and Junior Bonds
		Principal	Interest			
2008	104,645,278			104,645,278	13,037,000	117,682,278
2009	98,672,219	2,270,000	4,218,884	105,161,103	13,035,750	118,196,853
2010	96,598,981	5,175,000	3,906,038	105,680,019		105,680,019
2011	94,007,207	5,435,000	3,647,288	103,089,494		103,089,494
2012	90,092,106	5,705,000	3,375,538	99,172,644		99,172,644
2013	90,005,069	1,735,000	3,090,288	94,830,357		94,830,356
2014	84,859,319	1,825,000	3,003,538	89,687,857		89,687,856
2015	66,948,969	14,620,000	2,912,288	84,481,257		84,481,256
2016	61,797,519	15,355,000	2,181,288	79,333,807		79,333,806
2017	70,668,394	2,110,000	1,413,538	74,191,932		74,191,931
2018	65,522,375	2,215,000	1,308,038	69,045,413		69,045,413
2019	60,378,688	2,330,000	1,197,288	63,905,976		63,905,975
2020	55,304,681	2,445,000	1,080,788	58,830,469		58,830,469
2021	49,594,369	2,540,000	982,988	53,117,357		53,117,356
2022	43,917,593	2,645,000	881,388	47,443,981		47,443,980
2023	36,923,745	2,750,000	775,588	40,449,333		40,449,333
2024	30,236,488	2,865,000	662,150	33,763,638		33,763,638
2025	22,148,138	2,980,000	543,969	25,672,107		25,672,106
2026	9,710,888	3,105,000	417,319	13,233,207		13,233,206
2027		3,240,000	285,356	3,525,356		3,525,356
2028		3,375,000	147,656	3,522,656		3,522,656
Total <sup>(2)</sup>	<u>\$1,232,032,026</u>	<u>\$84,720,000</u>	<u>\$36,031,209</u>	<u>\$1,352,783,236</u>	<u>\$26,072,750</u>	<u>\$1,378,855,981</u>

<sup>(1)</sup> Reflects debt service after the refunding of the Refunded Bonds.

<sup>(2)</sup> Totals may not add due to rounding.

## TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS

### Capital Transportation Program

The Capital Transportation Program is a six-year planning document which is updated annually by the Department of Transportation, coordinated with the two Metropolitan Planning Organizations (“MPOs”), approved by the Council on Transportation and the first year of which is authorized by the General Assembly.

The Capital Transportation Program is presented as a plan to the Council on Transportation (the “Council” or “COT”), a nine-member citizen committee created by State law to serve as an advisor with respect to transportation matters to the Governor, the Secretary and the Authority. The Council has final approval of and adopts the Capital Transportation Program after holding public hearings. The Council may make priority changes to the proposed Capital Transportation Program in an open meeting by documenting the reasons and justifications for the changes. If the Council fails to adopt a Capital Transportation Program after a reasonable period of time, the Secretary may, with the approval of the Governor and with forty days prior written notice to the Chairperson of the Council, give final approval to the Capital Transportation Program. The first year is the basis for the Department's portion of the State's annual capital budget, which must be enacted into law before being implemented.

On August 10, 2005, the President signed into law the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). With guaranteed funding for highways, highway safety, and public transportation totaling \$244.1 billion, SAFETEA-LU represents the largest surface transportation investment in our American history. The two landmark bills that brought surface transportation into the 21<sup>st</sup> Century – the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) shaped the highway program to meet the nation’s changing transportation needs. SAFETEA-LU builds on this firm foundation, supplying the funds and refining the programmatic framework for investments needed to maintain and grow our vital transportation infrastructure. SAFETEA-LU promotes more efficient and effective Federal surface transportation programs by focusing on transportation issues of national significance, while giving State and local transportation decision makers more flexibility for solving transportation problems in their communities.

Based on the revised procedures required by federal legislation, the Intermodal Surface Transportation Efficiency Act of 1991 (“ISTEA”), the State and the MPOs are required to seek public input and develop a transportation improvement plan of projects of regional significance which will be funded with federal funds. This plan must assure Clean Air conformity; projects must be prioritized based on criteria established in the ISTEA legislation; and it must include at least a three-year plan of programs. Delaware has two MPOs, one serving the Wilmington urbanized area and representing all of New Castle County; and one serving the Dover urbanized area and which has been modified to represent all of Kent County. Sussex County does not have an urbanized area, and therefore is not represented by an MPO. The Department does, however, work closely with the County Council of Sussex County.

In preparing its capital spending plans through fiscal 2014, the Department has formulated its Capital Transportation Program by purpose and function for all modes of transportation. Listed below are the names and descriptions of each category which include transportation investments for all modes:

*Road System:* Improvements to roads, bridges, and adjacent assets;

*Grants and Allocations:* Municipal Street Aid and Community Transportation Funds;

*Transit System:* Investments in transit services including buses, rail, facilities, and other assets supporting transit users;

*Support System:* All other investments in the transportation network including facilities, equipment, information systems, etc.

As described above, the Department prepares estimates of capital needs for the current year and also for the ensuing years in the Capital Transportation Program. The Department, however, cannot undertake or commit to projects in the proposed six-year program without specific authorization by the State.

### **Capital Program – Long Range Financial Planning**

The Department has begun a study of the feasibility of a material increase in the size of its six-year capital budget so as to add a number of large items to its program. The Department has determined that it will not change its requirement that 50% of its capital budget be funded from non-debt sources and that it will take all action necessary to preserve the current ratings on its Bonds. The Department will continue to identify additional sources of funds that may be available to it to fund the possible increases in its capital budget.

Because of the increasing demands on the State's transportation system due to unprecedented traffic growth, limited resources for the design and construction of necessary projects to improve safety and provide needed mobility, and increases in the costs of land acquisition, labor and raw materials needed to construct and maintain a variety of transportation improvements, the State may be unable to provide, on a timely basis, key projects identified in the Department's Capital Transportation Program.

On June 1, 2005, Governor Ruth Ann Minner signed into law Executive Order Number Sixty-Nine establishing a Transportation Development and Funding Options Committee (the "Committee") to recommend options for providing additional funding to, and accelerating the construction of, needed improvements overseen by the Department. The Committee was charged with examining proposals for increasing both short- and long-term resources for the Trust Fund for fiscal year 2007 and future years, so as to assure the continued timely planning, development and construction of the critical projects identified in the Department's Capital Transportation Program. The Committee issued a report of its recommendations to the Governor and the General Assembly in November 2005.

The task force highlighted the need for predictable and sustainable funding to improve and maintain Delaware's transportation system. The task force also developed a list of options to address the financial deficiency. Some of the options include:

- Increasing one or more of the traditional trust fund revenues;
- Creating new fees payable by the general public and/or the user public and/or those parties (particularly private developers) whose projects both benefit from, and place new demands on, the state's transportation system;

- Increasing the Trust Fund's borrowing program;
- Transferring additional Department operating costs from the Trust Fund back to the General Fund, over an extended period of time;
- Delaying and/or deauthorizing some portion of the existing capital projects included in the six-year plan;

The Task Force also developed a list of internal and external controls that will more accurately reflect the Department's current and future spending requirements thereby providing policymakers with a better understanding of potential Trust Fund revenue needs.

To meet these transportation challenges, the Department has revised the capital plan. As a result of this focus and refinement, the previous \$2.7 billion deficit over the term of the six-year Capital Transportation Program has been reduced to \$1.5 billion. The Governor recommended a revenue package to provide additional revenues necessary to eliminate the remaining shortfall. The new revenue package was considered and passed during the fiscal 2007 legislative session. The new revenue package was implemented in fiscal 2008 and included toll increases on both of Delaware's toll roads, as well as several Division of Motor Vehicle fee increases, as described in the previous sections. A new non-pledged revenue source was also added to the Trust Fund in the form of a 50% surcharge on traffic violation fines. The surcharge revenue to the Trust Fund was capped at \$1.5 million for fiscal 2008, but it is expected to generate \$4 million annually in subsequent years. The new revenue package was estimated to add an additional \$572 million to the Trust Fund over six years. The program is still short by \$500 million over six years; some projects will still be delayed/shelved.

## **Federal Funds**

### *Level of Funding*

The State of Delaware has benefited from the authorizations granted under the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) and will continue to do so under the Safe Accountable, Flexible, Efficient, Transportation Equity Act: a Legacy for Users (SAFETEA-LU). The State has and will continue to receive on average approximately \$140 million annually in FHWA and FTA apportionments under the legislation. In addition, the State received \$4.95 million in discretionary funds for fiscal 2007 and will receive an additional \$167 million in earmarks over the life of SAFETEA-LU. The State has also applied for \$27.2 million in discretionary funding for fiscal 2009. The request includes \$5 million for I-95 improvements, \$12 million for the Indian River Inlet Bridge, \$3.6 million for 40 Fixed Route Buses, \$5 million for the DelTrac Integrated Transportation Management System, and \$1.6 million for the DTC Mid-County Operations Facility. The Department will also continue to solicit discretionary funds throughout the six-year program. The total federal funding anticipated under fiscal 2009-2014 plan will be approximately \$1,209 million.

The Department currently is sanctioned 3% of federal funding yearly due to not passing open container requirements from TEA-21. The funds that the Department does not receive as a result of the sanction are from the National Highway System, Surface Transportation Program, and Interstate Maintenance programs. Through partnerships a portion of these sanctioned dollars do flow back to the Department through the Department of Homeland Security and the Office of Highway Safety as part of the Highway Safety Strategic Plan in the form of safety work, such as guardrails, repairs and upgrades, and attenuators.

### *State Infrastructure Bank*

The Department was awarded \$1.2 million during fiscal 1997 to capitalize the Delaware State Infrastructure Bank ("SIB"). These funds will be combined with the Department's federal

apportionment and other State funding of \$4.8 million to provide low interest loans and/or credit enhancements to both the public and private sectors to support transportation projects. The first placement of these funds went to complete a portion of Route 1 Toll Road and was repaid at a 5.02% interest rate over six years.

#### *Application of Innovative Financing Techniques*

As part of its capital programming process, the Department is currently reviewing the timing of federal apportionments to determine the potential expanded use of certain financing techniques available with federal funding. The Department is currently making use of “advanced construction” in the programming of federal funds in an effort to accelerate some projects.

The Department has also performed a toll credit analysis and received Federal Highway Administration approval of \$197.8 million in state toll credits. The State’s credits can be applied toward the non-Federal share of projects authorized under Title 23. The credits may also be used for transit projects authorized by Chapter 53 of Title 49. The Department is currently looking into using these credits on upcoming projects.

#### **Diamond State Port Corporation**

The Capital Transportation Program for fiscal 2002 contained a \$27,500,000 loan which the Trust Fund made to the Diamond State Port Corporation (the “Port Corporation”) to enable the Port Corporation to prepay or refinance certain obligations which it owed to the City of Wilmington related to the Port Corporation's acquisition of the Port of Wilmington from the City. The Port Corporation was obligated to repay the loan to the Trust Fund over a 20-year term, which commenced in January, 2003. The Port Corporation has not performed its obligations with respect to the loan.

Effective July 1, 2005, the Port Corporation loan was restructured. Unpaid interest through January 1, 2006, in the amount of \$3,260,013 was capitalized into the loan balance. The interest rate on the restructured loan remained at 4.6%. The loan was to be repaid in 40 semi-annual payments of \$1,168,031, commencing on July 1, 2006, with the final payment to be made January 1, 2026.

Effective July 1, 2006, the Port Corporation loan was restructured again. Interest due on July 1, 2006 and January 1, 2007 will be capitalized into the loan balance. \$10,000,000 of the Department’s \$60,000,000 General Fund cash support for fiscal year 2007 shall constitute a repayment of principal and interest on behalf of the Port Corporation for the loan. Following the interest capitalization and the \$10,000,000 repayment, the remaining principal balance of the loan is \$21,514,984. The interest rate on the restructured loan will remain at 4.6%. The loan is to be repaid in four semi-annual payments of \$500,000, commencing on March 31, 2007, and 40 semi-annual payments of \$808,798, commencing on March 31, 2009, with the final payment to be made on May 31, 2028.

Since the restructuring, all scheduled loan payments have been received as scheduled.

#### **Current Financial Plan**

The revenue sources described earlier are combined with the proceeds of the Transportation System Revenue Bonds and support from the federal government to fund the Department's total transportation budget - both operating and capital. The Department updates its six-year financial plan concurrent with the preparation of the annual operating and capital budgets.

The current financial plan assumes that the existing sources of revenues will meet projections without any further increases in the rates.

In the event revenues or other sources fall short of projections, the Department will either request additional revenues from the General Assembly, reduce the transportation program or a combination of both. The reductions will be done to a level which results in the Department continuing to meet the parameters established in its financial management guidelines of paying for at least 50% of its capital program with current revenues with debt service coverage of at least 2.25 times.

The table on the following page shows the anticipated financing plan assuming that the full implementation of the proposed Capital Transportation Program is approved by the State.

**Base Financial Plan - Capital**  
**April 2008**  
(\$ in 000s)

<u>Source of Funds</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b><u>Existing Pledged Revenue</u></b>							
I-95 Tolls & Concessions	118,400	128,100	130,400	132,700	135,100	137,500	139,900
Motor Fuel Tax Admin.	124,000	126,500	129,000	131,600	134,200	136,900	139,600
DMV Fees	131,200	151,400	158,800	163,600	168,500	173,600	178,800
Interest Income	<u>12,500</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
<b>Total Pledged Revenue</b>	<b>386,100</b>	<b>416,000</b>	<b>428,200</b>	<b>437,900</b>	<b>447,800</b>	<b>458,000</b>	<b>468,300</b>
<b><u>Non-Pledged Revenues</u></b>							
SR 1 Tolls	40,700	46,300	48,000	49,700	51,400	52,900	54,500
<b>New Violation/Fine Revenue</b>	<b>1,500</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>
<b>Escheat</b>	<b>0</b>	<b>0</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>
DE Transit (Farebox, FTA, & Other)	14,705	16,219	16,543	16,874	17,212	17,556	17,907
Port of Wilmington – Refinancing	1,000	1,618	1,618	1,618	1,618	1,618	1,618
New One-Time Property Sale	2,100	2,900	0	0	0	0	0
Other Transportation Revenue	<u>10,200</u>	<u>10,400</u>	<u>10,600</u>	<u>10,800</u>	<u>11,000</u>	<u>11,300</u>	<u>11,300</u>
<b>Total Non-Pledged Revenue</b>	<b>70,205</b>	<b>81,437</b>	<b>104,761</b>	<b>106,992</b>	<b>109,230</b>	<b>111,374</b>	<b>113,325</b>
<b>Total Sources of Funds</b>	<b>456,305</b>	<b>497,437</b>	<b>532,961</b>	<b>544,892</b>	<b>557,030</b>	<b>569,374</b>	<b>581,625</b>
<b><u>Uses of Funds</u></b>							
<b><u>Debt Service</u></b>							
DTA Bonds & Notes	118,655	117,204	102,095	99,507	95,587	91,247	86,101
Senior Bonds	105,618	104,168	102,095	99,507	95,587	91,247	86,101
Junior Bonds	13,037	13,036	0	0	0	0	0
New Debt Service	0	15,085	24,303	36,274	47,108	56,824	65,450
State G.O. Bonds	<u>753</u>	<u>796</u>	<u>742</u>	<u>720</u>	<u>377</u>	<u>213</u>	<u>153</u>
<b>Total Debt Service</b>	<b>119,408</b>	<b>133,085</b>	<b>127,140</b>	<b>136,501</b>	<b>143,072</b>	<b>148,284</b>	<b>151,703</b>
<b><u>Operations</u></b>							
Department Operations	148,981	146,453	156,705	167,674	179,411	191,970	205,408
Delaware Transit Corp. Operations	<u>85,859</u>	<u>88,429</u>	<u>94,619</u>	<u>101,242</u>	<u>108,329</u>	<u>115,912</u>	<u>124,026</u>
<b>Total Operations</b>	<b>234,840</b>	<b>234,882</b>	<b>251,323</b>	<b>268,916</b>	<b>287,740</b>	<b>307,882</b>	<b>329,434</b>
<b>Total Uses of Funds Before Capital</b>	<b>354,248</b>	<b>367,966</b>	<b>378,463</b>	<b>405,417</b>	<b>430,812</b>	<b>456,166</b>	<b>481,137</b>
<b>State Resources Available for Capital</b>	<b>102,057</b>	<b>129,471</b>	<b>154,498</b>	<b>139,475</b>	<b>126,218</b>	<b>113,208</b>	<b>100,488</b>
Beginning Capital Cash Balance	113,769	67,927	20,000	20,000	20,000	20,000	20,000
Federal Funds	123,000	232,908	246,103	269,504	200,275	144,515	115,952
Bond Proceeds	47,100	81,544	154,498	139,475	126,218	113,208	100,488
<b>Total Funds Available for Capital Expenditures</b>	<b>385,927</b>	<b>511,849</b>	<b>575,099</b>	<b>568,454</b>	<b>472,711</b>	<b>390,930</b>	<b>336,927</b>
<b>Less:</b>							
State Capital Expenditures	195,000	258,941	308,996	278,950	252,436	226,415	200,975
Federal Capital Expenditures*	123,000	232,908	246,103	269,504	200,275	144,515	115,952
<b>Total Capital Spending</b>	<b>318,000</b>	<b>491,849</b>	<b>555,099</b>	<b>548,454</b>	<b>452,711</b>	<b>370,930</b>	<b>316,927</b>
<b>Ending Capital Cash Balance</b>	<b>67,927</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Pay Go Revenue</b>	102,057	129,471	154,498	139,475	126,218	113,208	100,488
<b>State Capital</b>	195,000	258,941	308,996	278,950	252,436	226,415	200,975
<b>Pay Go Percentage</b>	52.3%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
<b>Additional Senior Bond Test</b>	3.54	3.40	3.31	3.15	3.07	3.03	3.02

## **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2008A Bonds. The 2008A Bonds will be issued as fully-registered bonds 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 stated maturity of the 2008A Bonds, each in the aggregate principal amount of such stated maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of 2008A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008A Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2008A 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 2008A Bonds, except in the event that use of the book-entry system for the 2008A Bonds is discontinued.

To facilitate subsequent transfers, all 2008A 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 2008A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2008A 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 by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2008A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2008A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2008A Bonds may wish to ascertain that the nominee holding the 2008A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2008A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2008A 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 2008A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the 2008A 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 its agent 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 2008A Bonds 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 or the Authority or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2008A Bonds at any time by giving reasonable notice to the Authority or its agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

## **LITIGATION**

Except as hereinafter described, there is no litigation pending or, to the knowledge of the Authority, threatened in any court or administrative body, questioning the enforceability of the Act, the statutes imposing the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees, the Miscellaneous Transportation Revenue or the transfer of that revenue to the Authority, the existence of the Authority, the validity of the 2008A 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 2008A Bonds or questioning the power of the Authority to collect, pledge and assign revenue of the Delaware Turnpike, or to pay the 2008A Bonds as provided in the Agreement.

The Authority continues to review the impact, if any, of judicial decisions on Trust Fund revenue sources. The Authority plans to take whatever action may be required with respect to any required revisions to the Trust Fund revenue and expenditure plan, with the end result that there will be a revenue neutral impact on the Trust Fund. In the event that any such changes require approval by the State, the Authority expects that the State will enact any such changes requested by the Authority.

## **INDEPENDENT AUDITORS**

The financial statements of the Authority's Transportation Trust Fund for fiscal 2007 included as APPENDIX A to this Official Statement have been examined by KPMG LLP, independent auditors, whose report thereon appears therein. KPMG LLP, the Authority's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP has not performed any procedures relating to this Official Statement.

## **FINANCIAL ADVISOR**

Public Financial Management, Inc. has served as financial advisor to the Authority in connection with the sale of the 2008A Bonds.

## **TRUSTEE**

The Trustee for the holders of the 2008A Bonds, as well as the Authority's outstanding Senior Bonds and Junior Bonds, is Wilmington Trust Company. Wilmington Trust Company, as escrow agent, holds funds for the payment of certain defeased indebtedness of the Authority.

## **RATINGS**

The 2008A Bonds have been given a rating of "AA+" by Standard Poor's Corporation and "Aa3" by Moody's Investors Service, Inc. Reference is made to the manuals of both rating agencies for a complete description of its rating procedures and other rating categories.

A bond rating is not a recommendation to buy, sell or hold bonds. The rating represents a judgment as to the likelihood of timely payment of the 2008A Bonds according to their terms but does not address the likelihood of redemption or other payments of the 2008A Bonds prior to maturity. There is no assurance that any of the ratings will remain in effect for any given period of time or that they will not be

revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any of the ratings may have an adverse affect on the market price or marketability of the 2008A Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same.

### **LEGALITY FOR INVESTMENT**

The Act provides that the 2008A 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 2008A 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 2008A 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 each Nationally Recognized Municipal Securities Information Repository (a “NRMSIR”) and the relevant state information repository (if any) and (ii) notice of various events described in the Rule, if material (“Event Notices”), to each NRMSIR or the MSRB and to any such state information repository.

The Authority will agree with the purchasers of the 2008A Bonds, by executing a supplement to the Continuing Disclosure Agreement executed in connection with the issuance of its 1997 Series Bonds prior to the issuance of the 2008A Bonds, to provide Annual Reports with respect to itself to each NRMSIR and to any Delaware information repository that is formed. The Authority has determined that there currently is no other MOP for purposes of the Rule. The Authority will provide Event Notices to the Municipal Securities Rulemaking Board and to any Delaware information repository. A form of the Continuing Disclosure Agreement appears as Appendix C to this Official Statement.

## **TAX MATTERS**

### **Tax Exemption-Opinion of Bond Counsel**

The Internal Revenue Code of 1986, as amended (the “Code”) contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2008A Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2008A 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 2008A 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 2008A Bonds 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 comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2008A 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 2008A Bonds to be so includable in gross income retroactive to the date of issuance of the 2008A Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2008A Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the 2008A Bonds is a component of a corporate holder's “adjusted current earnings”, a portion of that interest may be subject to the corporate alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the 2008A 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 Amortizable Bond Premium” below.

In the opinion of Bond Counsel, under existing law, the 2008A Bonds, the interest on the 2008A Bonds and their transfer shall be exempt from taxation by The State of Delaware and its political subdivisions, except for estate, inheritance or gift taxes imposed by The State of Delaware.

### **Alternative Minimum Tax**

The Code includes, for purposes of the corporate alternative minimum tax, a preference item consisting of, generally, seventy-five percent of the excess of a corporation's “adjusted current earnings” over its “alternative minimum taxable income” (computed without regard to this particular preference item and the alternative tax net operating loss deduction). Thus, to the extent that tax-exempt interest (including interest on the 2008A Bonds) is a component of a corporate holder's “adjusted current earnings”, a portion of that interest may be subject to an alternative minimum tax.

### **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 2008A 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 2008A 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 2008A 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, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2008A 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 2008A 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 2008A Bonds maturing on July 1, 2021 to July 1, 2028, inclusive 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 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 Delaware tax treatment of original issue discount.

The 2008A Bonds maturing on July 1 of the years 2009 through 2019, inclusive 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 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 Premium Bonds.

### **APPROVAL OF LEGAL PROCEEDINGS**

The authorization and issuance of the 2008A Bonds are subject to the issuance of a legal opinion as to validity by Bond Counsel, Saul Ewing LLP, Wilmington, Delaware, whose legal opinion will be available at the time of the delivery of the 2008A Bonds. A Deputy Attorney General of the State will approve certain legal matters for the Authority.

The agreement of the Authority with the holders of the 2008A Bonds is set forth in full in the Agreement, and neither any advertisement of the 2008A Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the 2008A Bonds. So far as any statements are made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The execution and distribution of this Official Statement by the undersigned and its distribution to prospective purchasers has been duly authorized by the Authority.

**DELAWARE TRANSPORTATION AUTHORITY**

By: Secretary of Department of Transportation

/s/ Carolann D. Wicks

Director of Finance

/s/ Kathy S. English

Transportation Trust Fund Administrator

/s/ Brian G. Motyl

APPENDIX A

Delaware Transportation Authority  
Transportation Trust Fund  
General Purpose Financial Statements  
Years Ended June 30, 2007  
and June 30, 2006

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**DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION TRUST FUND**

Financial Statements

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

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KPMG LLP  
1601 Market Street  
Philadelphia, PA 19103-2499

## Independent Auditors' Report

The Board of Directors  
Delaware Transportation Authority  
Transportation Trust Fund  
Dover, Delaware:

We have audited the accompanying balance sheets of the State of Delaware Transportation Trust Fund (TTF), a subsidiary of Delaware Transportation Authority, which is a blended component unit of the State of Delaware, as of the years ended June 30, 2007 and 2006, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of TTF management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TTF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the State of Delaware Transportation Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Delaware, as of June 30, 2007 and 2006, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Delaware Transportation Trust Fund as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's discussion and analysis and required supplementary information for governments that use the modified approach for infrastructure assets on pages 3 through 9 and 40 and 41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



The additional information, as listed in the table of contents and presented on pages 43 through 54, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or any other form of assurance on the additional information.

KPMG LLP

October 12, 2007

# **Delaware Transportation Authority Transportation Trust Fund**

## **Management's Discussion and Analysis**

This section of the Delaware Transportation Authority (the Authority) Transportation Trust Fund's (the Trust Fund) annual financial statements presents our discussion and analysis of the Trust Fund's financial performance during the fiscal year ended June 30, 2007.

### **Background**

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

The Trust Fund has pledged the following revenue to secure their outstanding bonds: Motor Fuel Taxes, Delaware Turnpike Tolls and Concessions, Motor Vehicle Document and Registration Fees, Miscellaneous Transportation Revenue, including operator license and titling fees, and investment earnings. Route 1 (SR-1) toll road revenue and certain miscellaneous revenues, including transfers from the State of Delaware General Fund, have not been pledged and, therefore, are not used to secure the Trust Fund's bonds.

### **Financial Highlights**

- Turnpike revenue was \$96.7 million, a 10.3% increase over fiscal year 2006.
- Motor vehicle registration fee revenue was \$31.5 million, a 4.3% increase over fiscal year 2006.
- Toll revenues on SR-1 reached \$32.6 million, a 3.5% increase over fiscal year 2006, and traffic increased 5% to 39.2 million vehicles.
- Total Trust Fund operating revenues increased \$4.4 million to \$369.6 million, a 1.2% increase over fiscal year 2006.
- The Authority went to the bond market in November 2006 and issued \$127.4 million of bonds and again in April 2007 to refund \$87.9 million of bonds.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

**Overview of the Financial Statements**

The financial section of this annual report consists of five parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) additional information.

The financial statements provide both long-term and short-term information about the Trust Fund's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Trust Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and change in net assets.

**Financial Analysis of the Trust Fund**

*Balance Sheets*

The Trust Fund's total assets increased 8% to \$1,364.0 million, and total liabilities increased 5.6% to \$1,104.3 million. Net assets at June 30, 2007 were \$259.7 million, a 19.7% increase from June 30, 2006.

Transportation Trust Fund's Net Assets  
*(in millions of dollars)*

	<u>2007</u>	<u>2006</u>	Percentage Change <u>2007-2006</u>
Current assets	\$ 278.5	\$ 172.7	61.3
Capital assets	1,015.5	1,010.2	0.5
Other noncurrent assets	<u>70.0</u>	<u>79.9</u>	(12.4)
Total assets	<u>\$1,364.0</u>	<u>\$1,262.8</u>	8.0

**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

Transportation Trust Fund's Net Assets  
*(in millions of dollars) (Continued)*

	<u>2007</u>	<u>2006</u>	<u>Percentage Change 2007-2006</u>
Current liabilities	\$ 127.3	\$ 114.9	10.8
Revenue bonds payable	951.2	891.9	6.6
Other noncurrent liabilities	<u>25.8</u>	<u>39.1</u>	(34.0)
 Total liabilities	 <u>\$1,104.3</u>	 <u>\$1,045.9</u>	 5.6
 Net assets			
Invested in capital assets, net of debt	\$ 37.6	\$ 32.0	17.5
Restricted	152.8	140.8	8.5
Unrestricted	<u>69.3</u>	<u>44.1</u>	57.1
 Total net assets	 <u>\$ 259.7</u>	 <u>\$ 216.9</u>	 19.7

The increase in current assets is attributed to an increase in investments due to the issuance of new revenue bonds. The decrease in other noncurrent assets is primarily due to a \$10 million payment received from the State on behalf of Diamond State Port Corporation for their outstanding loan. The decrease in noncurrent liabilities is primarily attributed to the decrease in claims and judgments resulting from the payment of the Department of Transportation's (the Department) \$12 million obligation to the E-ZPass consortium.

*Change in Net Assets*

The increase in net assets at June 30, 2007 was \$42.8 million, or 19.7%, as compared to June 30, 2006. The Trust Fund's total operating revenues increased 1.2% to \$369.6 million, and total operating expenses decreased 9.9% to \$384.3 million.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

Change in the Transportation Trust Fund's Net Assets  
*(in millions of dollars)*

	<u>2007</u>	<u>2006</u>	<u>Percentage Change 2007-2006</u>
Operating revenues			
Turnpike revenue	\$ 96.7	\$ 87.7	10.3
Motor fuel tax	117.5	120.1	(2.2)
Motor vehicle document fee	62.7	64.9	(3.4)
Motor vehicle registration fee	31.5	30.2	4.3
Other motor vehicle revenue	20.5	20.3	1.0
International Fuel Tax Agreement	3.3	3.6	(8.3)
Toll revenue - SR 1	32.6	31.5	3.5
Miscellaneous revenue	<u>4.8</u>	<u>6.9</u>	(30.4)
Total operating revenues	<u>\$369.6</u>	<u>\$365.2</u>	1.2
Operating expenses			
Operating expenses	\$ 16.3	\$ 17.4	(6.3)
Claims and judgments	0.8	-	-
Capital preservation and operations	302.1	350.0	(13.7)
DTC operations	64.9	58.8	10.4
Depreciation	<u>0.2</u>	<u>0.2</u>	-
Total operating expenses	<u>\$384.3</u>	<u>\$426.4</u>	(9.9)
Operating loss	\$ (14.7)	\$ (61.2)	76.0
Nonoperating expenses	(27.4)	(27.6)	(0.7)
Transfers	<u>84.9</u>	<u>88.2</u>	(3.7)
Change in net assets	42.8	(0.6)	7,233.3
Total net assets, beginning of year	<u>216.9</u>	<u>217.5</u>	(0.3)
Total net assets, end of year	<u>\$259.7</u>	<u>\$216.9</u>	19.7

**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

The \$9 million increase in turnpike revenue is attributable to the October 1, 2005 toll rate increase at I-95. The \$47.9 million decrease in transportation capital preservation and operations expenses in accordance with trust agreement is primarily attributable to decreased capital spending as a result of permit issues and delays in both accessing federal funds and construction schedules.

During fiscal year 2007, the following transfers (\$79.4 million) were received from the State's General Fund: \$74 million of General Fund support, \$2.7 million of Division of Revenue, Motor Vehicle Dealer/Lessor License and Document Fees, and \$2.7 million for the Department of Motor Vehicles.

**Capital Assets and Debt Administration**

*Capital Assets*

As of June 30, 2007, the Trust Fund had invested \$1,018.2 million in capital assets, including roads, bridges, buildings, land, and equipment for Delaware's two toll roads. Net of accumulated depreciation, the Trust Fund's net capital assets at June 30, 2007 totaled \$1,015.5 million. This amount represents a net increase (including additions and disposals, net of depreciation) of \$5.3 million primarily for the I-95 expansion project.

The State is using the "Modified Approach" for determining condition assessments on their roads and bridges. The modified approach requires that the State initially set a percentage benchmark for maintaining their infrastructure in good or better condition and report at least every three years on their condition assessments.

It is the Department's policy to maintain at least 85% of its highway system at a fair or better condition rating and 75% of its bridge system at a good or better condition rating as follows:

The condition of the road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

The condition of the bridges is measured using the "Bridge Condition Rating" (BCR), which is based on the Federal Highway Administration's (FHWA) Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges." The BCR uses a measurement scale that is based on a condition index ranging from 0 to 4 for substandard bridges to 9 for bridges in perfect condition. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges are taken as those with ratings of 6 to 9, with 5 being assessed a fair rating.

The Department performs condition assessments of eligible infrastructure assets at least every three years. Currently, road condition assessments are conducted every year and bridge condition assessments are conducted every two years.

At December 31, 2006, 97.2% of the Trust Fund's roadway condition assessments were in the fair or better category, a 2.6% increase over 2005; 91.4% of the bridge structures were in the good or better category, a 1% increase over 2005, and 97.9% of the bridge deck ratings were in the good or better category, a 2.7% increase over 2005.

*Debt Administration*

Transportation Systems Revenue Bonds are issued 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) 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 sales must comply with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2007, the Authority had \$1,018.8 million in revenue bonds outstanding, a 6.9% increase over June 30, 2006. During the past year, \$127.4 million of new money bonds were issued and \$87.9 million of bonds were refunded. Of the 12 outstanding bond issues, all insured bonds are rated AAA by S&P and Aaa by Moody's; and the uninsured bonds are rated AA+ and Aa3, respectively.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

**Next Year's Budget**

The Department's fiscal year 2008 Operating Annual Budget adopted by the General Assembly in June 2007 totals \$350.9 million and the fiscal year 2008 Capital Improvements Act totals \$256.0 million in State authorized funds. The Capital Improvements Act authorizes funding of the following improvements: \$192.9 million of Road System, \$23.1 million of Grants and Allocations, \$14.7 million of Transit System, and \$25.3 million for Support System. The Capital Improvements Act authorizes an additional \$184.7 million in federal funding. The spending of these capital authorizations will occur over several years. The capital spending forecast for fiscal year 2008 is \$553.4 million, inclusive of \$289.5 and \$263.9 million in state and federal funding, respectively.

**Contacting the Trust Fund's Financial Management**

This financial report is designed to provide bondholders, patrons, and other interested parties with a general overview of the Trust Fund's finances and to demonstrate the Trust Fund's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Delaware Department of Transportation, Finance Unit, P.O. Box 778, Dover, DE 19903.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Balance Sheets**

**June 30, 2007 and 2006  
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Unrestricted	\$ 7,438,160	\$ 2,399,463
Restricted	33,846	41,596
Investments - at fair value		
Unrestricted	155,311,250	69,527,635
Restricted	109,086,650	95,785,922
Accrued interest receivable	2,099,327	1,294,930
Accounts receivable	3,284,837	2,542,694
Loan receivable	1,198,203	1,152,692
Total current assets	278,452,273	172,744,932
<b>NONCURRENT ASSETS</b>		
Capital assets		
Infrastructure and land	1,010,345,209	1,004,847,647
Buildings and land improvements	7,847,309	7,847,309
	1,018,192,518	1,012,694,956
Less: accumulated depreciation	2,724,106	2,533,654
	1,015,468,412	1,010,161,302
Investments - at fair value		
Unrestricted	3,246,128	666,094
Restricted	43,252,196	44,495,196
Accrued interest receivable	80,203	697,673
Loans receivable	23,462,845	34,071,992
Total noncurrent assets	1,085,509,784	1,090,092,257
<b>TOTAL ASSETS</b>	<b>\$ 1,363,962,057</b>	<b>\$ 1,262,837,189</b>

See notes to financial statements.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Balance Sheets**

**June 30, 2007 and 2006  
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 23,998,924	\$ 16,746,342
Accrued payroll payable	408,970	254,953
Compensated absences payable	45,239	61,033
Deferred revenue	4,313,896	5,040,226
General obligation bonds payable	599,955	812,259
Revenue bonds payable	67,640,000	61,370,000
Bond issue premium - net of accumulated amortization	6,623,371	6,814,934
Interest payable	<u>23,636,964</u>	<u>23,828,878</u>
 Total current liabilities	 127,267,319	 114,928,625
<b>NONCURRENT LIABILITIES</b>		
Compensated absences - net of current portion	312,340	334,788
Claims and judgments - net of current portion	-	11,230,769
General obligation bonds payable - net of current portion	2,783,007	3,435,812
Revenue bonds payable - net of current portion	951,175,000	891,895,000
Bond issue premium - net of accumulated amortization and current portion	<u>22,730,536</u>	<u>24,079,921</u>
 Total noncurrent liabilities	 <u>977,000,883</u>	 <u>930,976,290</u>
 Total liabilities	 1,104,268,202	 1,045,904,915
<b>NET ASSETS</b>		
Invested in capital assets - net of related debt	37,595,366	32,033,115
Restricted	152,828,438	140,835,636
Unrestricted	<u>69,270,051</u>	<u>44,063,523</u>
 Total net assets	 <u>259,693,855</u>	 <u>216,932,274</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,363,962,057</u></u>	 <u><u>\$ 1,262,837,189</u></u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statements of Revenues, Expenses, and  
Change in Net Assets**

**For the Years Ended June 30, 2007 and 2006  
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES</b>		
Pledged revenue		
Turnpike revenue	\$ 96,747,605	\$ 87,696,331
Motor fuel tax revenue	117,483,765	120,090,448
Motor vehicle document fee revenue	62,689,492	64,842,559
Motor vehicle registration fee revenue	31,463,949	30,238,168
Other motor vehicle revenue	20,475,403	20,334,439
International Fuel Tax Agreement revenue	3,319,506	3,624,314
	<hr/>	<hr/>
Total pledged revenue	332,179,720	326,826,259
Toll revenue - Delaware SR-1	32,606,361	31,524,365
Property management revenue	426,992	427,159
E-ZPass expense reimbursements	-	366,419
Railway tolls	1,498,998	1,502,375
Miscellaneous revenue	2,874,660	4,530,608
	<hr/>	<hr/>
Total operating revenues	369,586,731	365,177,185
<b>OPERATING EXPENSES</b>		
Expressways Operations/Toll Administration and interstate operating expenses	16,282,224	17,440,223
Claims and judgments	769,231	-
Expenses in accordance with Trust Agreement		
Transportation capital preservation and operations	302,067,006	349,972,715
Delaware Transit Corporation operations	64,949,492	58,833,371
Depreciation	190,452	192,045
	<hr/>	<hr/>
Total operating expenses	384,258,405	426,438,354
	<hr/>	<hr/>
<b>OPERATING LOSS</b>	(14,671,674)	(61,261,169)

Continued...

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statements of Revenues, Expenses, and  
Change in Net Assets (Continued)**

**For the Years Ended June 30, 2007 and 2006  
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
NONOPERATING REVENUES (EXPENSES)		
Pledged revenue - income from investments (net of fees)	\$ 14,774,453	\$ 10,523,310
Net increase (decrease) in the fair value of investments	783,536	(954,254)
Interest income	180,083	223,866
Interest expense	<u>(43,207,653)</u>	<u>(37,346,668)</u>
Excess of nonoperating expenses over revenues	<u>(27,469,581)</u>	<u>(27,553,746)</u>
LOSS BEFORE TRANSFERS	(42,141,255)	(88,814,915)
TRANSFER FROM DELAWARE DEPARTMENT OF TRANSPORTATION	5,494,308	-
TRANSFER FROM STATE GENERAL FUND	<u>79,408,528</u>	<u>88,237,590</u>
CHANGE IN NET ASSETS	42,761,581	(577,325)
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>216,932,274</u>	<u>217,509,599</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 259,693,855</u></u>	<u><u>\$ 216,932,274</u></u>

See notes to financial statements.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statements of Cash Flows**

**For the Years Ended June 30, 2007 and 2006  
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 373,292,805	\$ 363,085,104
Payments to employees	(7,062,116)	(6,894,415)
Payments to suppliers	<u>(386,042,796)</u>	<u>(434,889,878)</u>
Net cash flows used in operating activities	(19,812,107)	(78,699,189)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from State General Fund	79,408,528	88,237,590
Transfers from Delaware Department of Transportation	<u>5,494,308</u>	<u>-</u>
Net cash flows provided by noncapital financing activities	84,902,836	88,237,590
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of revenue bond principal	(61,370,000)	(58,445,000)
Payment to escrow agent for refunding of revenue bonds	(88,415,000)	-
Proceeds from revenue bond sale	215,335,000	150,000,000
Payments of general obligation bond principal	(865,109)	(582,693)
Payment of note principal	-	(40,000,000)
Repayment from Delaware Department of Transportation	-	678,419
Premium from revenue bond sale	6,179,669	8,417,842
Acquisition of capital assets	(5,497,562)	(18,243,158)
Payments of interest	<u>(51,120,184)</u>	<u>(41,999,811)</u>
Net cash flows provided by (used in) capital and related financing activities	14,246,814	(174,401)
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment on loan receivable	11,745,028	1,108,909
Purchase of investments	(99,637,841)	(19,332,547)
Interest received	<u>13,586,217</u>	<u>8,797,827</u>
Net cash flows used in investing activities	<u>(74,306,596)</u>	<u>(9,425,811)</u>
Net increase (decrease) in cash and cash equivalents	5,030,947	(61,811)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,441,059</u>	<u>2,502,870</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,472,006</u>	<u>\$ 2,441,059</u>

Continued...

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statements of Cash Flows (Continued)**

**For the Years Ended June 30, 2007 and 2006  
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (14,671,674)	\$ (61,261,169)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	190,452	192,045
Changes in assets and liabilities		
Increase in accounts receivable	(742,143)	(671,428)
Increase (decrease) in accounts payable	2,078,035	(15,629,753)
Increase in accrued payroll and related expenses	115,775	91,769
Increase in customer toll deposits	5,174,547	-
Decrease in deferred revenue	(726,330)	(1,326,193)
Decrease in other accrued expenses	<u>(11,230,769)</u>	<u>(94,460)</u>
Net cash used in operating activities	<u>\$ (19,812,107)</u>	<u>\$ (78,699,189)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest capitalized on Diamond State Port Corporation loan	<u>\$ 1,181,392</u>	<u>\$ 1,348,641</u>

See notes to financial statements.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements**

**See Independent Auditors' Report**

**Note A - Organization and Trust Agreements**

**1. Organization**

The Delaware Transportation Authority (the Authority) is a body corporate and politic constituting an instrumentality of the State of Delaware (the State). The Department of Transportation (the Department) has overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policy for the State. The Authority assists in the implementation of this policy and has the power to develop a unified system of air, water, vehicular, and specialized transportation in the State, subject to oversight by the Department and the State.

To assist the Authority in financing a unified transportation system, the State created a Transportation Trust Fund (the Trust Fund), within the Authority, under the Transportation Trust Fund Act of 1987 (the TTF Act). The underlying purpose of the TTF Act and the Trust Fund is to address the growing urgency to provide additional means to finance the maintenance and development of the integrated highway, air, and water transportation system in the State for the economic benefit of the State and for the welfare and safety of the users of the transportation system. The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation related fees, which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned, and continuously appropriated to the Trust Fund these taxes and fees. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 Toll Roads, both of which the Authority owns and operates. The Authority may apply Trust Fund revenue for transportation projects, subject to the approval of the State, and may pledge any or all of this revenue to secure financing for these projects.

The TTF Act also granted the Authority the power to issue bonds payable from and secured by the revenues pledged and assigned to the Trust Fund.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note A - Organization and Trust Agreements (Continued)**

**2. Trust Agreements**

The Trust Agreements in effect at June 30, 2007 and 2006 are the Motor Fuel Tax Revenue Bond Trust Agreement (the Motor Fuel Tax Agreement), dated September 1, 1981, as supplemented, and the Transportation Trust Fund Agreement (the Trust Agreement), dated August 1, 1988, as supplemented.

The Trust Agreement is a bond indenture, intended to ensure payment to bond holders through assets and revenues pledged to the Trust Fund. Pledged revenues fund certain accounts created under Section 4.02 of the Trust Agreement and, to the extent those revenues are not needed for that purpose, they are deposited, lien-free, to the Trust Fund. Surplus pledged revenues and nonpledged revenues of the Trust Fund may be used to fund the operations of the Department.

The provisions of the Motor Fuel Tax Agreement and the Trust Agreement govern the disposition of revenues and other income and prescribe certain accounting practices, including the conditions for transfer of monies among the various funds and accounts held by the Authority or the Trustee and the use of such funds.

**Note B - Summary of Significant Accounting Policies**

**1. Basis of Accounting**

The Authority operates as an enterprise fund. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

**2. Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits, short-term money market securities, and other deposits held by financial institutions, generally with original maturities of three months or less.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note B - Summary of Significant Accounting Policies (Continued)**

**3. Allowance for Doubtful Accounts**

Accounts receivable are expected to be fully collectible at June 30, 2007 and 2006, and accordingly, a provision for uncollectible accounts has not been established.

**4. Investments**

Investments are recorded at their fair value. Investments at June 30, 2007 and 2006 consisted of United States Government Obligations and Commercial Paper classified as "Qualified Investments" by the Trust Agreement.

**5. Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**6. Financial Accounting Standards Board (FASB) Pronouncements**

The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

**7. Capital Assets**

Capital assets, which include buildings, land, land improvements, and infrastructure assets (such as roads and bridges, which are normally immovable and of value only to the State), are reported in the enterprise fund financial statements.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note B - Summary of Significant Accounting Policies (Continued)**

**7. Capital Assets (Continued)**

It is the policy of the State to capitalize land and buildings, regardless of cost, to capitalize improvements to land and buildings when the costs of projects exceed \$100,000, and to capitalize infrastructure when the costs of individual items or projects exceed \$1 million. The Trust Fund follows the State's policy with the exception of improvements to land and buildings, which are capitalized, regardless of cost.

Such assets are recorded at historical cost or estimated historical cost, if original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the time of the donation. Buildings and land improvements are depreciated on a straight-line basis.

For assets not part of infrastructure, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

For infrastructure, the State uses the "modified approach" to account for roads and bridges, as provided by Governmental Accounting Standards Board (GASB) Statement No. 34. Under this process, the Authority does not record depreciation expense or the amounts expended in connection with improvements to these assets capitalized, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the Authority to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

The Authority maintains two asset management systems, one for the roads and one for the bridges. In addition, the Authority completes condition assessments on its roads every year and on its bridges at least every two years.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note B - Summary of Significant Accounting Policies (Continued)**

**7. Capital Assets (Continued)**

Buildings and land improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	15

**8. Compensated Absences**

Compensated absences are absences for which Expressways Operations/Toll Administration employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Expressways Operations/Toll Administration and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Expressways Operations/Toll Administration and its employees are accounted for in the period in which such services are rendered or such events take place.

**9. Bond Issue Premium**

Amortization of bond issue premiums/discounts is provided using the effective interest method over the life of the bond issue. Net amortization resulted in \$7,078,956 and \$7,305,512 of income in 2007 and 2006, respectively.

**10. Revenues and Expenses**

The Authority defines nonoperating revenues as investment and interest income. All other revenues are derived from normal operations of the Authority. Nonoperating expenses are defined as interest expense. All other expenses are a result of normal operations.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note C - Cash and Investments**

***Cash Management Policy and Investment Guidelines***

The policy for the investment of Authority funds is the responsibility of the Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the Authority. Under the Board's *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy), all deposits and investments of the Authority are categorized as "Authority Accounts." Investments of the Authority are further restricted to "Qualified Investments" as defined in the Trust Agreement.

As defined by the Policy, the investment objectives of Authority Accounts include maximizing yield and maintaining the safety of principal. At June 30, 2007 and 2006, investments of the Authority are primarily in U.S. Government Securities, U.S. Government Agency Securities, and Commercial Paper rated in the highest rating category by either Moody's or Standard & Poor's. All of these meet the objectives defined by the Policy and are Qualified Investments in accordance with the Trust Agreement.

The Policy is available on the Internet at [www.state.de.us/treasure](http://www.state.de.us/treasure).

***Custodial Credit Risk***

**1. Deposits**

The carrying amounts of the Authority's deposits at June 30, 2007 and 2006 were \$7,472,006 and \$2,441,059, respectively, and the bank balances were \$6,563,855 and \$1,132,111, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2007 and 2006 of \$6,563,855 and \$1,132,111, respectively, were covered by federal depository insurance for \$100,000 or by collateral held by the Authority's Trustee, in the Authority's name, for the remainder, in accordance with the Policy and the Trust Agreement.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note C - Cash and Investments (Continued)**

***Custodial Credit Risk (Continued)***

**2. Investments**

Investments of the Authority are stated at fair value, which approximates cost. At June 30, 2007 and 2006, all of the Authority's investments were insured or registered, with securities held by the Authority or the counterparty in the Authority's name.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Authority accounts, at the time of purchase, shall not exceed ten years, except when it is prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

The following tables present a listing of directly held investments and related maturities.

<u>June 30, 2007</u>		<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. Government Securities	\$ 15,900,311	\$ 7,832,298	\$ 8,068,013	\$ -
U.S. Government Agency Securities	155,547,829	117,117,518	38,430,311	-
Commercial Paper	<u>139,448,084</u>	<u>139,448,084</u>	<u>-</u>	<u>-</u>
	<u>\$310,896,224</u>	<u>\$264,397,900</u>	<u>\$46,498,324</u>	<u>\$ -</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note C - Cash and Investments (Continued)**

***Interest Rate Risk (Continued)***

<u>June 30, 2006</u>		<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. Government Securities	\$ 5,835,150	\$ 1,279,266	\$ 4,555,884	\$ -
U.S. Government Agency Securities	146,110,004	105,504,598	40,605,406	-
Commercial Paper	<u>58,529,693</u>	<u>58,529,693</u>	<u>-</u>	<u>-</u>
	<u>\$210,474,847</u>	<u>\$165,313,557</u>	<u>\$45,161,290</u>	<u>\$ -</u>

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority follows the Policy and the Trust Agreement by investing only in authorized securities. The Authority's general investment policy for credit risk is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments.

In addition, the Trust Agreement limits investments in commercial paper to those with a Moody's rating of P-1 or a Standard & Poor's rating of A-1 for short-term investments. The Trust had investments in Commercial Paper of \$139,448,084 and \$58,529,693 at June 30, 2007 and 2006, respectively. All Commercial Paper held was short-term and rated in accordance with the Trust Agreement. The investments in U.S. Government Agency Securities all carried the highest rating by Moody's and Standard & Poor's. All remaining investments were in U.S. Government Securities, which carry no credit risk.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note C - Cash and Investments (Continued)**

***Investments in Excess of 5%***

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2007:

Federal Home Loan Mortgage Corporation	\$57,069,449	18%
Federal National Mortgage Association	98,478,380	32%
UBS Finance Delaware Incorporated	21,381,694	7%
Intesa Funding LLC	18,125,670	6%

***Investment Commitments***

The Authority has made no investment commitments as of June 30, 2007.

**Note D - Accounts Receivable**

Balances in accounts receivable were as follows at June 30,:

	<u>2007</u>	<u>2006</u>
Concessions - The Authority leases space along the Delaware Turnpike for concessionaires. Rental income is based upon monthly sales and is due the following month.	\$ 193,148	\$ 190,060
Railway tolls	750,000	750,000
E-ZPass revenues	<u>2,341,689</u>	<u>1,602,634</u>
	<u>\$3,284,837</u>	<u>\$2,542,694</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note E - Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Infrastructure	\$ 883,503,233	\$5,397,872	\$ -	\$ 888,901,105
Land	<u>121,344,414</u>	<u>99,690</u>	<u>-</u>	<u>121,444,104</u>
	<u>\$1,004,847,647</u>	<u>\$5,497,562</u>	<u>\$ -</u>	<u>\$1,010,345,209</u>
Capital assets being depreciated				
Buildings	\$ 7,683,385	\$ -	\$ -	\$ 7,683,385
Land improvements	<u>163,924</u>	<u>-</u>	<u>-</u>	<u>163,924</u>
	<u>7,847,309</u>	<u>-</u>	<u>-</u>	<u>7,847,309</u>
Less: accumulated depreciation for buildings and land improvements	<u>2,533,654</u>	<u>190,452</u>	<u>-</u>	<u>2,724,106</u>
Total capital assets being depreciated, net	<u>\$ 5,313,655</u>	<u>\$ (190,452)</u>	<u>\$ -</u>	<u>\$ 5,123,203</u>

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Infrastructure	\$879,501,689	\$ 4,001,544	\$ -	\$ 883,503,233
Land	<u>107,102,800</u>	<u>14,241,614</u>	<u>-</u>	<u>121,344,414</u>
	<u>\$986,604,489</u>	<u>\$18,243,158</u>	<u>\$ -</u>	<u>\$1,004,847,647</u>
Capital assets being depreciated				
Buildings	\$ 7,683,385	\$ -	\$ -	\$ 7,683,385
Land improvements	<u>163,924</u>	<u>-</u>	<u>-</u>	<u>163,924</u>
	<u>7,847,309</u>	<u>-</u>	<u>-</u>	<u>7,847,309</u>
Less: accumulated depreciation for buildings and land improvements	<u>2,341,609</u>	<u>192,045</u>	<u>-</u>	<u>2,533,654</u>
Total capital assets being depreciated, net	<u>\$ 5,505,700</u>	<u>\$ (192,045)</u>	<u>\$ -</u>	<u>\$ 5,313,655</u>

Depreciation expense was \$190,452 and \$192,045 for fiscal years 2007 and 2006, respectively.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note F - Loans Receivable**

During fiscal year 2002, the Authority loaned \$27,500,000 to Diamond State Port Corporation. The funds were loaned at an interest rate of 4.6%. Originally, the loan was to be repaid in 40 semi-annual payments of \$1,058,920, with the final payment to be made in January 2023. The loan was subsequently restructured effective July 1, 2004. Unpaid interest through January 1, 2005, in the amount of \$1,911,372, was capitalized into the loan balance and the payments were deferred until July 1, 2005. Effective July 1, 2005, the loan was again restructured. Additional unpaid interest through January 1, 2006, in the amount of \$1,386,641, was capitalized into the loan balance and the payments were deferred until July 1, 2006. Effective July 1, 2006, the loan was again restructured. Additional unpaid interest through January 1, 2007, in the amount of \$1,181,392, was capitalized into the loan balance. The State paid \$10,000,000 towards the principal of the loan on behalf of the Diamond State Port Corporation in August 2006. The remaining principal amount due was \$21,259,658. The interest rate on the restructured loan remains at 4.6%. The loan is currently to be repaid in four semi-annual payments of \$500,000, commencing on March 31, 2007, and 40 semi-annual payments of \$808,798, commencing on March 31, 2009, with the final payment to be made on May 31, 2028. At June 30, 2007 and 2006, the outstanding loan balance was \$20,922,649 and \$30,333,593, respectively.

The Diamond State Port Corporation will only be able to repay this loan with continued annual support from the general assembly. While funds have not been committed, it is the expectation of management that the required support will be appropriated each year.

During fiscal year 2005, the Department reached a settlement agreement with CSX Transportation, Inc. (CSX), in which CSX agreed to fund a portion of the costs of reconstruction of certain railway bridges in the City of Wilmington, Delaware. The settlement was for \$6,000,000, and has been recorded as a loan receivable and deferred revenue in the accompanying balance sheets. Payments are received in 10 semi-annual installments of \$666,387, including interest at 3.91%. Revenue is recorded as actual expenses are incurred. Revenue recorded for the years ended June 30, 2007 and 2006 was \$726,330 and \$959,774, respectively.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note F - Loans Receivable (Continued)**

The Department has requested federal assistance with these projects. To the extent such federal assistance is received, the loan balance may be reduced in future periods by 75% of the total federal assistance received, in accordance with the settlement agreement. The loan balance at June 30, 2007 and 2006 was \$3,738,399 and \$4,891,091, respectively.

**Note G - Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds	\$ 953,265,000	\$215,335,000	\$(149,785,000)	\$1,018,815,000	\$67,640,000
General obligation bonds	4,248,071	-	(865,109)	3,382,962	599,955
Bond issue premium, net of accumulated amortization	30,894,855	6,179,669	(7,720,617)	29,353,907	6,623,371
Claims and judgments	11,230,769	-	(11,230,769)	-	-
Compensated absences	<u>395,821</u>	<u>-</u>	<u>(38,242)</u>	<u>357,579</u>	<u>45,239</u>
Long-term liabilities	<u>\$1,000,034,516</u>	<u>\$221,514,669</u>	<u>\$(169,639,737)</u>	<u>\$1,051,909,448</u>	<u>\$74,908,565</u>

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds	\$861,710,000	\$150,000,000	\$(58,445,000)	\$ 953,265,000	\$61,370,000
General obligation bonds	4,830,764	-	(582,693)	4,248,071	812,259
Bond issue premium, net of accumulated amortization	29,782,525	8,417,842	(7,305,512)	30,894,855	6,814,934
Claims and judgments	11,325,229	-	(94,460)	11,230,769	-
Compensated absences	<u>297,961</u>	<u>97,860</u>	<u>-</u>	<u>395,821</u>	<u>61,033</u>
Long-term liabilities	<u>\$907,946,479</u>	<u>\$158,515,702</u>	<u>\$(66,427,665)</u>	<u>\$1,000,034,516</u>	<u>\$69,058,226</u>

The Authority is responsible for liquidating all long-term liabilities.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note H - General Obligation Bonds Outstanding**

General obligation bonds outstanding at June 30, 2007 and 2006 are detailed as follows:

Sale #	Description and Interest Rates	Maturity Date (Fiscal Year)	Balance Outstanding	
			June 30, 2007	June 30, 2006
194	GO 2005B, 5.00%	2024	\$ 911,910	\$1,018,125
191	GO + Refunding 2004A, 3.00-6.00%	2024	105,115	120,131
188	GO Refunding 2003B, 4.00-5.00%	2012	2,071,687	2,609,865
185	GO + Refunding 2002A, 4.00-5.25%	2023	264,250	369,950
177	GO 1997A, 5.00%	2007	<u>30,000</u>	<u>130,000</u>
	Totals		3,382,962	4,248,071
	Less: current portion		<u>599,955</u>	<u>812,259</u>
	Long-term portion		<u>\$2,783,007</u>	<u>\$3,435,812</u>

The general obligation bonds are direct obligations of the State of Delaware and are secured by the full faith and credit of the State. Only that portion of the bonds attributable to the Trust Fund have been reflected in these financial statements.

The annual requirement to amortize all general obligation bonds payable as of June 30, 2007 was as follows:

Year Ending <u>June 30,</u>	Principal <u>Maturity</u>	Interest <u>Maturity</u>	<u>Total</u>
2008	\$ 599,955	\$152,630	\$ 752,585
2009	676,105	120,200	796,305
2010	655,588	86,522	742,110
2011	663,331	56,194	719,525
2012	346,503	30,923	377,426
2013 - 2016	<u>441,480</u>	<u>31,864</u>	<u>473,344</u>
	<u>\$3,382,962</u>	<u>\$478,333</u>	<u>\$3,861,295</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note I - Revenue Bonds Outstanding**

Revenue bonds outstanding at June 30, 2007 and 2006 are detailed as follows:

<u>Date of Issue/Maturity</u>	<u>Amount of Original Issue</u>	<u>Description and Interest Rates</u>	<u>Balance Outstanding</u>	
			<u>June 30, 2007</u>	<u>June 30, 2006</u>
SENIOR BONDS				
1997/2017	\$120,640,000	Transportation System Senior Revenue Bonds, 1997 Series, 5.00-6.00%	\$ 7,550,000	\$ 49,930,000
1998/2016	60,560,000	Transportation System Senior Revenue Bonds, 1998 Series, 4.50-5.50%	51,985,000	52,190,000
2000/2020	83,995,000	Transportation System Senior Revenue Bonds, 2000 Series, 5.50%	14,520,000	17,720,000
2001/2021	85,000,000	Transportation System Senior Revenue Bonds, 2001 Series, 4.50-5.00%	34,910,000	50,795,000
2002/2008	43,015,000	Transportation System Senior Revenue Bonds, 2002 Series, 5.00%	11,305,000	27,765,000
2002/2022	173,680,000	Transportation System Senior Revenue Bonds, 2002 Series B, 4.00-5.25%	112,910,000	146,615,000
2003/2023	277,210,000	Transportation System Senior Revenue Bonds, 2003 Series, 4.50-5.00%	225,055,000	247,685,000
2004/2024	167,550,000	Transportation System Senior Revenue Bonds, 2004 Series, 3.00-5.00%	160,705,000	164,200,000
2005/2025	150,000,000	Transportation System Senior Revenue Bonds, 2005 Series, 4.00-5.00%	149,000,000	150,000,000
2006/2026	127,445,000	Transportation System Senior Revenue Bonds, 2006 Series, 3.50-5.00%	127,445,000	-
2007/2021	87,890,000	Transportation System Senior Revenue Bonds, 2007A Series, 4.00-5.00%	87,890,000	-

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note I -Revenue Bonds Outstanding (Continued)**

Date of Issue/Maturity	Amount of Original Issue	Description and Interest Rates	Balance Outstanding	
			June 30, 2007	June 30, 2006
JUNIOR BONDS				
2002/2009	\$48,120,000	Transportation System Junior Revenue Bonds, 2002 Series, 4.625-5.00%	\$ <u>35,540,000</u>	\$ <u>46,365,000</u>
		Totals	1,018,815,000	953,265,000
		Less: current portion	<u>67,640,000</u>	<u>61,370,000</u>
		Long-term portion	\$ <u>951,175,000</u>	\$ <u>891,895,000</u>

The Transportation System Revenue Bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the Authority. The pledged revenues of the Authority were as follows at June 30,:

	<u>2007</u>	<u>2006</u>
Pledged operating revenues	\$332,179,720	\$326,826,259
Investment income	<u>14,774,453</u>	<u>10,523,310</u>
	<u>\$346,954,173</u>	<u>\$337,349,569</u>

The revenue bonds do not constitute a debt of the State or of any political subdivision thereof, or a pledge of the general taxing power or the faith and credit of the State of Delaware or of any such political subdivision.

The Authority had a total of \$62,938,525 and \$75,219,525 in authorized but unissued revenue bonds at June 30, 2007 and 2006, respectively, to fund a portion of the Department of Transportation Capital Improvement Program.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note I - Revenue Bonds Outstanding (Continued)**

The annual requirement to amortize all revenue bonds payable as of June 30, 2007 was as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total</u>
2008	\$ 67,640,000	\$ 46,209,546	\$ 113,849,546
2009	73,510,000	38,640,632	112,150,632
2010	75,660,000	35,099,351	110,759,351
2011	64,220,000	31,942,601	96,162,601
2012	64,775,000	29,036,230	93,811,230
2013 - 2017	302,875,000	102,664,063	405,539,063
2018 - 2022	241,170,000	44,591,568	285,761,568
2023 - 2027	<u>128,965,000</u>	<u>8,287,401</u>	<u>137,252,401</u>
	<u>\$1,018,815,000</u>	<u>\$336,471,392</u>	<u>\$1,355,286,392</u>

On April 11, 2007, the Trust Fund issued \$87,890,000 of Transportation System Senior Revenue Bonds, 2007A Series to provide for an advance refunding of the following Transportation System Senior Revenue Bonds:

1997 Series	\$38,925,000
2001 Series	12,715,000
2002B Series	26,870,000
2003 Series	<u>9,905,000</u>
	<u>\$88,415,000</u>

The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$2,803,107 and a reduction of \$3,225,552 in future debt service payments.

**Note J - Debt Defeasance**

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued and the proceeds had been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note J - Debt Defeasance (Continued)**

For financial reporting purposes, the debt has been considered defeased, and therefore, removed as a liability. As of June 30, 2007 and 2006, the amount of defeased debt outstanding amounted to \$229,220,000 and \$146,485,000, respectively.

**Note K - Designated Net Assets**

For operations, unrestricted net assets designated by management were as follows at June 30,:

	<u>2007</u>	<u>2006</u>
<b>DTC Transit Fund</b>		
Unexpended appropriations authorized by the State Budget Bills were carried forward as a designated net asset. For the years ended June 30, 2007 and 2006, the DTC Transit Fund expended authorized appropriations amounting to \$64,949,492 and \$60,082,914, respectively. The remaining totals of budgeted appropriations to be paid in future periods are:	\$5,760,408	\$5,758,370
<b>Other Transportation Funds</b>		
Authorized appropriations expended to fund State highway administration, planning, operating costs, and Expressways Operations/Toll Administration operations for the years ended June 30, 2007 and 2006 were \$157,947,082 and \$134,776,608, respectively. Unexpended appropriations have been designated for approved expenses and are classified as designated net assets in the amounts of:	<u>3,564,120</u>	<u>2,194,952</u>
Total designated net assets	<u>\$9,324,528</u>	<u>\$7,953,322</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note L - Restricted Net Assets**

Restricted net assets were as follows at June 30,:

	<u>2007</u>	<u>2006</u>
<b>Debt Service Funds</b>		
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments	\$ 91,270,440	\$ 85,195,257
<b>Debt Reserve Funds</b>		
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments	52,519,649	47,092,470
<b>Delaware State Infrastructure Bank</b>		
See Note S	<u>9,038,349</u>	<u>8,547,909</u>
Total restricted net assets	<u>\$152,828,438</u>	<u>\$140,835,636</u>

**Note M - Electronic Toll Collection**

During fiscal year 1996, Expressways Operations/Toll Administration entered into a regional electronic toll collection system consortium (the Consortium). The Consortium includes an agreement among member jurisdictions to share in the potential revenues and costs associated with the construction, financing, and operations of an electronic toll collection customer service center (CSC). The CSC collected tolls and violation fees from motorists in each member jurisdiction and remitted to each jurisdiction their share of tolls collected based upon actual road usage. The Consortium also leased fiber optic transmission lines to the public, which was to generate rental income to the CSC. The rental income and violation fees were expected to exceed the costs associated with operating the CSC.

In order to fund operations, the Consortium issued \$150,000,000 in fixed rate and \$150,000,000 in variable rate bonds to be repaid in 2008. In the event that the CSC generated costs in excess of revenues during its planned ten-year operating term, each member jurisdiction was obligated to finance their share of this operating deficit under the terms of a True-Up Agreement that each member jurisdiction has signed. The Department is obligated for 4% or \$12,000,000.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note M - Electronic Toll Collection (Continued)**

Each year the Consortium performed a True-Up Study that showed with each year a lessened ability of the CSC to pay the debt.

On March 25, 2003, the Department withdrew from the Consortium that was governing the E-ZPass operation jointly with three agencies from other states. As of that date, the Department began operating its E-ZPass system independent of the Consortium. Per the terms of the settlement agreement, the Trust Fund received approximately \$7.6 million during fiscal year 2003 to cover various transition costs. The New Jersey Turnpike Authority, acting as lead agency for the Consortium, also completed the remaining work on Delaware's portion of the fiber optic network at no cost to the Department. The value of this work was an additional \$1 million. These amounts were initially recorded as deferred revenue and vendor retainage payable and were recorded as income and expenses when incurred. For the years ended June 30, 2007 and 2006, amounts recognized in income related to E-ZPass transition costs were \$-0- and \$366,419, respectively. There were no deferred revenues remaining at June 30, 2007 and 2006, respectively.

As part of the separation agreement, the Department agreed to pay principal and interest on the bonds for their share of the debt of \$12,000,000, which was paid in full during the year ended June 30, 2007. The discounted amount of this liability at June 30, 2006 was \$11,230,769 and appears as claims and judgments in the accompanying balance sheets.

**Note N - International Registration Plan**

The Department participates in the International Registration Plan (IRP) pursuant to Section 4008 of the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. ISTEA requires jurisdictions to join base state agreements for the collection and distribution of commercial vehicle registration fees. IRP is an agreement among member jurisdictions whereby commercial registration fees are collected and reallocated based on a proration of miles traveled in each jurisdiction.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note N - International Registration Plan (Continued)**

Revenue in the amount of \$9,519,522 and \$9,090,716, respectively, was collected, and the amounts distributed to other jurisdictions were \$692,014 and \$1,116,917, respectively, during fiscal years 2007 and 2006. IRP fees were included in motor vehicle registration fee revenue at the net amount.

**Note O - International Fuel Tax Agreement**

The Department of Transportation participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial license fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Fees in the amount of \$5,904,703 and \$6,167,231, respectively, were collected, and the amounts distributed to other jurisdictions were \$2,585,197 and \$2,542,917, respectively, during fiscal years 2007 and 2006. IFTA revenue is recorded by the Trust Fund at the net amount.

**Note P - Retirement Benefits**

Essentially all full-time Expressways Operations/Toll Administration employees are covered under the State of Delaware Defined Benefit Pension Plan (the Pension Plan), which is administered by the Office of Pension and Investments. The Pension Plan is contributory, and employees contribute 3% of the portion of their monthly compensation that exceeds \$6,000 per calendar year. Contributions by the Expressways Operations/Toll Administration are based on percentages of total employee compensation as specified by the Office of Pension and Investments.

In addition to the Pension Plan contribution disclosed above, the Trust Fund makes contributions to finance the costs of Post Retirement Increases (PRI) and Retiree Health Insurance (RHI). PRI are granted by the General Assembly to members retired under the State Employees' Plan. The funding mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund administered by the Pension Board. When the Legislature grants an ad hoc increase, the actuarial impact of the increase is funded over five years.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note P - Retirement Plan (Continued)**

The State also provides post-employment health care benefits, in accordance with State statute, to all employees who retire after meeting certain eligibility requirements. The expenses for this benefit are recognized as retirees report claims.

The following trend information for the current and preceding two years was as follows as of June 30:

<u>Fiscal Year</u>	<u>Annual Retirement Expense</u>	<u>Pension Plan</u>	<u>Employer Contribution Rate</u>		<u>Total</u>
			<u>PRI</u>	<u>RHI</u>	
2007	\$640,285	6.69%	2.62%	6.64%	15.95%
2006	570,474	6.12%	2.60%	6.30%	15.02%
2005	486,508	4.91%	2.43%	5.91%	13.25%

The State does not maintain the Pension Plan information by agency, and therefore, the Expressways Operations/Toll Administration's portion of the Pension Plan's net assets available for benefits, percentage of annual pension cost contributed, and the actuarial present value of vested and nonvested accumulated plan benefits is not readily determinable.

Detailed information concerning the State of Delaware "State Employees Pension Plan" is presented in its publicly available annual basic financial statements, which can be obtained by writing the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, DE 19904-2402.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note Q - Transfers from the State General Fund**

The State's General Assembly and the State's Division of Revenue transferred the following amounts from the State's General Fund to the Trust Fund during the years ended June 30,:

	<u>2007</u>	<u>2006</u>
Amounts transferred to the Revenue Fund:		
Division of Revenue, Motor Vehicle Dealer/ Lessor License and Document Fees	\$ 2,693,928	\$ 2,541,690
Amounts transferred to the Trust Fund:		
Supplemental appropriation from fiscal year Bond Bill	74,000,000	82,869,600
Division of Motor Vehicles	<u>2,714,600</u>	<u>2,826,300</u>
	<u>\$79,408,528</u>	<u>\$88,237,590</u>

**Note R - Related Party Transactions**

Per the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating, maintenance, and capital expenses paid out of the State's General Fund. In addition, the Trust Fund is responsible for maintaining funds appropriated by the general assembly for the Delaware Transit Corporation (DTC), and reimbursing DTC for its operating and capital expenses up to the total amount of the appropriated funds. Total reimbursements for the years ended June 30, 2007 and 2006 were \$367,016,498 and \$408,806,086, respectively. These amounts are included under the caption "Expenses in accordance with Trust Agreement" in the accompanying statements of revenues, expenses, and change in net assets.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note S - Delaware State Infrastructure Bank**

In 1998, the Authority entered into a cooperative agreement with the Federal Highway Administration (FHWA) to establish and provide for the administration of the Delaware State Infrastructure Bank (SIB), in accordance with the National Highway System Designation Act of 1995 and State enabling legislation. The SIB was funded with a \$4.8 million grant from the FHWA. The Authority was required to provide 25% matching funds (\$1.2 million) from the Trust Fund. The total \$6 million amount is required to be maintained in a separate Highway Account within the Trust Fund.

The SIB will loan funds to help transportation project sponsors pay for highway, transit, and rail improvements, or provide credit assistance that makes it affordable for sponsors to borrow money from other sources. The funds will be repaid and used to make new loans.

The funds were advanced to the Trust Fund from SIB as a loan. The Trust Fund was scheduled to repay SIB over six years, paying \$585,348 twice a year. The loan was repaid with interest at 5% and was repaid during 2006. The payments on the loan are treated as interfund transfers, and are eliminated for financial statement presentation purposes. The elimination has no net effect on the financial statements.

**Note T - Commitments and Contingencies**

The Authority had contractual commitments of \$134,286 for construction of various highway projects at June 30, 2007. Current and future appropriations will fund these commitments as work is performed.

**Note U - Risk Management**

The Authority is exposed to various risks of loss related to workers' compensation, healthcare, automobile, and casualty claims. The Authority is a participant in the State of Delaware's Risk Management Program, which covers all claim settlements and judgments out of its General Fund. The Authority pays premiums to the General Fund for this coverage.

## **Required Supplementary Information**

**Delaware Transportation Authority  
Transportation Trust Fund**

**Supplementary Information for Governments  
That Use the Modified Approach for Infrastructure Assets**

**See Independent Auditors' Report**

<u>Bridge Condition Assessments</u>		<u>Structural Rating Numbers &amp; Percentages for Bridges</u>					
BCR Condition Rating		<u>2006</u>		<u>2005</u>		<u>2004</u>	
		<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Good	6 - 9	106	91.4	105	90.5	102	87.9
Fair	5	8	6.9	8	6.9	11	9.5
Poor	0 - 4	<u>2</u>	<u>1.7</u>	<u>3</u>	<u>2.6</u>	<u>3</u>	<u>2.6</u>
Totals		<u>116</u>	<u>100.0</u>	<u>116</u>	<u>100.0</u>	<u>116</u>	<u>100.0</u>

		<u>Deck Rating Numbers &amp; Percentages for Bridges</u>					
OPC Condition Rating		<u>2006</u>		<u>2005</u>		<u>2004</u>	
		<u>Square Feet</u>	<u>%</u>	<u>Square Feet</u>	<u>%</u>	<u>Square Feet</u>	<u>%</u>
Good	6 - 9	1,571,240	97.9	1,503,191	95.3	1,520,470	96.5
Fair	5	34,165	2.1	74,174	4.7	54,351	3.5
Poor	0 - 4	-	-	-	-	-	-
Totals		<u>1,605,405</u>	<u>100.0</u>	<u>1,577,365</u>	<u>100.0</u>	<u>1,574,821</u>	<u>100.0</u>

<u>Roadway Condition Assessments</u>		<u>Centerline Mile Numbers &amp; Percentages for Roadway</u>					
OPC Condition Rating		<u>2006</u>		<u>2005</u>		<u>2004</u>	
		<u>Center-line Mile</u>	<u>%</u>	<u>Center-line Mile</u>	<u>%</u>	<u>Center-line Mile</u>	<u>%</u>
Good	3.0 - 5.0	113.06	93.9	107.87	89.6	113.16	94.0
Fair	2.5 - 3.0	3.98	3.3	6.06	5.1	2.95	2.5
Poor	Below 2.5	<u>3.36</u>	<u>2.8</u>	<u>6.42</u>	<u>5.3</u>	<u>4.24</u>	<u>3.5</u>
Totals		<u>120.40</u>	<u>100.0</u>	<u>120.35</u>	<u>100.0</u>	<u>120.35</u>	<u>100.0</u>

Comparison of Estimated-to-Actual Maintenance / Preservation (in Thousands)\*

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Estimated	<u>\$2,502</u>	<u>\$11,152</u>	<u>\$ 4,531</u>	<u>\$13,839</u>	<u>\$13,119</u>
Actual	<u>\$4,970</u>	<u>\$17,331</u>	<u>\$10,553</u>	<u>\$15,092</u>	<u>\$14,863</u>

\* The estimated expenditure represents annual Bond Bill authorizations. The actual expenditure represents the current year spending, which includes cumulative authorizations.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Supplementary Information for Governments  
That Use the Modified Approach for  
Infrastructure Assets (Continued)**

**See Independent Auditors' Report**

The condition of road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

The condition of bridges is measured using the "Bridge Condition Rating" (BCR), which is based on the FHWA Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges." The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9, 0 to 4 for substandard bridges and 9 for bridges in perfect condition. For these reporting purposes, substandard bridges were classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of 6 to 9. A 5 rating is considered fair. The information is taken from past "Bridge Inventory Status" reports.

It is the State's policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2007 is not available.

## **Additional Information**

**Delaware Transportation Authority  
Transportation Trust Fund**

**Balance Sheet in Accordance with Trust Agreement**

**June 30, 2007  
With Comparative Totals for June 30, 2006  
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
<b>CURRENT ASSETS</b>						
Cash and cash equivalents						
Unrestricted	\$ 7,316,138	\$ 122,022	\$ -	\$ -	\$ 7,438,160	\$ 2,399,463
Restricted	-	-	1,288	32,558	33,846	41,596
Investments - at fair value						
Unrestricted	44,378,566	110,932,684	-	-	155,311,250	69,527,635
Restricted	-	91,270,440	6,873,465	10,942,745	109,086,650	95,785,922
Accrued interest receivable	24,000	1,619,581	110,746	345,000	2,099,327	1,294,930
Accounts receivable	2,534,837	750,000	-	-	3,284,837	2,542,694
Loan receivable	-	1,198,203	-	-	1,198,203	1,152,692
<b>Total current assets</b>	<b>54,253,541</b>	<b>205,892,930</b>	<b>6,985,499</b>	<b>11,320,303</b>	<b>278,452,273</b>	<b>172,744,932</b>
<b>NONCURRENT ASSETS</b>						
Capital assets						
Infrastructure and land	-	1,010,345,209	-	-	1,010,345,209	1,004,847,647
Buildings and land improvements	-	7,847,309	-	-	7,847,309	7,847,309
	-	1,018,192,518	-	-	1,018,192,518	1,012,694,956
Less: accumulated depreciation	-	2,724,106	-	-	2,724,106	2,533,654
<b>Capital assets</b>	<b>-</b>	<b>1,015,468,412</b>	<b>-</b>	<b>-</b>	<b>1,015,468,412</b>	<b>1,010,161,302</b>
Investments - at fair value						
Unrestricted	-	3,246,128	-	-	3,246,128	666,094
Restricted	-	-	2,052,850	41,199,346	43,252,196	44,495,196
Accrued interest receivable	-	80,203	-	-	80,203	697,673
Loans receivable, net of current portion	-	23,462,845	-	-	23,462,845	34,071,992
<b>Total noncurrent assets</b>	<b>-</b>	<b>1,042,257,588</b>	<b>2,052,850</b>	<b>41,199,346</b>	<b>1,085,509,784</b>	<b>1,090,092,257</b>
<b>TOTAL ASSETS</b>	<b>\$ 54,253,541</b>	<b>\$ 1,248,150,518</b>	<b>\$ 9,038,349</b>	<b>\$ 52,519,649</b>	<b>\$ 1,363,962,057</b>	<b>\$ 1,262,837,189</b>

Continued...

**Delaware Transportation Authority  
Transportation Trust Fund**

**Balance Sheet in Accordance with Trust Agreement (Continued)**

**June 30, 2007  
With Comparative Totals for June 30, 2006  
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 23,917,835	\$ 81,089	\$ -	\$ -	\$ 23,998,924	\$ 16,746,342
Accrued payroll payable	408,970	-	-	-	408,970	254,953
Compensated absences payable	45,239	-	-	-	45,239	61,033
Deferred revenues	-	4,313,896	-	-	4,313,896	5,040,226
General obligation bonds payable	-	599,955	-	-	599,955	812,259
Revenue bonds payable	-	67,640,000	-	-	67,640,000	61,370,000
Bond issue premium - net of accumulated amortization	-	6,623,371	-	-	6,623,371	6,814,934
Interest payable	-	23,636,964	-	-	23,636,964	23,828,878
<b>Total current liabilities</b>	<b>24,372,044</b>	<b>102,895,275</b>	<b>-</b>	<b>-</b>	<b>127,267,319</b>	<b>114,928,625</b>
<b>NONCURRENT LIABILITIES</b>						
Compensated absences - net of current portion	312,340	-	-	-	312,340	334,788
Claims and judgments - net of current portion	-	-	-	-	-	11,230,769
General obligation bonds payable - net of current portion	-	2,783,007	-	-	2,783,007	3,435,812
Revenue bonds payable - net of current portion	-	951,175,000	-	-	951,175,000	891,895,000
Bond issue premium - net of accumulated amortization and current portion	-	22,730,536	-	-	22,730,536	24,079,921
<b>Total noncurrent liabilities</b>	<b>312,340</b>	<b>976,688,543</b>	<b>-</b>	<b>-</b>	<b>977,000,883</b>	<b>930,976,290</b>
<b>Total liabilities</b>	<b>24,684,384</b>	<b>1,079,583,818</b>	<b>-</b>	<b>-</b>	<b>1,104,268,202</b>	<b>1,045,904,915</b>
<b>NET ASSETS</b>						
Invested in capital assets - net of related debt	-	37,595,366	-	-	37,595,366	32,033,115
Restricted	-	91,270,440	9,038,349	52,519,649	152,828,438	140,835,636
Unrestricted	29,569,157	39,700,894	-	-	69,270,051	44,063,523
<b>Total net assets</b>	<b>29,569,157</b>	<b>168,566,700</b>	<b>9,038,349</b>	<b>52,519,649</b>	<b>259,693,855</b>	<b>216,932,274</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 54,253,541</b>	<b>\$ 1,248,150,518</b>	<b>\$ 9,038,349</b>	<b>\$ 52,519,649</b>	<b>\$ 1,363,962,057</b>	<b>\$ 1,262,837,189</b>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statement of Revenues, Expenses, and  
Change in Net Assets in Accordance with Trust Agreement**

**For the Year Ended June 30, 2007  
With Comparative Totals for the Year Ended June 30, 2006  
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
<b>OPERATING REVENUES</b>						
Pledged revenue						
Turnpike revenue	\$ 96,747,605	\$ -	\$ -	\$ -	\$ 96,747,605	\$ 87,696,331
Motor fuel tax revenue	117,483,765	-	-	-	117,483,765	120,090,448
Motor vehicle document fee revenue	62,689,492	-	-	-	62,689,492	64,842,559
Motor vehicle registration fee revenue	31,463,949	-	-	-	31,463,949	30,238,168
Other motor vehicle revenue	20,475,403	-	-	-	20,475,403	20,334,439
International Fuel Tax Agreement revenue	3,319,506	-	-	-	3,319,506	3,624,314
<b>Total pledged revenue</b>	<b>332,179,720</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>332,179,720</b>	<b>326,826,259</b>
Toll revenue - Delaware SR-1	32,606,361	-	-	-	32,606,361	31,524,365
Property management revenue	-	426,992	-	-	426,992	427,159
E-ZPass expense reimbursements	-	-	-	-	-	366,419
Railway tolls	-	1,498,998	-	-	1,498,998	1,502,375
Miscellaneous revenue	-	2,874,660	-	-	2,874,660	4,530,608
<b>Total operating revenues</b>	<b>364,786,081</b>	<b>4,800,650</b>	<b>-</b>	<b>-</b>	<b>369,586,731</b>	<b>365,177,185</b>
<b>OPERATING EXPENSES</b>						
Expressways Operations/Toll Administration and interstate operating expenses	16,282,224	-	-	-	16,282,224	17,440,223
Claims and judgments	769,231	-	-	-	769,231	-
Expenses in accordance with Trust Agreement						
Transportation capital preservation and operations	141,664,858	160,402,148	-	-	302,067,006	349,972,715
Delaware Transit Corporation operations	64,949,492	-	-	-	64,949,492	58,833,371
Depreciation	-	190,452	-	-	190,452	192,045
<b>Total operating expenses</b>	<b>223,665,805</b>	<b>160,592,600</b>	<b>-</b>	<b>-</b>	<b>384,258,405</b>	<b>426,438,354</b>

Continued...

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statement of Revenues, Expenses, and  
Change in Net Assets in Accordance with Trust Agreement (Continued)**

**For the Year Ended June 30, 2007  
With Comparative Totals for the Year Ended June 30, 2006  
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
OPERATING INCOME (LOSS)	\$ 141,120,276	\$ (155,791,950)	\$ -	\$ -	\$ (14,671,674)	\$ (61,261,169)
NONOPERATING REVENUES (EXPENSES)						
Pledged revenue - income from investments (net of fees)	1,894,630	10,392,469	398,296	2,089,058	14,774,453	10,523,310
Net increase (decrease) in the fair value of investments	-	74,251	92,144	617,141	783,536	(954,254)
Interest income	-	180,083	-	-	180,083	223,866
Interest expense	(159,615)	(43,048,038)	-	-	(43,207,653)	(37,346,668)
Total nonoperating revenues (expenses)	1,735,015	(32,401,235)	490,440	2,706,199	(27,469,581)	(27,553,746)
INCOME (LOSS) BEFORE TRANSFERS	142,855,291	(188,193,185)	490,440	2,706,199	(42,141,255)	(88,814,915)
Transfer from State General Fund	2,693,928	76,714,600	-	-	79,408,528	88,237,590
Transfer from Delaware Department of Transportation	-	5,494,308	-	-	5,494,308	-
Transfer in of funds in accordance with Trust Agreement	249,524,459	489,128,112	-	4,831,311	743,483,882	829,881,823
Transfer out of funds in accordance with Trust Agreement	(381,617,132)	(359,756,419)	-	(2,110,331)	(743,483,882)	(829,881,823)
CHANGE IN NET ASSETS	13,456,546	23,387,416	490,440	5,427,179	42,761,581	(577,325)
TOTAL NET ASSETS - BEGINNING OF YEAR	16,112,611	145,179,284	8,547,909	47,092,470	216,932,274	217,509,599
TOTAL NET ASSETS - END OF YEAR	\$ 29,569,157	\$ 168,566,700	\$ 9,038,349	\$ 52,519,649	\$ 259,693,855	\$ 216,932,274

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statement of Cash Flows in Accordance with Trust Agreement**

**For the Year Ended June 30, 2007  
With Comparative Totals for the Year Ended June 30, 2006  
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 369,218,485	\$ 4,074,320	\$ -	\$ -	\$ 373,292,805	\$ 363,085,104
Payments to employees	(7,062,116)	-	-	-	(7,062,116)	(6,894,415)
Payments to suppliers	(225,475,860)	(160,566,936)	-	-	(386,042,796)	(434,889,878)
Net cash flows provided by (used in) operating activities	136,680,509	(156,492,616)	-	-	(19,812,107)	(78,699,189)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from State General Fund	2,693,928	76,714,600	-	-	79,408,528	88,237,590
Transfers from Delaware Department of Transportation	-	5,494,308	-	-	5,494,308	-
Net transfers of funds in accordance with Trust Agreement	(132,092,673)	129,371,693	-	2,720,980	-	-
Net cash flows provided by (used in) noncapital financing activities	(129,398,745)	211,580,601	-	2,720,980	84,902,836	88,237,590
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Payments of revenue bond principal	-	(61,370,000)	-	-	(61,370,000)	(58,445,000)
Payment to escrow agent for refunding of revenue bonds	-	(88,415,000)	-	-	(88,415,000)	-
Proceeds from revenue bond sale	-	215,335,000	-	-	215,335,000	150,000,000
Payments of general obligation bond principal	-	(865,109)	-	-	(865,109)	(582,693)
Payment of note principal	-	-	-	-	-	(40,000,000)
Repayment from Delaware Department of Transportation	-	-	-	-	-	678,419
Premium from revenue bond sale	-	6,179,669	-	-	6,179,669	8,417,842
Acquisition of capital assets	-	(5,497,562)	-	-	(5,497,562)	(18,243,158)
Payments of interest	(159,615)	(50,960,569)	-	-	(51,120,184)	(41,999,811)
Net cash flows provided by (used in) capital and related financing activities	(159,615)	14,406,429	-	-	14,246,814	(174,401)

Continued...

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statement of Cash Flows in Accordance with Trust Agreement (Continued)**

**For the Year Ended June 30, 2007  
With Comparative Totals for the Year Ended June 30, 2006  
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Repayment on loan receivable	\$ -	\$ 11,745,028	\$ -	\$ -	\$ 11,745,028	\$ 1,108,909
Purchase of investments	(3,999,187)	(90,365,394)	(363,645)	(4,909,615)	(99,637,841)	(19,332,547)
Interest received	1,899,630	9,142,057	363,472	2,181,058	13,586,217	8,797,827
Net cash flows used in investing activities	(2,099,557)	(69,478,309)	(173)	(2,728,557)	(74,306,596)	(9,425,811)
Net increase (decrease) in cash and cash equivalents	5,022,592	16,105	(173)	(7,577)	5,030,947	(61,811)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>2,293,546</b>	<b>105,917</b>	<b>1,461</b>	<b>40,135</b>	<b>2,441,059</b>	<b>2,502,870</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 7,316,138</b>	<b>\$ 122,022</b>	<b>\$ 1,288</b>	<b>\$ 32,558</b>	<b>\$ 7,472,006</b>	<b>\$ 2,441,059</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 141,120,276	\$ (155,791,950)	\$ -	\$ -	\$ (14,671,674)	\$ (61,261,169)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and retirements of property and equipment	-	190,452	-	-	190,452	192,045
Changes in assets and liabilities						
Increase in accounts receivable	(742,143)	-	-	-	(742,143)	(671,428)
Increase (decrease) in accounts payable	2,242,823	(164,788)	-	-	2,078,035	(15,629,753)
Increase in accrued payroll and related expenses	115,775	-	-	-	115,775	91,769
Increase in customer toll deposits	5,174,547	-	-	-	5,174,547	-
Decrease in deferred revenue	-	(726,330)	-	-	(726,330)	(1,326,193)
Decrease in other accrued expenses	(11,230,769)	-	-	-	(11,230,769)	(94,460)
Net cash provided by (used in) operating activities	<b>\$ 136,680,509</b>	<b>\$ (156,492,616)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (19,812,107)</b>	<b>\$ (78,699,189)</b>

Continued...

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statement of Cash Flows in Accordance with Trust Agreement (Continued)**

**For the Year Ended June 30, 2007  
With Comparative Totals for the Year Ended June 30, 2006  
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Interest capitalized on Diamond State Port Corporation loan	\$ -	\$ 1,181,392	\$ -	\$ -	\$ 1,181,392	\$ 1,348,641

**Delaware Transportation Authority  
Transportation Trust Fund**

**Schedule of Revenue Bonds Outstanding**

**June 30, 2007**

**See Independent Auditors' Report**

Principal	Senior											Total Senior Bond Series
	1997 Series	1998 Series	2000 Series	2001 Series	2002 Series	2002 SER B Series	2003 Series	2004 Series	2005 Series	2006 Series	2007 SER A Series	
FY08	\$ 3,665,000	\$ 3,215,000	\$ 3,360,000	\$ 3,330,000	\$ 5,515,000	\$ 7,200,000	\$ 22,760,000	\$ 3,635,000	\$ 1,000,000	\$ 2,455,000	\$ 205,000	\$ 56,340,000
FY09	3,885,000	7,450,000	3,535,000	3,495,000	5,790,000	3,640,000	23,890,000	3,810,000	1,500,000	4,290,000	400,000	61,685,000
FY10	-	3,550,000	3,715,000	3,670,000	-	3,825,000	25,100,000	3,930,000	6,990,000	4,460,000	8,005,000	63,245,000
FY11	-	3,710,000	3,910,000	3,855,000	-	4,030,000	26,350,000	4,125,000	5,265,000	4,640,000	8,335,000	64,220,000
FY12	-	3,885,000	-	4,045,000	-	4,240,000	15,620,000	12,285,000	15,365,000	4,875,000	4,460,000	64,775,000
FY13	-	4,060,000	-	-	-	8,675,000	16,405,000	12,810,000	12,345,000	5,115,000	4,680,000	64,090,000
FY14	-	-	-	-	-	9,200,000	17,225,000	13,240,000	12,220,000	5,320,000	5,710,000	62,915,000
FY15	-	-	-	-	-	14,080,000	18,090,000	9,620,000	7,580,000	5,585,000	5,960,000	60,915,000
FY16	-	12,770,000	-	-	-	9,985,000	-	22,025,000	7,870,000	5,865,000	105,000	58,620,000
FY17	-	13,345,000	-	5,175,000	-	5,435,000	-	18,450,000	2,795,000	6,160,000	4,975,000	56,335,000
FY18	-	-	-	5,405,000	-	5,685,000	8,560,000	10,955,000	11,505,000	6,470,000	5,220,000	53,800,000
FY19	-	-	-	-	-	11,445,000	8,985,000	5,755,000	12,765,000	6,790,000	5,455,000	51,195,000
FY20	-	-	-	5,935,000	-	6,235,000	9,435,000	6,000,000	8,105,000	7,060,000	5,730,000	48,500,000
FY21	-	-	-	-	-	6,535,000	-	6,255,000	3,385,000	7,365,000	22,130,000	45,670,000
FY22	-	-	-	-	-	6,205,000	10,405,000	6,520,000	4,680,000	7,675,000	6,520,000	42,005,000
FY23	-	-	-	-	-	6,495,000	10,870,000	6,805,000	6,025,000	7,980,000	-	38,175,000
FY24	-	-	-	-	-	-	11,360,000	7,090,000	6,135,000	8,330,000	-	32,915,000
FY25	-	-	-	-	-	-	-	7,395,000	11,625,000	8,695,000	-	27,715,000
FY26	-	-	-	-	-	-	-	-	-	9,000,000	-	9,000,000
FY27	-	-	-	-	-	-	-	-	11,845,000	9,315,000	-	21,160,000
	<u>\$ 7,550,000</u>	<u>\$ 51,985,000</u>	<u>\$ 14,520,000</u>	<u>\$ 34,910,000</u>	<u>\$ 11,305,000</u>	<u>\$ 112,910,000</u>	<u>\$ 225,055,000</u>	<u>\$ 160,705,000</u>	<u>\$ 149,000,000</u>	<u>\$ 127,445,000</u>	<u>\$ 87,890,000</u>	<u>\$ 983,275,000</u>

Principal	Junior 2002 Series	Total Junior Bond Series	Totals
	FY08	\$ 11,300,000	\$ 11,300,000
FY09	11,825,000	11,825,000	73,510,000
FY10	12,415,000	12,415,000	75,660,000
FY11	-	-	64,220,000
FY12	-	-	64,775,000
FY13	-	-	64,090,000
FY14	-	-	62,915,000
FY15	-	-	60,915,000
FY16	-	-	58,620,000
FY17	-	-	56,335,000
FY18	-	-	53,800,000
FY19	-	-	51,195,000
FY20	-	-	48,500,000
FY21	-	-	45,670,000
FY22	-	-	42,005,000
FY23	-	-	38,175,000
FY24	-	-	32,915,000
FY25	-	-	27,715,000
FY26	-	-	9,000,000
FY27	-	-	21,160,000
	<u>\$ 35,540,000</u>	<u>\$ 35,540,000</u>	<u>\$ 1,018,815,000</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Schedule of Revenue Bonds Outstanding**

**June 30, 2006**

**See Independent Auditors' Report**

Principal	Senior									Total Senior Bond Series
	1997 Series	1998 Series	2000 Series	2001 Series	2002 Series	2002 SER B Series	2003 Series	2004 Series	2005 Series	
FY07	\$ 3,455,000	\$ 205,000	\$ 3,200,000	\$ 3,170,000	\$ 16,460,000	\$ 6,835,000	\$ 12,725,000	\$ 3,495,000	\$ 1,000,000	\$ 50,545,000
FY08	3,665,000	3,215,000	3,360,000	3,330,000	5,515,000	7,200,000	22,760,000	3,635,000	1,000,000	53,680,000
FY09	3,885,000	7,450,000	3,535,000	3,495,000	5,790,000	3,640,000	23,890,000	3,810,000	1,500,000	56,995,000
FY10	8,390,000	3,550,000	3,715,000	3,670,000	-	3,825,000	25,100,000	3,930,000	6,990,000	59,170,000
FY11	8,820,000	3,710,000	3,910,000	3,855,000	-	4,030,000	26,350,000	4,125,000	5,265,000	60,065,000
FY12	5,050,000	3,885,000	-	4,045,000	-	4,240,000	15,620,000	12,285,000	15,365,000	60,490,000
FY13	5,300,000	4,060,000	-	-	-	8,675,000	16,405,000	12,810,000	12,345,000	59,595,000
FY14	5,560,000	-	-	-	-	9,200,000	17,225,000	13,240,000	12,220,000	57,445,000
FY15	5,805,000	-	-	-	-	14,080,000	18,090,000	9,620,000	7,580,000	55,175,000
FY16	-	12,770,000	-	-	-	9,985,000	-	22,025,000	7,870,000	52,650,000
FY17	-	13,345,000	-	5,175,000	-	10,300,000	-	18,450,000	2,795,000	50,065,000
FY18	-	-	-	5,405,000	-	10,790,000	8,560,000	10,955,000	11,505,000	47,215,000
FY19	-	-	-	-	-	16,805,000	8,985,000	5,755,000	12,765,000	44,310,000
FY20	-	-	-	5,935,000	-	11,865,000	9,435,000	6,000,000	8,105,000	41,340,000
FY21	-	-	-	6,210,000	-	12,445,000	9,905,000	6,255,000	3,385,000	38,200,000
FY22	-	-	-	6,505,000	-	6,205,000	10,405,000	6,520,000	4,680,000	34,315,000
FY23	-	-	-	-	-	6,495,000	10,870,000	6,805,000	6,025,000	30,195,000
FY24	-	-	-	-	-	-	11,360,000	7,090,000	6,135,000	24,585,000
FY25	-	-	-	-	-	-	-	7,395,000	11,625,000	19,020,000
FY26	-	-	-	-	-	-	-	-	11,845,000	11,845,000
	<u>\$ 49,930,000</u>	<u>\$ 52,190,000</u>	<u>\$ 17,720,000</u>	<u>\$ 50,795,000</u>	<u>\$ 27,765,000</u>	<u>\$ 146,615,000</u>	<u>\$ 247,685,000</u>	<u>\$ 164,200,000</u>	<u>\$ 150,000,000</u>	<u>\$ 906,900,000</u>
	Junior 2002 Series	Total Junior Bond Series	Totals							
FY07	\$ 10,825,000	\$ 10,825,000	\$ 61,370,000							
FY08	11,300,000	11,300,000	64,980,000							
FY09	11,825,000	11,825,000	68,820,000							
FY10	12,415,000	12,415,000	71,585,000							
FY11	-	-	60,065,000							
FY12	-	-	60,490,000							
FY13	-	-	59,595,000							
FY14	-	-	57,445,000							
FY15	-	-	55,175,000							
FY16	-	-	52,650,000							
FY17	-	-	50,065,000							
FY18	-	-	47,215,000							
FY19	-	-	44,310,000							
FY20	-	-	41,340,000							
FY21	-	-	38,200,000							
FY22	-	-	34,315,000							
FY23	-	-	30,195,000							
FY24	-	-	24,585,000							
FY25	-	-	19,020,000							
FY26	-	-	11,845,000							
	<u>\$ 46,365,000</u>	<u>\$ 46,365,000</u>	<u>\$ 953,265,000</u>							

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statements of Operating Revenues and Expenses -  
Expressways Operations/Toll Administration**

**For the Years Ended June 30, 2007 and 2006  
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
TOLL REVENUES - DELAWARE TURNPIKE	\$ 93,055,444	\$ 84,129,639
TOLL REVENUES - DELAWARE SR-1	32,606,361	31,524,365
	<u>125,661,805</u>	<u>115,654,004</u>
ADD - TOLL VARIANCE AND VIOLATIONS	571,286	528,799
	<u>126,233,091</u>	<u>116,182,803</u>
 SERVICE AREA RENTALS		
Marriott restaurants	1,723,475	1,698,669
Service stations		
Exxon	787,831	716,963
Mobil	287,529	283,269
	<u>2,798,835</u>	<u>2,698,901</u>
 OTHER TURNPIKE REVENUES	<u>322,040</u>	<u>338,992</u>
 TOTAL TURNPIKE REVENUES	129,353,966	119,220,696
 DELAWARE TURNPIKE EXPENSES		
Personnel	2,914,307	2,949,998
Utilities	161,545	128,563
Contracted services	478,844	582,102
	<u>3,554,696</u>	<u>3,660,663</u>
 TOLL ADMINISTRATION EXPENSES		
Personnel	1,110,475	848,150
Capital outlay and travel	60,597	186,702
Utilities	76,722	63,362
Contracted services	7,558,314	8,506,729
	<u>8,806,108</u>	<u>9,604,943</u>
 DELAWARE SR-1 EXPENSES		
Personnel	3,037,334	3,096,267
Utilities	327,923	228,313
Contracted services	556,163	850,037
	<u>3,921,420</u>	<u>4,174,617</u>
 TOTAL EXPENSES	<u>16,282,224</u>	<u>17,440,223</u>
 EXCESS OF REVENUES OVER EXPENSES	<u>\$ 113,071,742</u>	<u>\$ 101,780,473</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Schedules of Expenditures Compared to Budget -  
Expressways Operations/Toll Administration**

**For the Years Ended June 30, 2007 and 2006  
See Independent Auditors' Report**

	2007			2006		
	Budget	Actual*	Variance	Budget	Actual*	Variance
<b>DELAWARE TURNPIKE EXPENDITURES</b>						
Personnel	\$ 2,974,500	\$ 2,930,270	\$ 44,230	\$ 2,918,400	\$ 2,911,540	\$ 6,860
Utilities	167,000	167,000	-	124,800	124,800	-
Contracted services	598,500	597,055	1,445	598,500	598,475	25
	<u>3,740,000</u>	<u>3,694,325</u>	<u>45,675</u>	<u>3,641,700</u>	<u>3,634,815</u>	<u>6,885</u>
<b>TOLL ADMINISTRATION EXPENDITURES</b>						
Personnel	1,027,300	1,087,304	(60,004)	841,300	832,334	8,966
Capital outlay and travel	41,000	57,604	(16,604)	117,000	113,007	3,993
Utilities	78,500	78,500	-	61,000	61,000	-
Contracted services	7,476,000	7,832,602	(356,602)	9,275,000	9,273,816	1,184
	<u>8,622,800</u>	<u>9,056,010</u>	<u>(433,210)</u>	<u>10,294,300</u>	<u>10,280,157</u>	<u>14,143</u>
<b>DELAWARE SR-1 EXPENDITURES</b>						
Personnel	3,317,900	3,052,117	265,783	3,080,700	3,058,773	21,927
Utilities	313,000	301,000	12,000	309,400	309,400	-
Contracted services	809,100	820,019	(10,919)	821,100	820,973	127
	<u>4,440,000</u>	<u>4,173,136</u>	<u>266,864</u>	<u>4,211,200</u>	<u>4,189,146</u>	<u>22,054</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 16,802,800</u></u>	<u><u>\$ 16,923,471</u></u>	<u><u>\$(120,671)</u></u>	<u><u>\$ 18,147,200</u></u>	<u><u>\$ 18,104,118</u></u>	<u><u>\$ 43,082</u></u>

\*Includes purchase orders outstanding at June 30.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Schedule of Revenue Bond Coverage**

**June 30, 2007**

**See Independent Auditors' Report**

Oversight responsibility for the issuance of debt by the State and its authorities is centralized under the Secretary of Finance. The following table sets forth certain indebtedness of the Authority. Further information for the Authority may be found in the notes to financial statements, changes in long-term liabilities and bonds outstanding.

(in Thousands)

Fiscal Year	Gross Pledged Revenue	Debt Service Requirements			Coverage*
		Principal	Interest	Total	
1998	\$ 252,966	\$ 31,585	\$ 30,176	\$ 61,761	4.10
1999	268,650	33,300	32,718	66,018	4.07
2000	292,201	35,330	30,809	66,139	4.42
2001	293,026	35,315	37,537	72,852	4.02
2002	303,794	39,565	35,269	74,834	4.06
2003	302,754	41,490	44,957	86,447	3.50
2004	308,091	47,640	38,176	85,816	3.59
2005	300,820	53,920	39,370	93,290	3.22
2006	337,350	58,445	40,573	99,018	3.41
2007	346,954	61,370	45,534	106,904	3.25

\* The above coverage calculation represents the total gross pledged revenue as it relates to the total debt service requirement of all senior and junior bonds. The calculation method used in the Official Statement per the Trust Agreement calculates only the senior bond debt service requirement and subtracts investment income revenue from gross pledged revenue.

## APPENDIX B

### Summary of Certain Provisions of the Agreement

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## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

The following is a general summary of certain provisions of the Agreement. Summaries of definitions of certain defined terms used in the Agreement and the Official Statement are also set forth below. Other terms defined in the Agreement or the Official Statement for which summary definitions are not set forth are indicated by initial capitalization. This Summary is not to be considered a full statement of the terms of the Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof. Copies of the Agreement are available for examination at the offices of the Trustee and the Authority.

#### Definitions

“Accreted Value” shall mean, as of any date of computation with respect to any Compound Interest Bond, an amount equal to the principal amount of such Compound Interest Bond (the principal amount at its original issuance) plus the interest accrued on such Compound Interest Bond from the date of its original issuance to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at the interest rate per annum of the Compound Interest Bonds set forth in the Supplemental Agreement authorizing the issuance of such Compound Interest Bonds, compounded on each Interest Payment Date, plus, with respect to matters related to the payment upon redemption or acceleration of the Compound Interest Bonds, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based upon an assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of 360 days consisting of twelve (12) months of thirty (30) days each.

“Act” shall mean the Delaware Transportation Authority Act, Chapter 13, Title 2, Delaware Code, as amended, and the Transportation Trust Fund Act, Chapter 14, Title 2, Delaware Code, as amended from time to time.

“Additional Revenues” shall mean any receipts or revenue of the Authority pledged to the Trustee for the benefit of the holders of the Bonds pursuant to a Supplemental Agreement and not pledged by the Agreement on the date of its initial execution and delivery. By Supplemental Agreement No. 3 dated as of August 1, 1990, the following were added as Additional Revenue: motor vehicle registration fees imposed by the State pursuant to Chapter 21, Title 21, Delaware Code, all fees which are collected by the Department of Public Safety and paid to the Transportation Trust Fund pursuant to Chapter 3, Title 21, Delaware Code, and investment income earned and received on assets held in the Trust Fund (provided that investment income shall not be treated as Additional Revenue for the purposes of the additional Bonds tests). By Supplemental Agreement No. 9 dated as of November 1, 1994, amounts received from the State and derived by the State from the hauling permits required under Chapter 45, Title 21, Delaware Code were added as Additional Revenue. The Chapter 3, Title 21 Additional Revenue pledged by Supplemental Agreement No. 3 and the Chapter 45, Title 21 Additional Revenue pledged by Supplemental Agreement No. 9 are referred to herein as “Pledged Miscellaneous Transportation Revenue”.

“Agreement” shall mean the Trust Agreement, dated as of the 1st day of August, 1988, between the Authority and Wilmington Trust Company together with all agreements supplemental thereto as therein permitted.

“Annual Budget” shall mean the Authority's budget required to be prepared by the Act, showing, among other things, the expected deposits to the Funds created under the Agreement.

“Appreciated Value” shall mean, (i) as of any date of computation with respect to any Compound Interest and Income Bond prior to the Interest Commencement Date set forth in the Supplemental Agreement providing for the issuance of such Compound Interest and Income Bond, an amount equal to the principal amount of such Compound Interest and Income Bond (the principal amount at its original issuance) plus the interest accrued on such Compound Interest and Income Bond from the date of original issuance of such Bond to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at the rate per annum of

the Compound Interest and Income Bonds set forth in the Supplemental Agreement providing for the issuance of such Compound Interest and Income Bond, compounded semiannually on each Interest Payment Date, plus, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Appreciated Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Interest Payment Date calculated based upon an assumption that Appreciated Value accrues during any period in equal daily amounts on the basis of a year of 360 days consisting of twelve (12) months of thirty (30) days each, and (ii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

“Authority” shall mean the Delaware Transportation Authority, a body corporate and politic constituting a public instrumentality of The State of Delaware, and the successor or successors of the Authority.

“Bonds” or “Bond” shall mean Senior and/or Junior Bonds or Bond issued under the Agreement.

“Capital Fund” shall mean the Delaware Transportation Authority Capital Fund, a trust fund created and designated by the provisions of Article V of the Agreement.

“Compound Interest and Income Bonds” shall mean any Bonds as to which accruing interest is not paid prior to the Interest Commencement Date specified in the Supplemental Agreement providing for the issuance of such Bonds and the Appreciated Value for such Bonds is compounded semiannually on each of the applicable semiannual dates designated for compounding prior to the Interest Commencement Date for such Compound Interest and Income Bonds, all as so designated by the Supplemental Agreement providing for the issuance of such Bonds.

“Compound Interest Bonds” shall mean those Bonds as to which interest is compounded semiannually on each of the applicable semiannual dates designated for compounding and payable in an amount equal to the then current Accreted Value only at the maturity, earlier redemption or other payment date therefor, all as so designated by the Supplemental Agreement providing for the issuance of such Bonds.

“Credit Facility; Termination thereof; Expiration thereof” “Credit Facility” shall mean any of the following: (i) a letter of credit; and (ii) any other credit facility, insurance policy or other credit support agreement or mechanism obtained, delivered, made, entered into or otherwise arranged by the Authority for the purpose of securing, evidencing or being otherwise in furtherance of the obligations of the Authority under the Agreement or for the purpose of securing all or a portion of the Bonds, or for all of the foregoing purposes. Credit Facility shall include any agreement to reimburse the obligor of such Credit Facility for a drawing or advance under that Credit Facility as well as the agreement, if separate, which embodies the obligation of the obligor to the Authority or the Trustee permitting the Authority or the Trustee to draw or obtain advances under such Credit Facility. Any Credit Facility obtained to satisfy the debt service reserve account requirements for the Junior Bonds or the Senior Bonds which is an insurance policy must be rated at its issuance in the highest Rating Category by Moody's and S&P. Any such Credit Facility which is a letter of credit must be continuously rated in the highest Rating Category by Moody's and S&P. “Termination” (and other forms of the word “terminate”) shall mean, when used with respect to any Credit Facility, the replacement, removal, surrender or other termination of such Credit Facility by the Trustee other than the Expiration of such Credit Facility. “Expiration” (and other forms of the word “expire”) shall mean, when used with respect to any Credit Facility, the expiration or termination of such Credit Facility in accordance with its terms.

“Current Interest Bonds” shall mean any bonds the interest on which is paid at least semi-annually unless otherwise provided in a Supplemental Agreement.

“Defeased Municipal Obligations” shall mean obligations of state or local governments or obligations of public authorities or agencies which are rated in the highest Rating Category by S&P or Moody's and provisions for payment of which have been made by deposit of funds or investments with a trustee or escrow agent for the benefit of the holders of such Defeased Municipal Obligations.

“Delaware Turnpike” shall mean the toll express highway designated Delaware Interstate 95 extending from a point in the vicinity of Farnhurst, Delaware, to a point at or near the boundary line between the State of Delaware and the State of Maryland.

“Delaware Turnpike Revenues” shall mean all tolls, concession revenues and other revenues or receipts derived from the ownership, operation or maintenance of the Delaware Turnpike.

“Document Fees” shall mean the fees derived from motor vehicle document fees imposed by the State of Delaware pursuant to Section 3002, Chapter 30, Title 30, Delaware Code, as amended, from time to time, and successor sections of the Delaware Code.

“Engineering Consultants” shall mean a firm or corporation having a nationwide and favorable repute for skill and experience in all phases of turnpike engineering and maintenance and in estimating operating expenses incurred in operating toll turnpikes.

“Fiscal Year” shall mean the period commencing on the first day of July of any year and ending on the last day of June of the following year.

“Government Obligations” shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depository receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock surplus and undivided profits of at least \$50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depository receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; and (c) Defeased Municipal Obligations.

“Interest Commencement Date” shall mean with respect to any particular Compound Interest and Income Bond, the date which must be an Interest Payment Date, as set forth in the Supplemental Agreement providing for the issuance of such Bond (which date must be prior to the scheduled maturity date for such Bond) after which interest accruing on such Bond shall be payable semiannually, with the first such payment being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

“Investment Account” shall mean the Delaware Transportation Authority Investment Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Junior Bonds” shall mean Bonds, at any time Outstanding, the principal and interest on which are payable from the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account and, as provided in the Agreement, from the Junior Bonds Debt Service Reserve Account and by their terms, subordinate in right of payment to Senior Bonds (except with respect to Junior Bonds Priority Funds) but senior in their right of payment to Subordinate Indebtedness.

“Junior Bonds Debt Service Reserve Account” shall mean the Delaware Transportation Authority Junior Bonds Debt Service Reserve Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Junior Bonds Debt Service Reserve Account Requirement” shall mean, as of any date of determination, an amount equal to one-half the maximum Principal and Interest Requirements on Junior Bonds then Outstanding; provided that with respect to any Junior Bonds bearing interest at the Short-Term Rate, such requirement shall be determined by Supplemental Agreements.

“Junior Bonds Principal and Interest Account” shall mean the Delaware Transportation Authority Junior Bonds Principal and Interest Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Junior Bonds Priority Funds” shall mean moneys on deposit in and/or payable under a Credit Facility to the Junior Bonds Principal and Interest Account, Junior Bonds Redemption Account and/or the Junior Bonds Debt Service Reserve Account.

“Junior Bonds Redemption Account” shall mean the Delaware Transportation Authority Junior Bonds Redemption Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Maximum Principal and Interest Requirement” shall mean the maximum principal and interest payable in any Fiscal Year with respect to Senior Bonds or Junior Bonds, as the case may be, less the sum of the proceeds of such Bonds issued to fund interest of such series of Bonds during the Fiscal Year of calculation.

“Motor Fuel Tax Revenues” shall mean the revenues derived from the motor fuel tax imposed by the State pursuant to Chapter 51, Title 30, Delaware Code, as amended, from time to time, and successor provisions of the Delaware Code.

“Operating Fund” shall mean the Delaware Transportation Authority Operating Fund, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Operating Reserve Fund” shall mean the Delaware Transportation Authority Operating Reserve Fund, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Other Projects Account” shall mean the Delaware Transportation Authority Other Projects Account, a trust fund created and designated in Section 5.01 (“Capital Fund”) of the Agreement.

“Outstanding” when used in reference to the Bonds, shall mean, at any particular date, the aggregate of all Bonds authenticated and delivered under the Agreement except:

- (a) those Bonds cancelled at or prior to such date or delivered to or acquired by the Trustee at or prior to such date for cancellation;
- (b) those deemed to be paid in accordance with Article VIII (“Defeasance”) of the Agreement;
- (c) those deemed to be purchased in accordance with any agreement with a Tender Agent or Remarketing Agent; and
- (d) those in lieu of or in exchange or substitution for which other Bonds shall have been authenticated and delivered pursuant to the Agreement.

“Principal” or “principal amount” shall mean (i) with respect to any Compound Interest and Income Bond, the Appreciated Value thereof and with respect to any Compound Interest Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Appreciated Value or the Accreted Value, as the case may be, being deemed unearned interest) except as used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default (of which the Trustee has notice within the meaning of Section 10.05 of the Agreement), in which case “principal” means the initial public offering price of a Compound Interest and Income Bond and a Compound Interest Bond (the difference between the Appreciated Value or the Accreted Value, as the case may be, and the initial public offering price being deemed interest) and (ii) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Principal and Interest Requirements” shall mean for any Fiscal Year:

- (a) as applied to any Outstanding Bonds (except as provided in clauses (b), (c), (d) and (e) below), the sum of:
  - (i) the amount required to pay interest and any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on all serial Bonds then Outstanding

which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if any interest payable on July 1 of the Fiscal Year of calculation is excluded);

(ii) the amount required to pay principal of all serial Bonds then Outstanding which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if the principal payment due on any July 1 of the Fiscal Year of calculation is excluded);

(iii) the amount required to pay interest and any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on all term Bonds then Outstanding which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if interest payable on any July 1 of the Fiscal Year of calculation is excluded); and

(iv) the amount required to meet the Sinking Fund Payments on all term Bonds then Outstanding which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if the amount required to meet the Sinking Fund Payment on any July 1 of the Fiscal Year of calculation is excluded);

(b) as applied to Bonds of any series which are payable in a Fiscal Year by virtue of the right of a holder of Bonds to demand repurchase or repayment prior to their scheduled maturity (after taking into account all scheduled mandatory redemptions or prepayments payable over the life of those Bonds):

(i) the amount required to pay interest and any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on such Bonds then Outstanding which is payable in a Fiscal Year (and on any July 1 of the following Fiscal Year if interest payable on any July 1 of the Fiscal Year of calculation is excluded);

(ii) the amount required to pay principal of such Bonds then Outstanding which is payable in a Fiscal Year (and on any July 1 of the following Fiscal Year if principal payable on any July 1 of the Fiscal Year of calculation is excluded) assuming that the principal amount of such Bonds which is subject to repurchase or repayment prior to its scheduled maturity shall be required to be repurchased or repaid on the earliest date on which such demand can be made or on which by its terms it can be required to be repaid;

(iii) notwithstanding items (i) and (ii) in this clause (b), if the Authority has delivered a Credit Facility to the Trustee under which money is available for the payment of all or a portion of such Bonds (a "balloon payment") (provided that if the Credit Facility is scheduled to expire prior to the date of payment of the balloon payment, the amount available under the Credit Facility is required to be drawn and applied to the payment of the balloon payment unless the Credit Facility is replaced or renewed prior to such Expiration date) Principal and Interest Requirements shall be calculated as follows: (1) it shall be assumed that the amounts available under the Credit Facility are drawn on the earlier of the balloon payment date or the Expiration or Termination date of the Credit Facility; (2) the Principal and Interest Requirements on the Bonds for each Fiscal Year prior to the Fiscal Year of the assumed date of drawing on the Credit Facility shall be deemed to be equal to the amount of principal and interest payments scheduled to be paid; and (3) the Principal and Interest Requirements for the Fiscal Year of the assumed draw under the Credit Facility and for each Fiscal Year thereafter shall be deemed to be equal to the sum of the principal and interest payable during such period by the terms of the Credit Facility and the principal and interest payments of other Bonds of that series for which amounts are not available under the Credit Facility;

(c) with respect to any Bonds bearing interest at the Short-Term Rate, for purposes of calculations made under (a) or (b) above, interest payments shall be the sum of:

(i) the maximum interest rate payable at the Short-Term Rate as determined by the Supplemental Agreement pursuant to which such Bonds are issued, or, if higher, the maximum rate payable on the Bonds if held by any provider of a Credit Facility ensuring the payment of principal of and interest on such Bonds but only to the extent that such interest is payable from a Debt Service Fund; and

(ii) any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on the Bonds subject to the foregoing calculations;

(d) Notwithstanding the foregoing provisions of this definition with respect to any Bonds bearing interest at the Commercial Paper Rate, the payment of principal of and interest on which is ensured by the provider of a Credit Facility, Principal and Interest Requirements for each Fiscal Year shall be calculated assuming level debt service over 20 years with interest, for purposes of that calculation, at the maximum allowable rate on the date of initial issuance of Bonds bearing interest at the Commercial Paper Rate as determined by the Supplemental Agreement pursuant to which such Bonds are issued, or, if higher, the maximum rate payable on such Bonds if held by such provider of the Credit Facility but only to the extent that such interest is payable from a Debt Service Fund;

(e) Notwithstanding the foregoing provisions of this definition, Principal and Interest Requirements with respect to Compound Interest Bonds and Compound Interest and Income Bonds (each of such Bonds may comprise a portion of a series) shall be determined by the Supplemental Agreement providing for the issuance of any such Bonds but in any event, shall commence on the Interest Commencement Date with respect to Compound Interest and Income Bonds and, with respect to Compound Interest Bonds, either six months or one year prior (or such lesser time prior, as provided in the applicable Supplemental Agreement) to the date on which Accreted Value becomes due and payable with principal and interest portions of Accreted Value payable on such due date being deemed to accrue in equal daily installments commencing on the first day of such one year period (or such other period as is provided in the Supplemental Agreement pursuant to which such Bonds are issued).

“Project” shall mean any project which the Authority is authorized to finance under the provisions of the Act.

“Qualified Investments” shall mean

(a) (i) Government Obligations and (ii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association, the Federal Financing Bank, the Federal Home Loan Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the Government National Mortgage Association, or by any other agency controlled by or supervised by and acting as an instrumentality of the United States Government (except for the Federal Farm Credit Bank, the Federal Land Bank, the Federal Intermediate Credit Bank, the Federal Home Loan Banks, or the Federal Bank for Cooperatives),

(b) certificates of deposit issued by, and time deposits in, any bank (including the Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, other than the Trustee, whose long-term unsecured indebtedness is rated less than A by Moody's or S &P, such certificates of deposit or time deposits are (i) insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when “stripped” by the United States Treasury, then by the custodian designated by the United States Treasury,

(d) Defeased Municipal Obligations,

(e) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by S&P or Moody's,

(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 an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by S&P or Moody's despite the failure of such obligations to qualify as a Qualified Investment under (e) above,

(g) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (e) or (f) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least \$100,000,000 and is rated in the highest Rating Category by S&P or Moody's,

(h) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(i) any repurchase agreement for Government Obligations by the Trustee that is with a bank or trust company (including the Trustee) or any securities dealer which is a member of the Securities Investors Protective Corporation; provided, however, that the Government Obligations must be transferred to the Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims, and further provided that (i) in the case of a bank or trust company, such institution shall have a combined capital and surplus of not less than \$50,000,000 or have ratings from S&P or Moody's in one of their three highest Rating Categories and (ii) in the case of a securities dealer, such dealer is a member of the National Association of Securities Dealers, Inc. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations, and

(j) commercial paper rated in the highest Rating Category by either S&P or Moody's.

Any investment in obligations described in (a), (c), (d), (e), (f), (g), (h) and (j) above may be made in the form of an entry made on the records of the issuer of the particular obligation.

“Rebate Account” shall mean the Delaware Transportation Authority Rebate Account, a special fund created and designated by the provisions of Section 7.22 of the Agreement.

“Receipts and Revenues of the Authority” shall mean all moneys paid or payable to the Trustee by or for the account of the Authority, including, but not limited to, Motor Fuel Tax Revenues, Delaware Turnpike Revenues, Document Fees, the proceeds of all drawings by or advances to the Trustee under a Credit Facility in satisfaction of the Authority's obligations to make payments under the Agreement (other than drawings or advances under Credit Facilities ensuring payment of principal of and interest on Bonds), all Additional Revenues and all receipts of the Trustee which, under the provisions of the Agreement, reduce the amount of such payments.

“Revenue Account” shall mean the Delaware Transportation Authority Revenue Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Revenue Fund” shall mean the Delaware Transportation Authority Revenue Fund, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Senior Bonds” shall mean Bonds, at any time Outstanding, that by their terms are senior in right of payment to Junior Bonds (except Junior Bonds to the extent payable from Junior Bonds Priority Funds) and the principal and interest on which are payable from the Senior Bonds Principal and Interest Account, the Seniors Bonds Redemption Account and, as provided in the Agreement, from the Senior Bonds Debt Service Reserve Account.

“Senior Bonds Debt Service Reserve Account” shall mean the Delaware Transportation Authority Senior Bonds Debt Service Reserve Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Senior Bonds Debt Service Reserve Account Requirement” shall mean as of any date of determination, an amount equal to one-half of the maximum Principal and Interest Requirements on Senior Bonds then Outstanding (subject to the provisions of Section 4.05 of the Agreement); provided that with respect to any Senior Bonds bearing interest at the Short-Term Rate, such requirement shall be determined by Supplemental Agreements.

“Senior Bonds Principal and Interest Account” shall mean the Delaware Transportation Authority Senior Bonds Principal and Interest Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Senior Bonds Redemption Account” shall mean the Delaware Transportation Authority Senior Bonds Redemption Account, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Stabilization Fund” shall mean the Delaware Transportation Authority Debt Service Stabilization Fund, a trust fund created and designated by the provisions of Section 4.01 (“Creation of Funds”) of the Agreement.

“Supplemental Agreement” shall mean any agreement of the Authority modifying, altering, amending, supplementing or confirming the Agreement for any purpose, in accordance with the terms thereof.

“Tender Agent” shall mean the agent appointed in accordance with a Supplemental Agreement to accept the tender of Bonds, as determined by such Supplemental Agreement.

“Test Revenues” shall mean the aggregate amount of Delaware Turnpike Revenues, Motor Fuel Tax Revenues, Document Fees and Additional Revenues, as calculated pursuant to Section 2.07(b)(i) of the Agreement.

“Traffic Consultants” shall mean a firm or corporation having a nationwide and favorable repute for skill and experience in making estimates of vehicular traffic, turnpike earnings, fees and taxes related to motor vehicle use and/or other transportation related matters with respect to which the Traffic Consultants are providing projections, estimates or other advice and counsel described in the Agreement.

“Trust Estate” shall mean at any particular time all right, title and interest of the Trustee in and to the Agreement (except any rights of the Authority to receive notices, certificates, requests, requisitions and other communications thereunder), including without limitation the Receipts and Revenues of the Authority, any Credit Facility (excluding the rights to make drawings thereunder with respect to the payment or purchase of Bonds and proceeds of such drawings), the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Stabilization Fund (but not the Operating Fund and the Operating Reserve Fund) and the Capital Fund (and Funds created in those Funds) and all moneys and investments from time to time on deposit therein (excluding, however, any moneys or investments held in the Rebate Account), any and all other moneys and obligations (other than Bonds) which at such time are deposited or are required to be deposited with, or are held or are required to be held by or on behalf of, the Trustee, the Paying Agent or any Co-Paying Agent in trust under any of the provisions of the Agreement and all other rights, titles and interests which at such time are subject to the lien of the Agreement; provided, however, that in no event shall there be included in the Trust Estate (a) moneys or obligations deposited with or paid to the Trustee for the redemption or payment of Bonds which are deemed to have been paid in accordance with Article VIII (“Defeasance”) of the Agreement or moneys held pursuant to Section 4.10 (“Money Held in Trust”) and 7.22 (“Rebate Account”) of the Agreement or (b) except as therein expressly provided, any moneys held by the Tender Agent or any other person for the purchase of Bonds or for payment of Bonds held or to be held by it pursuant to a draw under a Credit Facility; provided, further, however that advances or drawings under a Credit Facility may be subject to a lien under the Agreement in favor of holders of less than all of the Bonds Outstanding, as provided in any Supplemental Agreement and the lien of the holders of Junior Bonds shall be subordinate and subject in right of payment, to the extent and in the manner set forth in the Agreement, to the prior payment of all Senior Bonds but prior to the rights of holders of Senior Bonds with respect to the Junior Bonds Priority Funds.

“Turnpike Account” shall mean the Delaware Transportation Authority Turnpike Account created and designated by the provisions of Section 5.01 of the Agreement.

“Turnpike Operating Expenses” shall mean the Authority's reasonable and necessary current expenses of operating, maintaining and repairing the Delaware Turnpike and shall include, without limiting the generality of the foregoing, all ordinary and usual expenses of operation, maintenance and repair, which may include extraordinary operating, maintenance and repair expenses not annually recurring, ordinary and usual costs of equipment acquisition, premiums for insurance, fees and expenses of any Credit Facility, all administrative and engineering expenses relating to operation, maintenance and repair of the Delaware Turnpike (excluding administrative expenses of the Authority paid by the State, if any), legal expenses, advertising expenses, any taxes or assessments lawfully levied on the Delaware Turnpike, any payments to pension or retirement funds, any payments required to be made by the Authority under any interest rate exchange agreement entered into by the Authority, any other expenses required or permitted to be paid by the Authority under the provisions of the Agreement or by law including any expenses incurred by the Authority for any of the foregoing purposes.

“Variable Rate” shall mean an interest rate on a Bond that varies from period to period during the term of the Bond, which may or may not be subject to a put, and which may include an interest rate fixed for a period of time less than the term of the Bond, all as determined pursuant to a Supplemental Agreement.

### **Pledge and Assignment of Revenue**

In the Agreement the Authority grants, bargains, sells, conveys, mortgages, pledges and assigns, and grants a security interest in, the Trust Estate to the Trustee, its successors in trust and their assigns forever in trust upon the terms and trusts therein set forth for the equal and proportionate benefit and security of all holders of the Bonds issued under and secured by the Agreement without preference, priority or distinction as to liens of any Bonds over any other Bonds except as otherwise provided therein or in any Supplemental Agreement; provided, however, that (a) the holders of Senior Bonds shall have a prior and superior lien on the Funds created under the Agreement to the lien of the holders of the Junior Bonds except with respect to the lien on the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account and the Junior Bonds Debt Service Reserve Account (the lien of the holders of Junior Bonds on the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account and the Junior Bonds Debt Service Reserve Account shall be prior and superior to the lien of the holders of Senior Bonds); (b) certain holders of Senior Bonds may be given a prior and superior lien to holders of other Senior Bonds in a Fund into which are only deposited proceeds of such Bonds together with interest thereon and investment proceeds thereof; (c) the holders of certain Bonds may be given a prior and superior lien in accounts into which are deposited proceeds of advances or draws under a Credit Facility ensuring the payment of such Bonds to the extent of any such deposit; and (d) proceeds of advances or draws under a Credit Facility ensuring the payment of principal of and interest on any series of Bonds shall be excluded from the pledge and assignment of the Trust Estate although held for the benefit of holders of Bonds.

### **Flow of Funds**

**Creation of Funds.** The Agreement creates and establishes with the Trustee the following trust funds, and within those funds, the following accounts:

- Revenue Fund
  - Revenue Account
  - Investment Account
- Debt Service Fund
  - Senior Bonds Principal and Interest Account
  - Junior Bonds Principal and Interest Account
  - Senior Bonds Redemption Account
  - Junior Bonds Redemption Account
- Stabilization Fund
- Debt Service Reserve Fund
  - Senior Bonds Debt Service Reserve Account
  - Junior Bonds Debt Service Reserve Account
- Operating Fund
- Operating Reserve Fund
- Capital Fund
  - Turnpike Account
  - Other Projects Account
  - Settlement Account

**Deposits to Revenue Fund.** Receipts and Revenues of the Authority constituting Delaware Turnpike Revenue, Motor Fuel Tax Revenue, Document Fees and Additional Revenues shall be deposited in the Revenue Account. Earnings derived from any Fund created under the provisions of the Agreement other than the Rebate Account shall be deposited in the Investment Account.

**Use of Money in Revenue Fund.** It shall be the duty of the Trustee, on or before the 15th day of each month, to withdraw from the Revenue Account and the Investment Account an amount equal to the amount of all moneys held for the credit of those accounts on the tenth day of that month and deposit the sum so withdrawn to the credit of the following

Funds in the following order (provided that the Trustee first apply amounts in the Revenue Account to the credit of the following Funds):

(a) to the credit of the Senior Bonds Principal and Interest Account, such sum, if any, required to increase the amount in said account so that it equals the total of (a) the sum obtained by multiplying one sixth ( $1/6$ ) of all unpaid interest on Senior Bonds (or interest on any obligation under any Credit Facility drawn upon to purchase any Senior Bonds and required to be paid under the terms of such Credit Facility in the next six months) due and payable on or before the next succeeding Interest Payment Date by the number of months in the period beginning seven months prior to such Interest Payment Date and ending on the date of such computation (provided that with respect to Senior Bonds bearing interest at intervals more frequently than once every six months or at a variable rate, the Trustee shall deposit such amounts as are necessary to pay interest on such Senior Bonds when due as provided in the applicable Supplemental Agreement) and (b) the sum obtained by multiplying one-twelfth ( $1/12$ ) of all unpaid principal of serial Senior Bonds (or amounts attributable to principal of such Senior Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of such Credit Facility in the next twelve months) due and payable on or before the date when the next installation of serial Senior Bonds shall mature by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(b) to the credit of the Senior Bonds Redemption Account, a sum obtained by multiplying one-twelfth ( $1/12$ ) of the principal amount of the then Outstanding term Senior Bonds of each series required to be retired in satisfaction of Sinking Fund Payments therefor in the next succeeding twelve months (or amounts attributable to principal of Senior Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of the Credit Facility in the next succeeding twelve months) by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(c) to the credit of the Senior Bonds Debt Service Reserve Account such amount, if any, of the balance remaining after making the deposits under clauses (a) and (b) above (or the entire balance if less than the required amount) as may be required to make the amount then to the credit of the Senior Bonds Debt Service Reserve Account equal to the Senior Bonds Debt Service Reserve Account Requirement or such greater amount as shall be determined by the Authority pursuant to a Supplemental Agreement provided such amount is originally funded with proceeds of Bonds or satisfied by a Credit Facility;

(d) to the credit of the Junior Bonds Principal and Interest Account, such sum, if any, required to increase the amount in said account so that it equals the total of (a) the sum obtained by multiplying one sixth ( $1/6$ ) of all unpaid interest on Junior Bonds (or interest on any obligation under any Credit Facility drawn upon to acquire any Junior Bonds and required to be paid under the terms of such Credit Facility in the next six months) due and payable on or before the next succeeding Interest Payment Date by the number of whole months in the period beginning seven months prior to such Interest Payment Date and ending on the date of such computation (provided that with respect to Junior Bonds bearing interest at intervals more frequently than once every six months or at a variable rate, the Trustee shall deposit such amounts as are necessary to pay interest on such Junior Bonds when due as provided in the applicable Supplemental Agreement) and (b) the sum obtained by multiplying one-twelfth ( $1/12$ ) of all unpaid principal of serial Junior Bonds (or amounts attributable to principal of such Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of such Credit Facility in the next twelve months) due and payable on or before the date when the next installment of serial Junior Bonds shall mature by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(e) to the credit of the Junior Bonds Redemption Account, a sum obtained by multiplying one-twelfth ( $1/12$ ) of the principal amount of the then Outstanding term Junior Bonds of each series required to be retired in satisfaction of Sinking Fund Payments therefor in the next succeeding twelve months (or amounts attributable to principal of Junior Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of the Credit Facility in the next twelve months) by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(f) to the credit of the Junior Bonds Debt Service Reserve Account, such amount, if any, of the balance remaining after making the deposits under clauses (d) and (e) above (or the entire balance if less than the required amount) as may be required to make the amount then to the credit of the Junior Bonds Debt Service Reserve Account

equal to the Junior Bonds Debt Service Reserve Account Requirement or such greater amount as shall be determined by the Authority by resolution from time to time filed with the Trustee;

(g) to the credit of the Operating Fund, an amount necessary to increase the amount in said Fund to an amount equal to one-sixth (1/6) of the amount set forth in the Annual Budget to be expended from said Fund;

(h) if and only if the most recently-filed certificate of the Authority described in Section 4.05(d) of the Agreement (dealing with the debt service reserve fund) indicates that Test Revenues do not cover maximum Principal and Interest Requirements of the Senior Bonds Outstanding by at least 3.00 times, then to the credit of the Operating Reserve Fund, an amount necessary to increase the amount in said Fund to an amount equal to one-sixth (1/6) of the amount set forth in the Annual Budget to be expended from the Operating Fund for the Delaware Turnpike;

(i) to the credit of the Stabilization Fund, an amount, together with any other amount credited to such Fund, equal to an amount to be determined by the Authority in a Supplemental Agreement with the initial deposit required to be made to the Stabilization Fund when a determination is made by the Authority that Test Revenues are less than 3.5 times the maximum Principal and Interest Requirements on Senior Bonds Outstanding; and

(j) the remainder, if any, to the Authority, free of the lien of the Agreement, for deposit to the Transportation Trust Fund, subject to the obligation to transfer interest earned on assets held therein to the Revenue Fund.

**Deposits to and Uses of Funds in the Capital Fund.** Bond proceeds borrowed for capital projects are deposited into the Capital Fund and disbursed by the Trustee to the Authority to pay for authorized projects in accordance with a requisition procedure provided in the Agreement. In payment of any such requisition, the Trustee is entitled to rely as to the completeness and accuracy of all statements in such requisition upon the approval of such requisition by an Authorized Authority Representative, execution thereof to be conclusive evidence of such approval.

#### **Additional Bonds; Debt Service Reserve Fund**

In addition to the requirements described in the body of this Official Statement no additional Bonds may be issued under the Agreement, unless the Trustee shall deduct from the proceeds of such additional Bonds and deposit to the credit of the appropriate account in the Debt Service Reserve Fund such amount, if any, as may be required to make the amount then to the credit of the appropriate account in the Debt Service Reserve Fund equal to the Senior Bonds Debt Service Reserve Account Requirement and/or the Junior Bonds Debt Service Reserve Account Requirement, as the case may be; (b) the Trustee shall deduct from such proceeds and deposit to the credit of the Stabilization Fund such amount, if any, as may be required to be deposited to the Stabilization Fund unless the Authority certifies to the Trustee that the Annual Budget has made provision for the amount required to be deposited in the current Fiscal Year and that such amount shall be available in amounts and at the times required by Supplemental Agreements.

Municipal Bond Investors Assurance Corporation (“MBIA”) has issued surety bonds to meet a portion of the Senior Bonds Debt Service Reserve Account Requirement and a portion of the Junior Bonds Debt Service Reserve Account Requirement (the “Senior Bonds Debt Service Reserve Account Surety Bond” and the “Junior Bonds Debt Service Reserve Account Surety Bond”; collectively, the “Surety Bonds”). The Surety Bonds provide that upon notice from the Trustee to MBIA to the effect that insufficient amounts are on deposit in the Senior Bonds Principal and Interest Account and/or the Junior Bonds Principal and Interest Account, as the case may be, to pay the principal of (at maturity or pursuant to mandatory redemption requirements) or interest on the Senior Bonds and/or Junior Bonds, as the case may be, MBIA will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Senior Bonds and/or Junior Bonds, as the case may be, or the available amount of the applicable Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by MBIA of a “Demand for Payment” in the form attached to the applicable Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Senior Bonds and/or Junior Bonds, as the case may be, specified in the Demand for Payment presented by the Trustee to MBIA, MBIA is required to make a deposit of funds in an account with Citibank, N.A., in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in such Demand for Payment) subject to the terms of the applicable Surety Bond.

The available amount of each Surety Bond is the initial face amount of the Surety Bond less the amount of any previous deposits by MBIA with the Trustee which have not been reimbursed by or on behalf of the Authority. The

Authority and MBIA have entered into Financial Guaranty Agreements dated September 13, 1988 (the “Guaranty Agreements”). Pursuant to the Guaranty Agreements, the Authority is required to reimburse MBIA, within one year of any deposit, the amount of such deposit made by MBIA with the Paying Agent under a Surety Bond. Such reimbursement shall be made, in the case of the Senior Bonds Debt Service Reserve Account Surety Bond, only after all required deposits to the Senior Bonds Principal and Interest Account, the Senior Bonds Redemption Account (in each case for all Senior Bonds), the Senior Bonds Debt Service Reserve Account and the Operating Fund have been made. Such reimbursement shall be made in the case of the Junior Bonds Debt Service Reserve Account Surety Bond only after all required deposits to the Senior Bonds Principal and Interest Account, the Senior Bonds Redemption Account, the Senior Bonds Debt Service Reserve Account (in each case for all Senior Bonds), the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account (in each case for all Junior Bonds) and the Operating Fund have been made.

MBIA is required to be reimbursed, with interest, until the face amount of each Surety Bond is reinstated before any Pledged Revenue (other than funds in the Capital Fund) is transferred to the Trust Fund. No optional redemption of Senior Bonds or Junior Bonds may be made until each Surety Bond is reinstated. The Surety Bonds will be held by the Trustee in the Senior Bonds Debt Service Reserve Account and in the Junior Bonds Debt Service Reserve Account, as the case may be, and are provided (in lieu of cash) as an alternative to the Authority depositing exclusively cash equal to the total Senior Bonds Debt Service Reserve Account Requirement and the Junior Bonds Debt Service Reserve Account Requirement.

### **Investment of Funds**

The moneys in the Funds shall, at the direction of the Authority, be invested and reinvested in Qualified Investments, provided, however, that moneys constituting proceeds of a drawing on a Credit Facility and, while the Credit Facility is in effect ensuring the payment of principal and interest on a series of Bonds, any moneys held by the Paying Agent pursuant to Section 4.10 (“Money Held in Trust”), of the Agreement or by a Tender Agent, Remarketing Agent or other similar person for the purchase or redemption of Bonds shall be invested only in Government Obligations which have a remaining term not exceeding 30 days or such shorter period as needed. Subject to the further provisions of Section 6.01 of the Agreement, such investments shall be made by the Trustee as directed and designated by the Authority in a certificate of, or telephonic advice promptly confirmed by a certificate of, an Authorized Authority Representative. As and when any amounts thus invested may be needed for disbursements from any Fund, the Trustee shall cause a sufficient amount of such investments to be sold or otherwise converted into cash to the credit of such Fund. As long as no Event of Default (as defined in Section 9.01 (“Events of Default”) of the Agreement) shall have occurred and be continuing, the Authority shall have the right to designate the investments to be sold and to otherwise direct the Trustee in the sale or conversion to cash of the investments made with the moneys in the Funds, provided that the Trustee shall be entitled to assume conclusively the absence of any such Event of Default unless it has notice thereof within the meaning of Section 10.05 (“Notice of Event of Default”) of the Agreement.

Investments shall be made from each Fund for a period not exceeding a period during which such investments are expected to be required to be converted to cash for application by or on behalf of the Authority provided that: (a) moneys held for the credit of the Revenue Fund and the Operating Reserve Fund shall not be invested in Qualified Investments which mature or which are not subject to redemption by the Trustee, at the option of the Trustee, later than one year after the date of such investment; (b) moneys held for the credit of the Debt Service Reserve Fund shall be invested in Qualified Investments which mature or which are not subject to redemption by the Trustee, at the option of the Trustee at such times as designated by the Authority.

In furtherance of the covenant of the Authority set forth in Section 7.22 (“Rebate Account”) of the Agreement, the Trustee shall comply with any and all instructions of the Authority, given from time to time, to pay all or a portion of the moneys in the Funds not constituting part of the Trust Estate to, or upon the order of, the Department of the Treasury of the United States of America, anything in the Agreement to the contrary notwithstanding.

### **Accounts, Reports and Audits**

The Authority covenants that it will keep an accurate record of the total cost of the Delaware Turnpike and of transfers to the State to meet the costs of other Projects financed with the proceeds of Bonds, of the Receipts and Revenues of the Authority collected from the Delaware Turnpike, of Motor Fuel Tax Revenues, of Document Fees, of

Additional Revenues, if any, and of the application of such receipts and revenues. Such records shall be open during normal business hours of the Authority to the inspection of the Trustee and the holders of the Bonds and their agents and representatives.

The Authority further covenants that, in the months of January, April, July and October in each year, it will cause to be filed with the Trustee and mailed to all holders of Bonds who shall have filed their names and addresses with the Authority board for such purpose a report setting forth in respect of the preceding three months' period

(a) in reasonable detail, the Receipts and Revenues of the Authority and the Turnpike Operating Expenses (i) for such period and (ii) for the same period of the preceding Fiscal Year,

(b) all deposits to the credit of and withdrawals from each Fund created under the provisions of the Agreement during such period,

(c) the details of all Bonds issued, paid, purchased or redeemed during such period,

(d) a balance sheet as of the end of such period,

(e) the amount on deposit at the end of such period to the credit of each such Fund, the security therefor, and the details of any investments thereof, and

(f) any revisions during such period of the charges, fares, fees, rentals and tolls for the use or services of the Delaware Turnpike.

The Authority further covenants that promptly after the close of each Fiscal Year it will cause an audit to be made of its books and accounts relating to the Delaware Turnpike and the Receipts and Revenues of the Authority for the preceding Fiscal Year by an independent firm of certified public accountants of recognized ability and standing, to be chosen by the Authority. The Trustee shall make available to such accountants all of its books and records pertaining to the Delaware Turnpike and the Receipts and Revenues of the Authority. Promptly thereafter reports of each such audit shall be filed with the Authority and the Trustee and copies of such reports shall be mailed by the Authority to all holders of Bonds who shall have filed their names and addresses with the Authority board for such purpose. Each such audit report shall set forth in respect of the preceding Fiscal Year the same matters as are hereinabove required for the quarterly reports, the findings of such certified public accountants as to whether the moneys received by the Authority under the provisions of the Agreement during such Fiscal Year have been applied in accordance with the provisions of the Agreement, and whether any obligations for Turnpike Operating Expenses were incurred in the preceding Fiscal Year in excess of the total amount provided for Turnpike Operating Expenses in the Annual Budget for such Fiscal Year. Such quarterly reports and audit reports shall be open at all reasonable times to the inspection of the holders of Bonds and their agents and representatives.

The Authority further covenants that it will cause any additional reports or audits relating to the Delaware Turnpike to be made as required by law and that, as often as may be requested, it will furnish to the Trustee and the holder of any Bond such other information concerning the Delaware Turnpike or the operation thereof as any of them may reasonably request.

The cost of the reports and audits referred to above shall be payable from the Operating Fund.

## **Insurance**

The Authority covenants that it will at all times, maintain, to the extent reasonably obtainable, the following insurance, with terms, conditions, provisions and costs, the Authority determines to be reasonable, subject to applicable, customary insurance practice:

(a) Multi-risk insurance on facilities of the Delaware Turnpike of an insurable nature and of the character usually insured by those operating similar facilities, covering direct physical loss or damage from causes customarily insured against, in amounts certified to be necessary or advisable by the Authority;

(b) Use and occupancy insurance covering loss of revenues by reason of the necessary interruption, total or partial, in the use of the Susquehanna River Bridge in the State of Maryland, in such amounts as the Authority shall certify will provide income during the period of interruption equal to the loss of Delaware Turnpike Revenues for a period of one year less the Turnpike Operating Expenses for that period;

(c) Public liability, landlord's liability and comprehensive motor vehicle liability insurance;

(d) During any improvement or reconstruction of the Delaware Turnpike, such insurance as is customarily carried by others under similar circumstances, unless maintained for the benefit of the Authority by contractors;

(e) Blanket crime policies on all officers and employees of the Authority who collect or have custody of or access to revenues, receipts or income of the Delaware Turnpike or any funds of the Delaware Turnpike;

(f) Boiler and machinery coverage; and

(g) Any additional or other insurance determined by the Authority to be necessary or advisable.

All such insurance policies shall be carried with a responsible insurance company or companies authorized or qualified under the laws of the State to assume the risks covered by such policy or policies.

The Trustees shall deposit the proceeds of physical loss or damage insurance to the credit of an account in the Capital Fund. The Authority shall give written instructions to the Trustee concerning the use of such money. The Trustee shall deposit the proceeds of use and occupancy insurance to the credit of the Revenue Fund immediately upon receipt and such proceeds shall be used, for the purposes permitted for moneys in such Fund. Instead of any of the foregoing policies of insurance, the Authority may establish one or more self-insurance funds to cover one or more of the risks required to be covered by the foregoing policies of insurance. Any self insurance fund shall be established pursuant to a written plan for funding and coverage adopted by the Authority. The plan shall, among other things, require that: (a) all funds be deposited with a fiduciary in trust pursuant to a written agreement; (b) an actuary shall prepare a written report recommending, among other things, the amounts to be deposited initially in the self insurance fund and the times by which such initial amounts shall be deposited; (c) a written report by an actuary, on at least a biennial basis, making recommendations on appropriate funding levels; and (d) the actuary hired by the Authority to make the foregoing reports shall be qualified and experienced.

### **Tax Law Compliance; Arbitrage Rebate**

**Tax Covenant.** The Authority covenants for the benefit of the holders of the Bonds (a) that no use of the proceeds of the Bonds or the earnings thereon will be made, and no other action will be taken, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, (b) that all action with respect to the Bonds required to be taken to avoid characterization of the Bonds as "arbitrage bonds" under Section 148 of the Code shall be taken, (c) that the Authority will take all reasonable steps to ensure that interest on the Bonds is not included in gross income of the holder of any Bond for purposes of federal income taxation and (d) that the Authority will take no action to cause the Bonds to become "private activity bonds" as that term is used in Section 141(a) of the Code.

**Rebate Account.** The Agreement creates and establishes with the Trustee an account designated the "Delaware Transportation Authority Rebate Account" (the "Rebate Account"). The Trustee, at the direction of an Authorized Authority Representative shall transfer from the Investment Account to the Rebate Account amounts determined solely by the Authority as necessary to avoid characterization of the Bonds as "arbitrage bonds" under Section 148 of the Code. Amounts on deposit in the Rebate Account shall not be subject to any claim or charge in favor of the Trustee or any holder of a Bond. Upon receipt of written instructions from an Authorized Authority Representative, the Trustee shall pay to the United States of America amounts determined solely by the Authority and/or shall transfer amounts determined solely by the Authority to the Investment Account from the Rebate Account. All amounts on deposit in the Rebate Account may be invested in Qualified Investments at the direction of the Authority. Interest earned or profit realized on amounts invested in the Rebate Account shall be retained in the Rebate Account. The Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken with respect to amounts in the Rebate Fund or any

calculations made by the Authority or any other person with respect to rebate. The Trustee may conclusively rely on any instructions received from an Authorized Authority Representative with respect to rebate.

### **Other Covenants**

**Inspection of Delaware Turnpike.** The Authority covenants that it will cause its Engineering Consultants to make an inspection of the Delaware Turnpike at least once in every other year and, on or before the 1st day of October in such year, to submit to the Authority a report or reports setting forth their findings whether the Delaware Turnpike has been maintained in good repair, working order and condition.

**Use and Operation of the Delaware Turnpike.** The Authority covenants that it will establish and enforce reasonable rules and regulations governing the use of the Delaware Turnpike and the operation thereof, that all conditions of employment and all compensation, salaries, fees and wages paid by it in connection with the operation, maintenance and repair of the Delaware Turnpike will be reasonable, that no more persons will be employed by it than are necessary, that all persons employed by it will be qualified for their respective positions, that it will maintain and operate the Delaware Turnpike in an efficient and economical manner, that from the then current Receipts and Revenues of the Authority it will at all times maintain the Delaware Turnpike in good repair and in sound operating condition and will make all necessary repairs, renewals and replacements, and that it will observe and perform all of the terms and conditions contained in the Act.

**Covenants as to Tolls.** The Authority covenants that it will fix and revise from time to time, and charge and collect charges, fares, fees, rentals and tolls for the use of the Delaware Turnpike. The Authority further covenants that it will not reduce tolls in effect on the Delaware Turnpike after the date of issuance of the 2008A Bonds unless the Authority board files a certificate with the Trustee showing that the Authority would have met the tests described in Section 2.07(b)(i)(A) and (B) (“Additional Bonds Coverage Tests”) of the Agreement with respect to the Outstanding Bonds assuming a reduction in Delaware Turnpike Revenues for the applicable twelve-month period utilized in that Section 2.07(b)(i)(A) and (B) as if the reduction occurred on the first day of that period. The Authority may make any other adjustment or reclassification of toll rates or establish special toll rates for the Delaware Turnpike, provided that such adjustment or reclassification is recommended in writing by the Authority's Traffic Consultants and will not reduce Delaware Turnpike Revenues unless the Authority meets the foregoing test. Notwithstanding the foregoing provision, the tolls in effect on August 1, 1988 shall not be reduced.

**Covenant Against Sale and Encumbrance; Exceptions.** The Authority covenants that it will not sell or otherwise dispose of or encumber the Delaware Turnpike, or any part thereof, or any other physical assets of the Authority, subject to the other provisions of the Agreement, except those physical assets which the Authority either reasonably determines to be of no use for purposes of the Authority or for which the Authority is acquiring replacements.

The Authority may lease, or grant easements, franchises or concessions for the use of any part of the Delaware Turnpike and the net proceeds of any such lease, easement, franchise or concession shall be deposited as earned to the credit of the Revenue Fund.

### **Events of Default and Remedies; Respective Rights of Senior and Junior Bondholders**

**Events of Default.** Each of the following events shall constitute and is referred to in the Agreement as an “Event of Default”:

- (a) a failure to pay the principal of or premium, if any, on any Bond when the same shall become due and payable at maturity, upon redemption or otherwise;
- (b) a failure to pay an installment of interest on any Bond after such interest shall have become due and payable;
- (c) a failure to pay an amount due in respect of a put of any Bond for a period of two (2) Business Days after such amount shall have become due and payable (or such shorter period as provided by the applicable Supplemental Agreement);

(d) a failure of the Authority to transfer to the Trustee Receipts and Revenues of the Authority pledged to the Trustee under the Agreement;

(e) failure by the State to transfer to the Authority, or a reduction by the State subsequent to the effective date of the Agreement of the rate of, the Motor Fuel Taxes, the Document Fees or any fees and taxes yielding Additional Revenues imposed by the State;

(f) receipt by the Trustee of notice from the obligor of a Credit Facility ensuring the payment of principal and interest on any series of Bonds stating that an event of default under the applicable Credit Facility has occurred and directing the Trustee to declare the series of Bonds ensured by such Credit Facility to be immediately due and payable and directing the Trustee to draw on such Credit Facility;

(g) failure by the Authority to observe and perform any other covenant, condition, agreement or provision contained in the Bonds or in the Agreement on the part of the Authority to be observed or performed for the benefit of the holders of Bonds, which failure shall continue for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of holders of not less than 10% in principal amount of the Bonds then Outstanding of any series, unless the Trustee, or the Trustee and the holders of a principal amount of Bonds not less than the principal amount of Bonds the holders of which requested that such notice be given, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the holders of such principal amount of Bonds, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority within such period and is being diligently pursued;

(h) the Authority (i) files a petition under the Bankruptcy Reform Act of 1978 (the "Bankruptcy Code"), as amended or superseded, makes an assignment for the benefit of creditors, enters into a composition with creditors or commences a case or proceeding for reorganization or readjustment of its debts, for dissolution, liquidation or commences a similar procedure under the law of any jurisdiction, whether now or hereafter in effect; (ii) is, or admits in writing that it is, insolvent, bankrupt, is unable generally to pay its debts as they become due or its debts are greater than its property net of any property which was transferred, concealed or removed with the intent to hinder, delay or defraud its creditors; (iii) applies to any government or governmental entity for the appointment of a Custodian (as such term is defined in Section 101(10) of the Bankruptcy Code) for itself or for all or any substantial or material part of its property; or (iv) has transferred, concealed or removed any of its property with intent to hinder, delay or defraud any of its creditors generally or the holders of the Bonds, in particular, or has received less than reasonably equivalent value in a transfer of all or a substantial or material part of its property; or

(i) the Authority (i) has commenced against it an involuntary case or proceeding referred to in paragraph (h) above which is not dismissed on the day of such commencement; (ii) has an order of relief entered against it in such an involuntary case or proceeding; (iii) consents to, grants approval of or acquiesces to such involuntary case or proceeding; or (iv) is subject to the appointment of a Custodian for it or all or any substantial part of its property and such Custodian is not dismissed by a court of competent jurisdiction (and all such property returned) on the day of such Custodian's appointment.

Upon the occurrence and continuation of any Event of Default other than an Event of Default described in (f) or (g) of the preceding paragraph with respect to Bonds of any series, the Trustee may, and at the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds of such series or upon the occurrence and continuation of an Event of Default described in (f) of the preceding paragraph and at the written request of the obligor under a Credit Facility ensuring the payment of the principal of and interest on a series of Bonds, shall, declare such series of Bonds to be immediately due and payable, whereupon they shall, without further action become and be immediately due and payable, anything in the Agreement or in the Bonds to the contrary notwithstanding. The Trustee shall give prompt notice of acceleration to any Tender Agent and any Remarketing Agent, and shall give notice thereof by Mail to all holders of Outstanding Bonds of all series. In the case of an Event of Default described in the preceding paragraph occurring when a Credit Facility is in effect and with respect to which the Trustee is required to draw to effect an acceleration of the Bonds, the Trustee shall make the aforesaid declaration on the first Business Day on or after the occurrence of such Event of Default that the Trustee may make a drawing or drawings on such Credit Facility (but shall not make such declaration prior to such date) unless provisions to the contrary are made in the applicable Supplemental

Agreement. So long as there are any 1988, 1992 or 1993 Series Junior Bonds Outstanding and MBIA is not in default under either of its policies insuring principal and interest on those bonds, the Junior Bonds may not be accelerated by virtue of an Event of Default without the prior written approval of MBIA.

The provisions of the preceding paragraph, however, are subject, when no Credit Facility shall be in effect ensuring the payment of principal of and interest on a series of Bonds, to the condition that if, after the principal of any Bonds shall have been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Authority shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum borne by the Bonds) and such amounts as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee (including reasonable counsel fees and expenses), and all Events of Default other than nonpayment of the principal of Bonds which shall have become due by said declaration shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission and annulment to the Authority, any Tender Agent and any Remarketing Agent, and, if notice of the acceleration of any Bonds shall have been given to the holders of said Bonds, shall give prompt notice thereof by Mail to all holders of Outstanding Bonds; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

The provisions of the second preceding paragraph are further subject to the condition that, if an Event of Default described in clause (f) of the third preceding paragraph shall have occurred and if the Trustee shall thereafter have received notice from the obligor of a Credit Facility ensuring the payment of principal of and interest on a series of Bonds (a) that the notice which caused the Event of Default to occur has been withdrawn and (b) that the amounts available to be drawn on that Credit Facility to pay (i) the principal of said Bonds or the portion of the purchase price equal to principal and (ii) interest on said Bonds and the portion of purchase price equal to accrued interest have been reinstated all in amounts that are required to maintain the then ratings on said Bonds, then, in every such case, such Event of Default shall be deemed waived and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission and annulment to the Authority, the obligor under the applicable Credit Facility, any Tender Agent and any Remarketing Agent, and, if notice of the acceleration of said Bonds shall have been given thereof, by Mail to all holders of Outstanding Bonds; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon or the rights of holders of any other series of Bonds.

**Remedies.** Upon the occurrence and continuation of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the obligor under any Credit Facility ensuring the payment of principal of and interest on a series of Bonds in respect of which an Event of Default has occurred or the holders of not less than 25% in principal amount of the Bonds of any series then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the holders of said Bonds and require the Authority, or the obligor under any Credit Facility ensuring the payment of principal of and interest on any Bonds to carry out any agreements with or for the benefit of the holders of said Bonds and to perform its or their duties under the Act, any Credit Facility and the Agreement;

(b) bring suit upon said Bonds; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the holders of said Bonds.

Note: If the State violates its contractual obligation to impose and collect motor vehicle fuel taxes, motor vehicle document fees, motor vehicle registration fees or the fees and taxes yielding Additional Revenue at the rates in effect on the date of issuance of the 2008A Bonds or requires the use of that revenue for some purpose other than as assigned to secure the Bonds, the State would be subject to a bondholders' suit, and, under Delaware law, probably would not be able to avail itself of the defense of sovereign immunity. Payment of any award against the State obtained by a judgment creditor, however, must be appropriated by the State legislature. In addition the overriding interest of the State in

promoting the health, safety and welfare of the people of the State, may affect the enforceability of the contractual obligation and may justify the impairment of the contract.

**Limitation on Holders' Right to Institute Proceedings.** No holder of a Bond of any series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Agreement, or any other remedy thereunder or on the Bonds, unless such holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Agreement and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding of such series shall have made written request of the Trustee so to do, after the right to institute said suit, action or proceeding shall have accrued and is continuing and shall have afforded the Trustee sixty (60) days to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby (including reasonable counsel fees and expenses), and the Trustee shall not have complied with such request within sixty (60) days after receipt of the request (provided no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the Outstanding Bonds of such series); and such notification, request and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the institution of said suit, action or proceeding; it being understood and intended that no one or more of the holders of the Bonds of such series shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Agreement, or to enforce any right thereunder or under the Bonds, except in the manner therein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Agreement and for the equal benefit of all holders of the Bonds of such series. In any event, no one or more holders of Bonds of any series shall have any right in any manner whatever by virtue of the Agreement to affect, disturb or prejudice the rights of any other holder of Bonds of any series or to obtain priority or preference over any other holder or to enforce any right under the Agreement except in the manner or to the extent therein provided and with respect to any series, for the equal and ratable benefit of all holders of Bonds of that Series.

**Obligors' Right Under Credit Facility or Holders' Right to Direct Proceedings.** Anything in the Agreement to the contrary notwithstanding, the holders of a majority in principal amount of the Bonds then Outstanding thereunder with respect to which an Event of Default has occurred shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Agreement or exercising any trust or power conferred on the Trustee by the Agreement; provided, however, that the obligor under any Credit Facility shall have no such rights, as a holder of Bonds or a deemed holder of Bonds, in respect of proceedings taken by holders of Bonds against such obligor. For purposes of this Section, an obligor under any Credit Facility ensuring the payment of principal of and interest on any Bonds shall be deemed the holder of those Bonds, absent a default in the obligations of the obligor of that Credit Facility under the Credit Facility, unless the applicable Supplemental Agreement provides to the contrary.

**Application of Money.** Any money received by the Trustee or by any holder of a Bond pursuant to any right given or action taken under the provisions of Article IX ("Defaults and Remedies") of the Agreement, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the expenses, liabilities and advances incurred or made by the Trustee (including reasonable counsel fees and expenses), and the payment and setting aside of reasonable and necessary amounts to meet Turnpike Operating Expenses as determined by a firm of Engineering Consultants, shall be deposited in the Debt Service Fund for such series of Bonds and all money so deposited in the Debt Service Fund for such series of Bonds during the continuance of an Event of Default (other than money for the payment of Bonds which had matured or otherwise become payable prior to such Event of Default) shall be applied as follows with respect to each series of Bonds (provided, however, that any drawing by the Trustee under a Credit Facility for the payment of principal of, or premium, if any, or interest on the Bonds shall be applied only to the payment of the principal of or premium, if any, or interest on the particular Bonds identified in the applicable Credit Facility):

(a) Under and subject to the provisions of Section 7.22 of the Agreement, to the Rebate Account in an amount, together with any other amounts on deposit or credited to, such account, sufficient to meet the Authority's obligation to make payments to the United States of America as required under Section 148 of the Code.

(b) Unless the principal of all the Bonds shall have become due and payable, all such money shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on Senior Bonds, with interest on overdue installments of interest then due on such Bonds, if lawful, at the rate per annum borne by such Bonds, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to

pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment; (ii) second, to the payment to the persons entitled thereto of the unpaid principal of any Senior Bonds which shall have become due (other than such Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Agreement), with interest on such Bonds at their rate from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full such Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege; (iii) third, to the payment to the persons entitled thereto of all installments of interest then due on Junior Bonds, with interest on overdue installments of interest then due on such Bonds, if lawful, at the rate per annum borne by such Bonds, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment; (iv) fourth, to the payment to the persons entitled thereto of the unpaid principal of any Junior Bonds which shall have become due (other than such Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Agreement), with interest on such Bonds at their rate from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full such Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege; provided, however, that money derived from the rights of the Trustee under a Credit Facility shall not be applied to the payment of the principal of or premium, if any, or interest on any Bonds held of record by the Authority, by the obligor under a Credit Facility or by any Tender Agent or other person for the account of the Authority or other person if a Credit Facility prohibits by its terms a drawing thereunder for such purpose.

(c) If the principal of all Senior Bonds shall have become due and payable, all such money shall be applied (i) first to the payment of the principal and interest then due and unpaid upon Senior Bonds, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Bond over any other Senior Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; and (ii) second, to the payment of the principal and interest then due and unpaid upon Junior Bonds whether or not the principal of all Junior Bonds shall have become due and payable, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or of interest over any other installment of interest, or of any Junior Bond over any other Junior Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; provided, however, that money derived from the rights of the Trustee under a Credit Facility shall not be applied to the payment of the principal of or premium, if any, or interest on Bonds held of record by the Authority, by the obligor under a Credit Facility or by any Tender Agent for the account of the Authority if the applicable Credit Facility prohibits by its terms a drawing thereunder for such purpose.

(d) If the principal of all Junior Bonds shall have become due and payable and there are no Senior Bonds Outstanding, all such money shall be applied as set forth in clauses (b)(iii) and (b)(iv) above.

(e) If the principal of all the Bonds of a series shall have come due and payable, and if acceleration of the maturity of said Bonds by reason of such Event of Default shall thereafter have been rescinded and annulled under the provisions of Article IX (“Defaults and Remedies”) of the Agreement, then, subject to the provisions of clause (c) of this Section which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the money shall be applied in accordance with the provisions of clause (b) of this Section.

**Trustee's Notice of Event of Default.** The Trustee shall not be required to take notice, or be deemed to have notice, of any default or Event of Default under the Agreement (i) other than an Event of Default under clause (a), (b) or (c) of the first paragraph of Section 9.01 (“Events of Default”) of the Agreement or (ii) unless an officer of the Trustee assigned by the Trustee to administer its corporate trust matters has been specifically notified in writing of such default or Event of Default by holders of at least 25% in principal amount of the Bonds then Outstanding of any series, by the Authority, by the obligor under a Credit Facility ensuring payment of principal or interest on any series of Bonds, by a Tender Agent or in the case of an Event of Default under clause (h) or (i) of the first paragraph of Section 9.01 of the Agreement, by any holder. The Trustee may, however, at any time, in its discretion, require of the Authority full information and advice as to the performance of any of the covenants, conditions and agreements contained in the Agreement.

**Action by Trustee.** The Trustee shall be under no obligation to take any action in respect of any default or Event of Default under the Agreement with respect to Bonds of any series other than an Event of Default described in clause (f) of Section 9.01 (“Events of Default”) of the Agreement, or toward the execution or enforcement of any of the trusts thereby created, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested in writing so to do by holders of at least 25% in principal amount of the Outstanding Bonds of such series and, if in its opinion such action may tend to involve it in expense or liability, unless furnished, from time to time as often as it may reasonably require, with security and indemnity satisfactory to it (including reasonable counsel fees and expenses); but the foregoing provisions are intended only for the protection of the Trustee, and shall not affect any discretion or power given by any provisions of the Agreement to the Trustee to take action in respect to any default or Event of Default without such notice or request from the holders of Bonds or the obligor under a Credit Facility or without such security or indemnity.

**Notice to Owners of Event of Default.** If an Event of Default occurs of which the Trustee has notice within the meaning of Section 10.05 (“Notice of Event of Default”) of the Agreement and any such Event of Default shall continue for at least two days after the Trustee has notice thereof within the meaning of Section 10.05 of the Agreement, unless the Trustee shall have theretofore given a notice of acceleration pursuant to Section 9.01 (“Events of Default”) of the Agreement, the Trustee shall give prompt notice thereof to the Authority, any Tender Agent, any Remarketing Agent and any obligor under a Credit Facility and give notice by Publication and by Mail to all holders of Outstanding Bonds for which it is acting as Trustee. Such Trustee shall also give notice of any Event of Default to any other Trustee appointed pursuant to the Agreement and such Trustee shall likewise give prompt notice to all holders of Outstanding Bonds for which it is acting as Trustee.

#### **Trustee; Paying Agents**

**Acceptance of Trusts.** The Trustee accepts and agrees to execute the trusts created by the Agreement, but only upon the additional terms set forth in Article X (“Trustee; Paying Agent and Co-Paying Agents; Registrar”) of the Agreement, to all of which the Authority agrees and the respective holders of the Bonds agree by their acceptance of delivery of any of the Bonds. By accepting and agreeing to act as Trustee for holders of Senior Bonds and/or Junior Bonds, the Trustee is agreeing to act for holders of Bonds of all series of Senior Bonds and/or Junior Bonds, as the case may be, subject to the rights of the Trustee to resign and be discharged of the trusts created by the Agreement.

**Paying Agent; Co-Paying Agents; Depositary.** The Authority shall appoint the Paying Agent for the Bonds and may at any time or from time appoint one or more Co-Paying Agents for a series of Bonds and one or more Depositaries for the receipt of Revenue and Receipts pledged to the Trustee under the Agreement, subject to the conditions set forth in Section 10.22 (“Qualifications of Paying Agent, Co-Paying Agents and Depositary; Resignation; Removal”) of the Agreement.

#### **Responsibility of Fiduciaries**

Notwithstanding any other provisions of Article X of the Agreement, the Trustee shall, during the existence of an Event of Default of which the Trustee has actual notice, exercise such of the rights and powers vested in it by the Agreement and use the same degree of skill and care in their exercise as a prudent man would use and exercise under the circumstances in the conduct of his own affairs.

**Limitation on Liability.** The Trustee may execute any of the trusts or powers created under the Agreement and perform the duties required of it thereunder by or through attorneys, agents, receivers, or employees, and shall be entitled to advice of counsel concerning all matters of trust and its duty thereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or employee selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under the Agreement or for anything whatsoever in connection with the trust created thereby, except only for its own negligence, willful misconduct or bad faith or for failure to exercise reasonable care in the selection of any attorney, agent or employee acting thereunder. The Trustee shall notify the Authority before selecting any agent to act on behalf of the Trustee in order to permit the Authority reasonable opportunity to join in any contract with such agent. The Authority shall, from the Receipts and Revenue of the Authority, indemnify and save the Trustee harmless against any liabilities which the Trustee may incur in the exercise and performance of its powers and duties under the Agreement, except for liabilities arising out of the negligence, willful misconduct or bad faith of the Trustee.

**Good Faith Reliance.** The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, telex, facsimile transmission, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board, body or person or to have been prepared and furnished pursuant to any of the provisions of the Agreement, or upon the written opinion of any attorney, engineer, accountant or other expert believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

## **Defeasance**

If the Authority shall pay or cause to be paid to the holder of any Bond secured by the Agreement the principal of and premium, if any, and interest due and payable, and thereafter to become due and payable, upon such Bond or portion of such Bond, such Bond or portion thereof shall cease to be entitled to any lien, benefit or security under the Agreement. If the Authority shall pay or cause to be paid to the holders of all the Bonds secured thereby the principal and premium, if any, and interest due and payable, and thereafter to become due and payable, thereon, and shall pay or cause to be paid all other sums payable thereunder by the Authority, including but not limited to Subordinate Indebtedness, if any, then, and in that case, the right, title and interest of the Trustee in and to the Trust Estate shall thereupon cease, terminate and become void. In such event, the Trustee shall assign, transfer and turn over to the Authority the Trust Estate, including, without limitation, any balance remaining in any Fund; provided, however, that prior to any such assignment, transfer and turning over to the Authority as aforesaid, the Trustee shall pay to any obligor under a Credit Facility an amount equal to the lesser of (i) the total amount which the Credit Facility obligor informs the Trustee in writing is owed by the Authority to the obligor under such Credit Facility and (ii) the total amount remaining in all Funds.

All or any portion of Outstanding Bonds or portions of Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section when:

(a) in the event said Bonds or portions thereof have been selected for redemption in accordance with Section 3.02 (“Selection of Bonds to be Redeemed”) of the Agreement, the Trustee shall have given, or the Authority shall have given to the Trustee in form satisfactory to it, irrevocable instructions to give, on a date in accordance with the provisions of Section 3.03 (“Procedure for Redemption”) of the Agreement, notice of redemption of such Bonds or portions thereof; and

(b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which, when due, and without any regard to reinvestment thereof, will provide moneys which, together with the moneys, if any deposited with or held by the Trustee, shall be sufficient to pay when due the principal of and premium, if any, and interest (at the maximum rate permitted, if such deposit shall be made with respect to Bonds bearing interest at the Short-Term Rate reflecting however any period during which the Short-Term Rate has been fixed at a rate or rates less than the maximum permitted rate) due and to become due on said Bonds or portions thereof on and prior to the redemption date or maturity date thereof, as the case may be; provided, however, that, if required by the Supplemental Agreement pursuant to which the Bonds were issued, such moneys shall constitute Available Moneys and that such Government Obligations either shall have been purchased with Available Moneys, or, shall otherwise qualify as Available Moneys; and

(c) in the event said Bonds or portions thereof do not mature and are not to be redeemed within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as a notice of redemption is given pursuant to Section 3.03 (“Procedure for Redemption”) of the Agreement, a notice to the holders of said Bonds or portions thereof that the deposit required by clause (b) above has been made with the Trustee and that said Bonds or portions thereof are deemed to have been paid in accordance with Article VIII of the Agreement and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on said Bonds or portions thereof.

Neither the Government Obligations nor moneys deposited with the Trustee pursuant to Article VIII of the Agreement nor principal or interest payments on any such Government Obligations shall be withdrawn (unless a substitution is made with other Government Obligations) or used for any purpose other than, and such Government Obligations, moneys and principal or interest payments shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds or portions thereof, or for the payment of the purchase of said Bonds in accordance with any applicable agreement with a Tender Agent or other person; provided, that, during an Interest Period which is not a fixed rate period with respect to Bonds bearing interest at a Short-Term Rate or with respect to any Bonds bearing interest at the Long-Term Rate, such moneys, if not then needed for such purposes, shall, at the direction of an Authorized Authority Representative and to the extent practicable, be invested and reinvested in Government Obligations maturing on or prior to the earlier of (a) the date moneys shall be required for the purchase of Bonds pursuant to any applicable agreement with a Tender Agent or other person; and (b) the Interest Payment Date next succeeding the date of investment or reinvestment, and interest earned from such investments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge under the Agreement, unless there are insufficient other funds to redeem said Bonds; and provided, further, that, during a fixed rate period with respect to Bonds bearing interest at a Short-Term Rate or with respect to any Bonds bearing interest at the Long-Term Rate, any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purposes, shall, at the direction of an Authorized Authority Representative and to the extent practicable, be invested in Government Obligations of the type described in clause (b) of the next preceding paragraph maturing at times and in amounts sufficient to pay when due the principal of and premium, if any, and interest to become due on said Bonds or portions thereof on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge under the Agreement unless there are insufficient other funds to redeem said Bonds. If payment of less than all the Bonds is to be provided for in the manner and with the effect provided in this Section, the Authority shall select such Bonds or portions of Bonds in the manner specified by Section 3.02 (“Selection of Bonds to be Redeemed”) of the Agreement for selection for redemption of less than all Bonds in the principal amount designated to the Trustee by the Authority.

### **Modification of The Agreement**

**Limitations.** The Agreement shall not be modified or amended in any respect subsequent to the first issuance of the Bonds except as provided in and in accordance with and subject to the provisions of Article XII (“Modification of This Agreement”) of the Agreement.

**Supplemental Agreements without Consent of Holders of Bonds.** The Authority and the Trustee may, from time to time and at any time, without the consent of or notice to the holders of the Bonds, enter into Supplemental Agreements as follows:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in the Agreement;
- (b) to grant to or confer or impose upon the Trustee for the benefit of the holders of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Agreement as theretofore in effect;
- (c) to add to the covenants and agreements of, and limitations and restrictions upon, the Authority in the Agreement, other covenants, agreements, limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Agreement as theretofore in effect, including, but not limited to, agreements to pledge Additional Revenues to the Trustee for the benefit of the holders of the Bonds;
- (d) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Agreement, of the Receipts and Revenues of the Authority pledged or to be pledged under the Agreement or of any other moneys, securities or funds;
- (e) to authorize the issuance of additional Bonds pursuant to the Agreement, to authorize a different denomination or denominations of the Bonds or to permit the issuance of the Bonds in the form of coupon Bonds and to make correlative amendments and modifications to the Agreement regarding exchangeability of Bonds of different

denominations and forms, redemptions of portions of Bonds of particular denominations and forms and similar amendments and modifications of a technical nature;

(f) to modify, alter, amend or supplement the Agreement in any and all respects which may be necessary, desirable or appropriate in connection with any supplement to the Agreement relating to the priority of sources of funds derived from a Credit Facility to be used for the payment of the principal of and premium, if any, and interest on the Bonds, changes to the provisions relating to the priority of sources of funds derived from a Credit Facility to be used for the purchase of Bonds and, changes to the default provisions referred to in Section 9.01(c) or (f) (“Events of Default”) of the Agreement;

(g) to modify, alter, supplement or amend the Agreement in such manner as shall permit the qualification thereof under the Trust Indenture Act of 1939, as from time to time amended;

(h) to modify, alter, supplement or amend the Agreement in such manner as shall be necessary, desirable or appropriate in order to provide for the registration and registration of transfer of the Bonds through a book-entry or similar method, whether or not the Bonds are evidenced by certificates;

(i) to provide a method for the determination of a Short-Term Rate; and

(j) to modify, alter, amend or supplement the Agreement in any other respect which is not materially adverse to the holders of the Bonds and which does not involve a change described in clause (i), (ii), (iii) or (iv) of Section 12.03(a) (“Supplemental Agreements with Consent of Holders of Bonds”) of the Agreement.

Before the Authority and the Trustee shall enter into any Supplemental Agreement pursuant to this Section, there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and does not adversely affect the exclusion from gross income of the interest on the Bonds for purposes of Federal income taxation.

**Supplemental Agreements with Consent of Holders of Bonds.** (a) Except for any Supplemental Agreement entered into pursuant to Section 12.02 (“Supplemental Agreements without Consent of Holders of Bonds”) of the Agreement, subject to the terms and provisions contained in this Section and not otherwise, the holders of not less than fifty-one (51) percent in aggregate principal amount of the Bonds then Outstanding which would be adversely affected thereby (and, in certain cases, with the approval of MBIA) shall have the right from time to time to consent to and approve the execution and delivery by the Authority and the Trustee of any Supplemental Agreement deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Agreement; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding which would be adversely affected thereby, nothing therein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or premium, if any, or interest on any Outstanding Bond, a change in the purchase price or time of purchase of Bonds put pursuant to the terms thereof, a reduction in the principal amount or redemption price of any Outstanding Bond or a change in the method of determining the rate of interest thereon, or (ii) the creation of a claim or lien upon, or a pledge of, the Receipts and Revenues of the Authority pledged under the Agreement ranking prior to or on a parity with the claim, lien or pledge created by the Agreement, or (iii) a preference or priority of any other Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of Bonds the consent of the holders of the Bonds of which is required for any such Supplemental Agreement.

(b) If at any time the Authority shall request the Trustee to enter into any Supplemental Agreement for any of the purposes of this Section, the Trustee shall cause notice of the proposed Supplemental Agreement to be given by Publication at least once a week for two successive weeks, and by Mail to all holders of Outstanding Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Agreement and shall state that a copy thereof is on file at the office of the Trustee for inspection by all holders of Bonds.

(c) Within two years after the date of the first publication of such notice, the Authority and the Trustee may enter into such Supplemental Agreement in substantially the form described in such notice only if there shall have first been delivered to the Trustee (i) the required consents, in writing, of the holders of the Bonds and (ii) an opinion

of Bond Counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement and the Act, complies with their respective terms and, upon the execution and delivery thereof, will be valid and binding upon the Authority in accordance with its terms and will not adversely affect the exclusion from gross income of the interest on the Bonds for purposes of Federal income taxation.

(d) If the holders of not less than the percentage of Bonds required by this Section shall have consented to and approved the execution and delivery thereof, no holder of a Bond shall have any right to object to the execution and delivery of such Supplemental Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Authority or the Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

(e) Subject to the terms and provisions contained in this subsection (e) of this Section, the holders of all the Bonds at any time Outstanding shall have the right, and the Authority and the Trustee by their execution and delivery of the Agreement expressly confer upon such holders the right to modify, alter, amend or supplement the Agreement in any respect, including without limitation in respect of the matters described in clauses (i), (ii), (iii) and (iv) of the proviso contained in subsection (a) of this Section, by delivering to the Authority and the Trustee a written instrument or instruments, executed by or on behalf of such holders, containing a form of Supplemental Agreement which sets forth such modifications, alterations, amendments and supplements, and, upon the expiration of a thirty (30) day period commencing on the date of such delivery during which no notice of objection shall have been delivered by the Authority and the Trustee to such holders at an address specified in such written instrument, such Supplemental Agreement shall be deemed to have been approved and confirmed by the Authority and the Trustee, to the same extent as if actually executed and delivered by the Authority and the Trustee and such Supplemental Agreement shall thereupon become and be for all purposes in full force and effect without further action by the Authority and the Trustee. The foregoing provisions are, however, subject to the following conditions:

(i) no such Supplemental Agreement shall in any way affect the limited nature of the obligations of the Authority under the Agreement as set forth in Sections 2.06 (“Security for the Bonds”) and 7.01 (“Payment of Bonds”) thereof or shall adversely affect any of its rights thereunder;

(ii) no such Supplemental Agreement shall be to the prejudice of the obligor under any Credit Facility, the Paying Agent or Co-Paying Agent, any Depository, the Registrar, any Tender Agent, or any Remarketing Agent; and

(iii) there shall have been delivered to the Authority and the Trustee an opinion of Bond Counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement and the Act, complies with their respective terms, will, upon the expiration of the aforesaid thirty (30) day period, be valid and binding upon the Authority in accordance with its terms and will not adversely affect the exclusion from gross income of the interest on the Bonds for the purposes of Federal income taxation.

**Effect of Supplemental Agreement.** Upon the execution and delivery of any Supplemental Agreement pursuant to the provisions of the preceding Sections, the Agreement shall be, and be deemed to be, modified, altered, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Agreement of the Authority, the Trustee and all holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Agreement subject in all respects to such modifications, alterations, amendments and supplements.

APPENDIX C

Form of Continuing Disclosure Agreement

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DELAWARE TRANSPORTATION AUTHORITY  
\$120,640,000  
TRANSPORTATION SYSTEM SENIOR REVENUE BONDS, SERIES 1997  
\$19,385,000  
TRANSPORTATION SYSTEM JUNIOR REVENUE BONDS, SERIES 1997

**CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement dated as of August 15, 1997 (the “Disclosure Agreement”) is executed and delivered by THE DELAWARE TRANSPORTATION AUTHORITY (as more fully defined below, the “Authority”) in connection with the issuance of the above captioned bonds (the “1997 Bonds”). The Authority, intending to be legally bound, hereby covenants and agrees as follows:

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

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, 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 1997 Bonds which the Authority has declared in writing to be covered by this Disclosure Agreement.

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

“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.

“Bonds” shall mean the 1997 Bonds and any Additional Bonds, if any.

“Dissemination Agent” shall mean any agent of the Authority designated in writing by the Authority which has filed with the Authority 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. The current address of the MSRB is:

MUNICIPAL SECURITIES RULEMAKING BOARD  
Continuing Disclosure Information System  
1640 King Street, Suite 300  
Alexandria, VA 22314-2719  
(202) 223-9503 (phone)  
(703) 683-1930 (fax)

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

**BLOOMBERG MUNICIPAL REPOSITORIES**

Attn: Municipal Dept.  
Bloomberg Business Park  
100 Business Park Drive  
Skillman, New Jersey 08558  
(609) 279-3200 (phone)  
(609) 279-3224 (phone)  
(609) 279-5962 (fax)  
(U.S. Mail: P.O. Box 840  
Princeton, NJ 08542-0840]  
E-Mail: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

**THOMSON NRMSIR**

Attn: Municipal Disclosure  
395 Hudson Street, 3rd Fl.  
New York, New York 10014  
(212) 807-5001 (phone)  
(800) 689-8466 (phone)  
(212) 989-2078 (fax)  
E-Mail: [Disclosure@Muller.com](mailto:Disclosure@Muller.com)

**DISCLOSURE, INC.**

Attn: Document Acquisitions/Municipal Securities  
5161 River Road  
Bethesda, Maryland 20816  
(301) 718-2390 (phone)  
(800) 638-8241 (phone)  
(301) 951-1366 (fax)  
E-Mail: [Sherri.sewalt@Disclosure.com](mailto:Sherri.sewalt@Disclosure.com)

**DONNELLEY FINANCIAL**

559 Main Street  
Municipal Securities Disclosure Archive  
Hudson, Massachusetts 01749  
(800) 580-3670 (phone)  
(508) 562-1969 (fax)  
E-Mail: [Sspotkill@rrdfin.com](mailto:Sspotkill@rrdfin.com)

KENNY INFORMATION SYSTEMS, INC.

Attn: Kenny Repository Service  
65 Broadway, 16th Fl.  
New York, New York 10006  
(212) 770-4595 (phone)  
(212) 797-7994 (fax)

MOODY'S NRMSIR

Attn: Public Finance Information Center  
99 Church Street, 6th Floor  
New York, New York 10007-2701  
(800) 339-6306 (phone)  
(212) 553-1460 (fax)

DPC DATA INC.

One Executive Drive  
Fort Lee, New Jersey 07024  
(201) 346-0701 (phone)  
(201) 947-0107 (fax)  
E-Mail: nrmsir@dpcdata.com

“Obligated Person” shall have the meaning set forth in the Rule, provided that the sole objective criteria used to select the Obligated Person shall be the entity obligated to repay all debt service with respect to the relevant Bonds.

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

“Repository” shall mean each National Repository and each State Repository, if any.

“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.

“State Repository” shall mean any public or private repository or entity designated by the State of Delaware as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

“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 Trust Agreement dated as of August 1, 1988 between the Authority and Wilmington Trust Company, as amended.

### 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 eighth calendar month immediately following the end of the Authority's fiscal year, provide to the State and each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent, if any. The 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 of this Disclosure Agreement; provided, however, that audited financial statements of the Authority may be submitted separately from the balance of the Annual Report.

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

(c) The Dissemination Agent, if any, shall (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and (ii) file a report with the Authority certifying that the Annual Report has been filed pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Audited financial statements of the Authority not submitted as part of the Annual Report shall be provided to each Repository, if and when available to the Authority, and in any event not more than thirty (30) days after receipt thereof from the Authority's auditors. In the event that audited financial statements are not submitted as part of the Annual Report, the Authority shall provide in lieu thereof unaudited financial statements meeting the description set forth in Section 4(a)(i) hereof.

(e) The Authority shall promptly provide written notice of any change in its fiscal year to the MSRB and to each Repository.

### SECTION 4. Content of Annual Reports

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

(b) 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 to each of the Repositories 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.

(c) 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, 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.

### 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 and the State Repository (if any). 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. Accounting Standards. The financial statements described in Section 4(a)(i) above shall be audited by either a certified public accountant or an independent public accountant and shall be prepared in accordance with both (a) generally accepted accounting principles applicable in the preparation of financial statements of municipalities and other public entities as such principles are from time to time promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body (“GAAP”), and (b) applicable federal and state auditing statutes, regulations, standards and/or guidelines; provided however, that the Authority may from time to time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal or state statutes, regulations, standards and/or guidelines. Any such modification of accounting standards to conform to changes in either GAAP or applicable federal or state auditing statutes, regulations, standards or guidelines shall not constitute an amendment to this Disclosure Agreement within the meaning of Section 9 hereof; however, such modifications shall be disclosed in the first Annual Report to be provided subsequent to such modifications.

SECTION 7. Termination of Reporting Obligation. The Authority'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 the

prior Obligated Person both hereunder and under the Bonds. The prior Obligated Person shall provide timely written notice to each Depository 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 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 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. The Authority acknowledges and agrees that the current SEC interpretation of the Rule requires satisfaction of the following preconditions:

(i) the modification or amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the Authority, or change in the type of business conducted by the Authority;

(ii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule as of the date of issuance of the relevant Bonds, after taking into account any amendment or interpretations of the Rule, as well as any change in circumstances; and

(iii) the modification or amendment does not materially adversely affect the interests of Holders, as determined either by a party unaffiliated with the Authority (such as the Trustee or nationally recognized bond counsel) or by an approving vote of a majority of Holders.

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 shall report any modification or amendment of this Disclosure Agreement as required by the Rule. To the extent required by the Rule, the Authority shall include as a component of the first Annual Report 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 Report 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 each Depository.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority 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 chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no 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 to comply with any provisions of this Disclosure Agreement, the Trustee, any Participating 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 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 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 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 Participating 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.

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

DELAWARE TRANSPORTATION AUTHORITY

(SEAL)

By: \_\_\_\_\_  
Transportation Trust Fund Administrator

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT  
[AUDITED ANNUAL FINANCIAL STATEMENTS]**

DELAWARE TRANSPORTATION AUTHORITY  
\$120,640,000  
TRANSPORTATION SYSTEM SENIOR REVENUE BONDS, SERIES 1997  
\$19,385,000  
TRANSPORTATION SYSTEM JUNIOR REVENUE BONDS, SERIES 1997

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

Date: \_\_\_\_\_, \_\_\_\_\_

**DELAWARE TRANSPORTATION AUTHORITY**

By: \_\_\_\_\_

## EXHIBIT B

### CONTENTS OF ANNUAL REPORT

The Annual Report shall contain the following with respect to the prior fiscal year:

1. Audited financial statements in form and content substantially the same as those appended to the Authority's Official Statement with respect to the Bonds;
2. An update of the type of information included in the below-listed tables in the Official Statement:
  - (a) Summary of Revenue Dedicated to the Trust Fund (p. 7);
  - (b) Summary Results (p. 11);
  - (c) History of Gallonage and Revenue from Motor Fuel Taxes (p. 27);
  - (d) Vehicle Trips and Delaware Turnpike Revenue (p. 32);
  - (e) Delaware Turnpike Barrier Tolls (p. 34);
  - (f) Route 1 Toll Schedule and the amount of toll revenue received from the Route 1 Toll Road during the prior fiscal year (pp. 36-37);
  - (g) History of Motor Vehicle Document Fees (p. 38);
  - (h) History of Motor Vehicle Registrations and Revenue (p. 42); and
  - (i) History of Miscellaneous Transportation Revenue (p. 46);
3. A statement of the proposed capital authorizations which have been approved for the current fiscal year (p. 52).

APPENDIX D

Proposed Form of Opinion of Bond Counsel

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June 11, 2008

DELAWARE TRANSPORTATION AUTHORITY  
TRANSPORTATION SYSTEM SENIOR REVENUE BONDS, 2008 Series A

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as bond counsel in connection with the issuance on the date hereof of Delaware Transportation Authority Transportation System Senior Revenue Bonds, 2008 Series A, dated the date of issuance, in the principal amount of \$84,720,000 (the "Bonds"), 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 (collectively, the "Act"), a Trust Agreement dated as of August 1, 1988, 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"), as amended and supplemented, including by Supplemental Agreement No. 21, dated as of June 11, 2008 (the "Trust Agreement"), and a resolution of the Authority dated June 4, 2008 (the "Resolution"), and other laws of the State, for the purposes of financing a portion of the Delaware Department of Transportation's capital program, financing a deposit to the Senior Bonds Debt Service Reserve Account 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 form 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.

(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.

(4) The Bonds 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.

(5) Interest on the Bonds 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 comply 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 treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes; however, we call to your attention that under the Code, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the corporate alternative minimum tax. We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

(6) 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.



