

In the opinion of Bond Counsel, interest on the Series 2020 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 Series 2020 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code for purposes of the federal alternative minimum tax. Under existing statutes, interest on the Series 2020 Bonds is exempt from personal and corporate income tax imposed by the State of Delaware (the “State”). For a more complete discussion, see “TAX MATTERS” herein.



\$194,470,000

DELAWARE TRANSPORTATION AUTHORITY**Grant Anticipation Bonds, Series 2020****Dated: Date of Delivery****Due: September 1, as shown on inside cover**

The Grant Anticipation Bonds, Series 2020 in the aggregate principal amount of \$194,470,000 (the “Series 2020 Bonds”), are issuable as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof.

The Series 2020 Bonds initially will be maintained under a book-entry system and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2020 Bonds. Interest on the Series 2020 Bonds is payable from the date of delivery, semiannually on March 1 and September 1 of each year, commencing March 1, 2021. So long as the Series 2020 Bonds are maintained under a book-entry system, payments of principal of and the redemption premium, if any, and interest on the Series 2020 Bonds will be made when due by Wilmington Trust Company, as trustee and registrar (the “Trustee”), to DTC in accordance with the Trust Agreement described herein, and the Trustee will have no obligation to make any payments to any beneficial owner of any Series 2020 Bonds. See “THE SERIES 2020 BONDS — DTC and Book-Entry Only System.”

The Series 2020 Bonds are subject to redemption prior to maturity, as more fully described herein.

The Series 2020 Bonds are being issued to provide funds sufficient, together with other available funds, to finance a portion of the costs of the I-95 Rehabilitation Project (as defined in the Trust Agreement), the Refunding Project (as defined herein) and to pay certain costs of issuance. The Series 2020 Bonds are being issued under, and secured by, a Master Trust Agreement dated as of June 1, 2010, between the Delaware Transportation Authority (the “Authority”) and the Trustee, as amended and supplemented, including by the Second Supplement to Master Trust Agreement dated as of October 15, 2020 (as so amended and supplemented, the “Trust Agreement”). The Series 2020 Bonds are the second series issued under the Trust Agreement and will be secured on a parity with any additional parity obligations issued by the Authority under the Trust Agreement (collectively, the “Bonds”), as described herein.

The Delaware Department of Transportation (the “Department”) and the Authority have entered into a Memorandum of Understanding (as defined in the Trust Agreement) with the Federal Highway Administration (“FHWA”) which provides for the reimbursement of the Department by FHWA for debt service and costs incurred for the Series 2020 Bonds, including principal, interest and other bond related costs, as provided in Title 23, Section 122, United States Code. Payments by the Department under the GARVEE Financing and Pledge Agreement (U.S. 301 Project) dated June 1, 2010, between the Department and the Authority, as amended and supplemented, including by the Second Supplement to the GARVEE Financing and Pledge Agreement, dated as of October 15, 2020 (as so amended and supplemented, the “Financing Agreement”) are made solely from amounts that constitute Pledged Federal Aid (as defined herein) and in accordance with Federal Aid Authorization (as defined herein).

THE SERIES 2020 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM CERTAIN PLEDGED FEDERAL AID AVAILABLE TO THE STATE, AND OTHER MONEYS INCLUDED IN THE TRUST ESTATE CREATED BY THE TRUST AGREEMENT, AND ARE NOT AND SHALL NOT BE DEEMED TO (I) BE GENERAL OBLIGATIONS OF THE AUTHORITY, (II) CONSTITUTE OBLIGATIONS OF THE DEPARTMENT, OR (III) CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE OWNERS OF THE SERIES 2020 BONDS MAY NOT LOOK TO ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY (OTHER THAN THE TRUST ESTATE) OR THE STATE FOR PAYMENT OF THE SERIES 2020 BONDS, AND THE SERIES 2020 BONDS SHALL NOT BE DEEMED OR CONSTRUED AS CREATING A PLEDGE OF THE TAXING POWERS, FAITH, OR CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE. THE AUTHORITY HAS NO TAXING POWERS.

This cover page contains only a brief description of the Series 2020 Bonds and the security therefor. It is not a summary of material information with respect to the Series 2020 Bonds. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

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

The Series 2020 Bonds are offered for delivery when, as and if issued by the Authority, subject to the approving opinion of Saul Ewing Arnstein & Lehr LLP, Wilmington, Delaware, Bond Counsel to the Authority. Certain legal matters will also be passed upon for the Authority and the Department by a Deputy Attorney General of the State. Certain legal matters will be passed on for the Underwriters by Cozen O’Connor, Wilmington, Delaware and Philadelphia, Pennsylvania. It is expected that the Series 2020 Bonds in definitive form will be available for delivery in New York, New York through the facilities of The Depository Trust Company on or about October 29, 2020.

BofA Securities**Citigroup****Wells Fargo Securities**

\$194,470,000

DELAWARE TRANSPORTATION AUTHORITY

Grant Anticipation Bonds, Series 2020

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP* (246419)</u>
2021	\$10,435,000	5.000%	0.230%	103.995%	BF1
2022	9,390,000	5.000%	0.280%	108.650%	BG9
2023	9,860,000	5.000%	0.320%	113.214%	BH7
2024	10,350,000	5.000%	0.420%	117.422%	BJ3
2025	10,870,000	5.000%	0.510%	121.433%	BK0
2026	11,415,000	5.000%	0.720%	124.428%	BL8
2027	11,985,000	5.000%	0.910%	127.057%	BM6
2028	12,585,000	5.000%	1.070%	129.473%	BN4
2029	13,215,000	5.000%	1.230%	131.481%	BP9
2030	13,875,000	5.000%	1.360%	133.412%	BQ7
2031	14,565,000	5.000%	1.470% ^C	132.224% ^C	BR5
2032	15,295,000	5.000%	1.540% ^C	131.474% ^C	BS3
2033	16,060,000	5.000%	1.610% ^C	130.730% ^C	BT1
2034	16,865,000	5.000%	1.660% ^C	130.201% ^C	BU8
2035	17,705,000	5.000%	1.710% ^C	129.674% ^C	BV6

^C Price/Yield to first optional redemption date of September 1, 2030.

* CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2019 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2020 Bonds and no representation is made with respect to the correctness thereof. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2020 Bonds as a result of various subsequent actions. Neither the Authority nor the Underwriters have agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed above.

No dealer, broker, salesman or any other person has been authorized by the Authority or the Underwriters to give any information or to make any representation, other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Authority, and other sources. The Authority believes that the information contained in this Official Statement is correct and complete and has no knowledge of any inaccuracy or incompleteness as to any of the information herein contained. The information set forth herein is not guaranteed as to accuracy or completeness by the Authority and is not to be construed as a representation by the Authority, as to information from sources other than the Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

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

THE SERIES 2020 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE TRUST AGREEMENT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY AND TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2020 Bonds. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2020 Bonds or as indicated on the inside cover page of this Official Statement.

No quotations from or summaries or explanations of provisions of laws and documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2020 Bonds. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement.

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

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**OFFICIAL STATEMENT
of the
DELAWARE TRANSPORTATION AUTHORITY**

Relating to

**\$194,470,000
GRANT ANTICIPATION BONDS, SERIES 2020**

INTRODUCTION

This Official Statement sets forth information concerning the sale by the Delaware Transportation Authority (the “Authority”) of \$194,470,000 aggregate principal amount of Grant Anticipation Bonds, Series 2020 (the “Series 2020 Bonds”). The Series 2020 Bonds are issued as tax-exempt obligations of the Authority under the Internal Revenue Code of 1986, as amended (the “Code”).

The Series 2020 Bonds are limited obligations of the Authority, authorized pursuant to Chapters 13 and 14 of Title 2 of the Delaware Code, as amended, and 82 Del. Laws Ch. 244, as amended (the “Act”) and by a resolution of the Authority adopted on October 20, 2020. The Series 2020 Bonds will be issued under and secured by a Master Trust Agreement, dated as of June 1, 2010 (the “Original Trust Agreement”), between the Authority and Wilmington Trust Company, as trustee (the “Trustee”), as amended and supplemented by a First Supplement to Master Trust Agreement, dated as of March 15, 2012 (the “First Supplement”), and a Second Supplement to Master Trust Agreement dated as of October 15, 2020 (the “Second Supplement” and, together with the Original Trust Agreement and the First Supplement, collectively, the “Trust Agreement”). The Authority previously issued its Grant Anticipation Bonds, Series 2010 in the aggregate principal amount of \$113,490,000 (the “Series 2010 Bonds”), under the Original Trust Agreement, of which \$44,030,000 presently remains outstanding. The Series 2020 Bonds are the second series of obligations issued under the Trust Agreement and will be secured on a parity with any additional obligations issued by the Authority under the Trust Agreement (collectively, the “Bonds”), except as otherwise provided therein, all as further described herein.

The proceeds of the Series 2020 Bonds will be used to: (i) finance a portion of the costs of the I-95 Rehabilitation Project (as defined in the Trust Agreement) to be constructed by the Delaware Department of Transportation (the “Department”); (ii) currently refund all of the Authority’s Series 2010 Bonds (the “Refunding Project”); and (iii) pay certain costs of issuing the Series 2020 Bonds (collectively, the “Project”). The portion of the Series 2020 Bonds being issued to finance the I-95 Rehabilitation Project will be used for the completion of design and construction of the rehabilitation of the I-95 corridor in Wilmington from I-495 to just north of the Brandywine River Bridge. The I-95 Rehabilitation Project is currently in the design phase. Planned construction includes the repair of 19 bridges, rehabilitation of over 3 miles of pavement on I-95, reconstruction of eleven (11) exit/entrance ramps and a new on-ramp from 2nd Street to I-95 South. Major construction is expected to begin in spring 2021 with completion in summer 2023. See “PLAN OF FINANCE - Estimated Sources and Uses for Series 2020 Bond Proceeds.”

Under the provisions of the GARVEE Financing and Pledge Agreement (U.S. 301 Project), dated as of June 1, 2010 (the “Original GARVEE Financing Agreement”), as amended and supplemented by a First Amendment to the GARVEE Financing and Pledge Agreement, dated March 15, 2012 (the “First Amendment to GARVEE Financing Agreement”) and a Second Supplement to the GARVEE Financing and Pledge Agreement, dated as of October 15, 2020 (the “Second Supplement to GARVEE Financing Agreement” and, together with the Original GARVEE Financing Agreement and the First Amendment to GARVEE Financing

Agreement, collectively, the “GARVEE Financing Agreement”, the form of which is included as APPENDIX B to this Official Statement) by and between the Department and the Authority, the parties established certain terms and conditions whereby the Authority will finance, in part through the issuance of Bonds, the costs of the design, construction and equipping of projects, including the I-95 Rehabilitation Project, and the Department will manage the design, construction and equipping of projects, including the I-95 Rehabilitation Project, and will pledge to and make available to the Trustee, the Pledged Federal Aid (as defined herein) for the payment of debt service on the Bonds.

THE SERIES 2020 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM PLEDGED FEDERAL AID AND OTHER MONEYS INCLUDED IN THE TRUST ESTATE CREATED BY THE TRUST AGREEMENT, AND ARE NOT AND SHALL NOT BE DEEMED TO (I) BE GENERAL OBLIGATIONS OF THE AUTHORITY, (II) CONSTITUTE OBLIGATIONS OF THE DEPARTMENT, OR (III) CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE OWNERS OF THE SERIES 2020 BONDS MAY NOT LOOK TO ANY REVENUES OR FUNDS OF THE AUTHORITY (OTHER THAN THE TRUST ESTATE) OR THE STATE OF DELAWARE (THE “STATE”) FOR PAYMENT OF THE SERIES 2020 BONDS, AND THE SERIES 2020 BONDS SHALL NOT BE DEEMED OR CONSTRUED AS CREATING A PLEDGE OF THE TAXING POWERS, FAITH, OR CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE. THE AUTHORITY HAS NO TAXING POWERS.

In connection with the issuance of the Series 2020 Bonds, the Department, the Authority and the Federal Highway Administration (“FHWA”) have entered into an agreement titled Bond Program (Grant Anticipation Revenue Vehicle) Memorandum of Understanding (the “Memorandum of Understanding”) dated as of August 24, 2020, which provides for the reimbursement of the Department by FHWA for debt service and costs incurred for the Bonds, including principal, interest and other bond related costs, as provided in Title 23, Section 122, United States Code. Payments by the Department under the GARVEE Financing Agreement are made solely from Pledged Federal Aid and in accordance with Federal Aid Authorization (as defined herein).

In addition, the Department may enter into additional agreements, in addition to the Memorandum of Understanding (each, a “Federal Aid Agreement” and collectively the “Federal Aid Agreements”), with FHWA with respect to the Project (any such project “Federal Aid Projects”). Under the Memorandum of Understanding, FHWA has approved the Project as a Federal Aid Project under Title 23, Chapter 1 of the United States Code and applicable regulations for treatment as a debt-financed project and the Department and FHWA have agreed that the reimbursement for the federal share of the costs of the Project will be effected through the making of payments by or on behalf of FHWA, subject to the availability of applicable federal aid under those statutes codified as Title 23, Chapter 1 of the United State Code and applicable regulations (“Federal Aid Authorization”) in amounts and at times that correspond to payments of debt service on the Series 2020 Bonds (and related issuance costs) that relate to the Project. The Department has agreed under the Memorandum of Understanding to reserve the first available obligation authority annually for debt service on the Series 2020 Bonds.

The principal of and interest on the Series 2020 Bonds will be payable solely from the Trust Estate consisting of: (I) all moneys, securities, letters or credit or investments held in or entitled to be held by the Trustee under the Trust Agreement, including all funds and accounts created in the Trust Agreement (except the Rebate Fund) and all interest, profits and proceeds thereof; (II) all of the Authority’s right, title and interest in the GARVEE Financing Agreement, including the Department’s pledge, transfer and assignment of its rights, title and interest in the Pledged Federal Aid contained therein; (III) all of the Authority’s right, title and interest in and to the Pledged Federal Aid; (IV) any and all property, rights and interests of every kind or description which from time to time hereafter may be sold, transferred, conveyed, assigned, pledged, mortgaged or delivered to the Trustee or the Authority as security thereunder; (V) all of the Authority’s right,

title and interest in and to any Counterparty Exchange Payments; and (VI) all proceeds of the foregoing (collectively, the “Trust Estate”). Pledged Federal Aid (“Pledged Federal Aid”) consists of (i) all present and future Obligation Authority (as defined herein) received by or on behalf of, or available to the State from FHWA, excluding any categories of federal highway funds or Obligation Authority not legally available for the payment of debt service on the Bonds and (ii) any rights of the Department to receive such Obligation Authority.

Application of Pledged Federal Aid to the payment of principal of and interest on the Bonds is permitted under Federal law and, once deposited with the Trustee, may be made without any further appropriation under the law of the State. HOWEVER, FEDERAL AID AUTHORIZATION EXPRESSLY PROVIDES THAT NO FEDERAL AID AGREEMENT CAN CREATE ANY RIGHT IN ANY PARTY (OTHER THAN THE STATE) AGAINST FHWA AND THE FEDERAL AID AGREEMENT DOES NOT CONSTITUTE A COMMITMENT, GUARANTY OR OBLIGATION ON THE PART OF THE UNITED STATES TO PROVIDE FOR THE PAYMENT OF DEBT SERVICE ON THE SERIES 2020 BONDS.

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

THE ABOVE SUMMARY IS INTENDED ONLY AS A GENERAL INTRODUCTION TO THE SERIES 2020 BONDS AND THE SECURITY PROVIDED UNDER THE TRUST AGREEMENT AND DOES NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE. FOR MORE INFORMATION CONCERNING THE SERIES 2020 BONDS AND THE SPECIFIC PLEDGES AND OTHER PROVISIONS OF THE TRUST AGREEMENT UNDER WHICH THE SERIES 2020 BONDS ARE BEING ISSUED AND DESCRIPTIONS OF THE FEDERAL-AID HIGHWAY PROGRAM AND THE STATE'S PARTICIPATION THEREIN, PROSPECTIVE PURCHASERS OF THE SERIES 2020 BONDS SHOULD READ THE ENTIRETY OF THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO.

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

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

INVESTMENT CONSIDERATIONS

The Authority's ability to pay principal of and interest on the Series 2020 Bonds depends upon numerous factors, many of which are not subject to the control of the Authority or the Department. Described below are certain factors that could affect the ability of the Authority to pay debt service on the Series 2020 Bonds.

Limited Obligations

The Series 2020 Bonds are limited obligations of the Authority, payable solely from the Trust Estate, consisting primarily of Pledged Federal Aid. The Owners of the Series 2020 Bonds may not look to any general or other fund of the Authority or the State for payment of principal of or interest on, the Series 2020 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS” and APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT” for a further discussion of limitations as to the sources for payment of the Series 2020 Bonds.

Factors Affecting Pledged Federal Aid

The Pledged Federal Aid has historically been authorized by Congress under multiple-year authorizing legislation. The current legislative authorization was provided by “Fixing America's Surface Transportation Act,” (the “FAST Act”) enacted December 4, 2015. The FAST Act was set to expire on September 30, 2020. On September 30, 2020, Congress passed a continuing resolution which extended the FAST Act authorization through September 30, 2021. While this 1 year extension applies to federal highway contract authority, Obligation Authority, which is the actual level of funding to states, is limited to a pro-rated portion of the full-year funding amount through December 11, 2020 (the expiration date of the continuing resolution). Currently, the FAST Act includes provisions designed to provide continuity in the flow of federal highway reimbursements to states, including the State. There can be no assurance that such provisions will be continued under any future federal reauthorization or that, if continued, such provisions will be sufficient to ensure that Pledged Federal Aid will be available as needed if in the future Congress amends existing laws or fails to reauthorize expired transportation legislation, or if future legislation or federal administrative action reduces the amount of Pledged Federal Aid available to the Department. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Authorization.”

There can be no assurance that there will not be future changes in law, regulation, policy, or the availability of revenues at the federal level which may materially adversely affect the future availability of Pledged Federal Aid to pay debt service on the Series 2020 Bonds. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS.”

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

Default and Remedies

The Trust Agreement does not provide for acceleration of the Series 2020 Bonds if an Event of Default occurs. The rights of the Owners of the Series 2020 Bonds and the enforceability of the Series 2020 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State of the police power inherent in the sovereignty of the State, and by the exercise by the United States of the powers delegated to it by the United States Constitution.

Forward-Looking Statements

The Official Statement contains statements relating to future results that are forward-looking statements. When used in this Official Statement, the words “estimate”, “forecast”, “intend”, “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements.

Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

THE PROJECT

The Authority proposes to use Series 2020 Bond proceeds for the Project.

Refunding Project

Upon delivery and issuance of the Series 2020 Bonds by the Authority, a portion of the proceeds of the Series 2020 Bonds will be deposited in an escrow fund for the Series 2010 Bonds with Wilmington Trust, National Association, as escrow agent for the Series 2010 Bonds, and such proceeds will be held in cash and/or invested in direct obligations of the United States of America (the “Escrow Securities”), the principal of which, together with cash and any investment earnings thereon, will be in an amount sufficient to pay the principal of and interest on the Series 2010 Bonds on November 18, 2020, at a redemption price of 100% of the principal amount of the Series 2010 Bonds plus accrued interest thereon, pursuant to the optional redemption provisions of the Series 2010 Bonds.

When the Series 2020 Bonds are issued, PFM Asset Management LLC (the “Verification Agent”), will deliver to the Authority a report indicating that it has verified the arithmetic accuracy of (a) the adequacy of the cash and maturing principal amounts of, and the interest on, the Escrow Securities to pay the interest and principal on the Series 2010 Bonds on November 18, 2020, the date fixed for redemption, and (b) certain yield calculations relating to the Series 2020 Bonds.

I-95 Rehabilitation Project

The portion of the Series 2020 Bonds being issued to finance the I-95 Rehabilitation Project will be used for the completion of design and the construction of the rehabilitation of the I-95 corridor in Wilmington, Delaware, from I-495 to just north of the Brandywine River Bridge. The I-95 Rehabilitation Project is currently in the design phase. Planned construction includes the repair of 19 bridges, rehabilitation of over 3 miles of pavement on I-95, reconstruction of eleven (11) exit/entrance ramps and a new on-ramp from 2nd Street to I-95 South. Major construction is expected to begin in spring 2021 with completion in summer 2023.

Background Information

Originally built in 1964, I-95 runs through downtown Wilmington, Delaware. Portions of the roadway and bridges were widened in 1978 at which time several on and off ramps were constructed. The viaduct bridges (BR 1-748, 748N, and 748S) and the Brandywine River Bridge (BR 1-759) are in fair condition with a lot of repair needs to extend the lives of the bridges. The ramp bridges were all constructed at the same time as the mainline bridges and also have repair needs that can more easily be addressed under the maintenance of traffic schemes provided during the I-95 Rehabilitation Project. The mainline concrete pavement between the viaduct and Brandywine River Bridge is beyond its service life and in need of reconstruction. The signage and lighting along the corridor is substandard. The median barrier is severely deteriorated with several areas having been destroyed through vehicular impact, and the guardrail needs to be upgraded to current standards. The mainline bridges were identified as needing work through the Bridge Management System, and the remaining items are more easily achieved under the maintenance of traffic scheme provided under the needed repairs of the bridges. The highest priority bridges are ranked on the 2017 DelDOT Bridge Deficiency List (out of 1625 total bridges) as follows: Bridge 1-748 is ranked 146th, Bridge 1-748N is ranked 59th, Bridge 1-748S is ranked 94th, and Bridge 1-759 is ranked 99th. By rehabilitating these bridges, the Department will be improving its data associated with meeting the performance measures associated with bridge condition, specifically

percentage of bridges in poor or fair condition and percentage of deck area in poor condition for bridges on the National Highway System.

Project Justification

This project involves the rehabilitation of I-95 from the I-495 southern interchange to north of the Brandywine River Bridge. Work includes the rehabilitation of 19 bridges involving painting of structural steel, substructure concrete repairs, bearing replacements, joint replacements, concrete deck patching, replacement of the deck overlay, replacement of the concrete bearings, and replacement of the concrete deck for the ramp bridges. Other major work items include replacing the median barriers, upgrading guardrail, rebuilding the Second Street Ramp onto Southbound I-95 and removing the South Jackson Street on ramp, patching and rehabilitating the pavement south of the viaduct, reconstructing the mainline and ramp pavement between the viaduct and Brandywine River Bridge, and upgrading all signage and lighting through the corridor, including installing new ancillary structures. Separate traffic mitigation projects have been identified and will be constructed in advance of the project to help alleviate impacts on residents and commuters during construction.

Work Completed To Date

Design on the I-95 Rehabilitation Project began in 2014. Between September 2014 and July 2015 the I-95 Rehabilitation Project entered the inspection and testing phase. From July 2015 through October 2016, preliminary concept plans were prepared. The value engineering study was completed in March 2017. The I-95 Rehabilitation Project is currently in the final design phase, which began in October 2016 and is expected to be completed by the end of 2020. Public meetings were held on March 27, 2019 and September 29, 2020.

Portions of the I-95 Rehabilitation Project have been broken out into smaller contracts that will be done before or after the mainline contract. These additional contracts will minimize the long-term lane closures on I-95 to two years. The contract for the construction of the new 2nd Street ramp and removal of the existing Jackson Street and 2nd Street ramps has been awarded to RE Pearson Construction, and began in April 2020, with completion expected before the end of 2020. The contract for removal and replacement of sign structures has been awarded to J Fletcher Creamer, which began in March 2020, with completion expected before March 2021.

Funding Construction

As final design nears completion, the mainline contract is anticipated to begin in the spring of 2021. Several "early work packages" are being developed to help minimize the time of the main project. One of these, involving the reconstruction of shoulders and installation of crossovers, will have some impact to traffic. The contract for the repairs of the existing substructures will begin after the mainline contract, which will likely be in late 2023.

PLAN OF FINANCE

Estimated Sources and Uses of the Series 2020 Bond Proceeds

The table below sets forth the estimated sources and uses of the Series 2020 Bond proceeds.

SOURCES OF FUNDS:

Par Amount of the Series 2020 Bonds.....	\$194,470,000.00
Original Issue Premium.....	49,991,293.85
Funds held under the Trust Agreement.....	<u>933,244.47</u>
Total sources of funds.....	<u>\$245,394,538.32</u>

USES OF FUNDS:

Project Fund Deposit.....	\$200,000,000.00
Refunding Project.....	44,475,346.08
Costs of Issuance ¹	477,958.26
Underwriters' Discount.....	<u>441,233.98</u>
Total uses of funds.....	<u>\$245,394,538.32</u>

¹ Costs of Issuance include fees for rating agencies, legal counsel, financial advisor, trustee, escrow agent, verification agent and other expenses associated with the issuance of the Series 2020 Bonds.

THE SERIES 2020 BONDS

Description of the Series 2020 Bonds

The Series 2020 Bonds are dated as of their date of delivery (“Date of Delivery”), and will mature on September 1 in the years and principal amounts, all as set forth on the inside front cover of this Official Statement. The Series 2020 Bonds shall bear interest from the Date of Delivery, until paid, at the rate or rates set forth on the inside front cover (computed on the basis of a 360-day year, composed of twelve 30-day months) payable on March 1, 2021 and semiannually thereafter on March 1 and September 1 of each year (the “Interest Payment Dates”) while such Series 2020 Bonds are Outstanding.

The Series 2020 Bonds are issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. So long as the Series 2020 Bonds shall be maintained under a book-entry system, payments of the principal and redemption price of and interest on the Series 2020 Bonds will be made as described below under the heading “DTC and Book-Entry Only System.” At any other time, interest on the Series 2020 Bonds will be payable by check or draft mailed on each Interest Payment Date, or the next ensuing Business Day if such Interest Payment Date is not a Business Day, to each registered owner thereof at his address as it appears on the registration books of the Trustee at the close of business on the 15th day of the month next preceding the Interest Payment Date (the “Record Date”), and the principal of the Series 2020 Bonds will be payable upon presentation and surrender of the Series 2020 Bonds, when due, at the corporate trust office of the Trustee.

Registration and Exchange of Bonds

So long as the Series 2020 Bonds are maintained under a book-entry only system, Beneficial Owners (hereinafter defined) thereof will have no right to receive physical possession of the Series 2020 Bonds, and transfers of ownership interests in the Series 2020 Bonds will be made through book-entries by DTC and the Direct Participants. See “DTC and Book-Entry Only System.”

If the book-entry only system is discontinued, the Series 2020 Bonds, upon surrender thereof at the corporate trust office of the Trustee, together with an assignment duly executed by the registered owner or his/her attorney or legal representative in such form as shall be satisfactory to the Trustee, may be exchanged for an equal aggregate principal amount of Series 2020 Bonds of the same maturity, of any authorized denomination or denominations, and bearing interest at the same rate as the Series 2020 Bonds surrendered for exchange.

The transfer of any Series 2020 Bond may be registered only upon the books kept for the registration and transfer of bonds upon surrender of such bond to the Trustee, together with an assignment duly executed by the registered owner or his/her attorney or legal representative in such form as shall be satisfactory to the Trustee.

Upon any exchange or registration of transfer, the Authority shall execute, and the Trustee shall authenticate and deliver in exchange for such bond within a commercially reasonable time according to then prevailing industry standards, a new Series 2020 Bond or Bonds, registered in the name of the transferee, in authorized denomination or denominations, in an aggregate principal amount equal to the principal amount of the Series 2020 Bond surrendered, of the same maturity and bearing interest at the same rate.

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

Optional Redemption

The Series 2020 Bonds maturing on or after September 1, 2031, are subject to redemption prior to maturity at the option of the Authority on or after September 1, 2030, in whole or in part at any time, at the redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the date set for redemption.

Notice of Redemption

The Trustee shall cause notice of the redemption to be given at least twenty (20) days prior to the Redemption Date by mailing copies of such notice of redemption by first class mail to all Holders of Bonds to be redeemed at their registered addresses. Notwithstanding the provisions set forth in this paragraph, so long as any Series 2020 Bonds are Outstanding as Book-Entry Only Bonds, the DTC Operational Arrangements shall govern and if any conflict exists between the provisions of this paragraph and the DTC Operational Arrangements, the DTC Operational Arrangements shall prevail.

Redemption of Portion of Bond

In case part, but not all, of a Series 2020 Bond shall be selected for redemption, upon the presentation and surrender of such Bond to the Paying Agent for payment of the principal amount thereof so called for redemption in accordance with such Bond, the Authority shall execute and the Trustee shall authenticate and deliver to or upon the order of the Holder of such Bond or the Holder's attorney or legal representative, without charge thereof, for the unredeemed portion of the principal amount of the Bond so surrendered, a Series 2020 Bond or Bonds of the same maturity and of any Authorized Denomination in aggregate principal amount equal to the unredeemed portion of such Bond.

Selection for Redemption

If fewer than all of the Series 2020 Bonds shall be called for redemption, the maturities (and principal amount within a maturity of the Series 2020 Bonds to be redeemed) shall be selected by the Authority. If fewer than all of the Series 2020 Bonds of any one maturity and interest rate are called for redemption, the selection of individual ownership interests in the Series 2020 Bonds to be credited with any such partial redemption shall be made by lot, provided that the portion of any Series 2020 Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination and, in selecting Series 2020 Bonds for redemption, each Series 2020 Bond shall be treated as representing the number of Series 2020 Bonds that is obtained by dividing the principal amount of such Series 2020 Bond by \$5,000.

DTC and Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2020 Bonds. The Series 2020 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 Series 2020 Bond certificate will be issued for the Series 2020 Bonds of each maturity and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. So long as the Series 2020 Bonds are maintained in book entry form, the following procedures will be applicable with respect to the Series 2020 Bonds. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2020 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 Series 2020 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

the Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 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 Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 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 the Series 2020 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2020 Bonds, such as redemptions, defaults, and proposed amendments to the security documents. Beneficial Owners of the Series 2020 Bonds may wish to ascertain that the nominee holding the Series 2020 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 notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2020 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 any other DTC nominee) will consent or vote with respect to the Series 2020 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 or Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, interest and redemption premium, if any, on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee, on the 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 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, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption premium, if any, to Cede & Co. (or to 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 securities depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, definitive Series 2020 Bonds will be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, definitive Series 2020 Bonds will be printed and delivered. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy thereof.

NONE OF THE AUTHORITY, THE TRUSTEE, OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT OR INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR SUCH DIRECT OR INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2020 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2020 BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2020 BONDS.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each Federal Fiscal Year ending September 30 the scheduled annual debt service requirements for the Series 2020 Bonds, including the amount required to pay principal (whether at maturity or by mandatory sinking fund redemption) and for payment of interest on each March 1 and September 1 of each fiscal year.

Federal Fiscal Year Ending September 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$10,435,000	\$8,156,936.11	\$18,591,936.11
2022	9,390,000	9,201,750.00	18,591,750.00
2023	9,860,000	8,732,250.00	18,592,250.00
2024	10,350,000	8,239,250.00	18,589,250.00
2025	10,870,000	7,721,750.00	18,591,750.00
2026	11,415,000	7,178,250.00	18,593,250.00
2027	11,985,000	6,607,500.00	18,592,500.00
2028	12,585,000	6,008,250.00	18,593,250.00
2029	13,215,000	5,379,000.00	18,594,000.00
2030	13,875,000	4,718,250.00	18,593,250.00
2031	14,565,000	4,024,500.00	18,589,500.00
2032	15,295,000	3,296,250.00	18,591,250.00
2033	16,060,000	2,531,500.00	18,591,500.00
2034	16,865,000	1,728,500.00	18,593,500.00
2035	<u>17,705,000</u>	<u>885,250.00</u>	<u>18,590,250.00</u>
Total	<u>\$194,470,000</u>	<u>\$84,409,186.11</u>	<u>\$278,879,186.11</u>

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS

Limited Obligations

THE SERIES 2020 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM CERTAIN PLEDGED FEDERAL AID AVAILABLE TO THE STATE AND OTHER MONEYS INCLUDED IN THE TRUST ESTATE CREATED BY THE TRUST AGREEMENT, AND ARE NOT AND SHALL NOT BE DEEMED TO (I) BE GENERAL OBLIGATIONS OF THE AUTHORITY, (II) CONSTITUTE OBLIGATIONS OF THE DEPARTMENT, OR (III) CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE OWNERS OF THE SERIES 2020 BONDS MAY NOT LOOK TO ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY (OTHER THAN THE TRUST ESTATE) OR THE STATE FOR PAYMENT OF THE BONDS, AND THE SERIES 2020 BONDS SHALL NOT BE DEEMED OR CONSTRUED AS CREATING A PLEDGE OF THE TAXING POWERS, FAITH, OR CREDIT OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE. THE AUTHORITY HAS NO TAXING POWERS.

While application of Pledged Federal Aid to the payment of principal of and interest on the Series 2020 Bonds is permitted under federal law and may be made without any further appropriation under State law, the Memorandum of Understanding does not create any right in any party (other than the Department) against FHWA and does not constitute a commitment, guaranty or obligation on the part of the United States to provide for the payment of debt service on the Series 2020 Bonds.

Trust Estate

The Series 2020 Bonds are payable solely from the Trust Estate established under the Trust Agreement, and the Trust Estate is to be held by the Trustee for the equal and proportionate benefit of the Owners of all the Bonds and any of them without preference, priority, or distinction as to lien or otherwise, except as expressly set forth in the Trust Agreement or any subsequent Supplemental Trust Agreement. See APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT” for a further description of the provisions of the Trust Agreement regarding the Trust Estate.

Pledged Federal Aid

The Federal government makes federal aid available to state and local entities, including the Department, under a number of federal programs for highway, safety, transit, and motor carrier projects. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS” below for a detailed explanation of the federal aid highway program and its history of funding in the State. The Act authorizes the Authority to pledge any federal aid grants received or to be received for debt service and related issuance costs on the Series 2020 Bonds directly to the Trustee. The Department is also authorized to pledge federal aid grants for debt service and related costs on the Series 2020 Bonds directly to the Trustee. Pledged Federal Aid will be paid directly to the Trustee without the requirement of further General Assembly appropriation in each year in amounts necessary to pay the debt service on the Series 2020 Bonds. Pursuant to the Memorandum of Understanding, FHWA has agreed that the Project will be designated as an Advance Construction project and that FHWA will make payment of the debt service on the Series 2020 Bonds.

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

See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS - Payments of Pledged Federal Aid to the Trustee” below.

Payments of Pledged Federal Aid to the Trustee

In lieu of seeking Federal reimbursement for project costs funded from bond proceeds, including the Series 2020 Bonds, the State will submit requests for Federal reimbursement of debt service payments and other eligible costs for the Series 2020 Bonds issued under the provisions of 23 U.S.C. 122. These costs will be considered costs incurred at the time the State is required to make payment. Costs not included in the debt service payment are reimbursable at the time the State pays the costs. The State may request Federal reimbursement in sufficient time to make debt service payments on the Series 2020 Bonds on each Interest Payment Date in accordance with the provisions of the Cash Management Improvement Act (the “Direct GARVEE Reimbursement”).

If Pledged Federal Aid payable under the Federal Aid Agreements are paid first to the Department, the Department covenants to pay the amount of Pledged Federal Aid required under the Trust Agreement to the Trustee by the dates set forth herein. Pursuant to the GARVEE Financing Agreement, the Department shall, on a monthly basis, instruct FHWA to transmit Pledged Federal Aid equal to one-sixth (1/6) of the next interest payment and one-sixth (1/6) of the next maturing principal payment due within the next 6-months on the

Bonds, or such other amount specified by the Authority or the Department in a Related Series Trust Agreement for any Additional Bonds (collectively, the “Indirect Reimbursements”) for deposit into the Indirect Reimbursement Account of the Debt Service Fund held by the Trustee pursuant to the Trust Agreement so that by the 25th day of the month preceding each Interest Payment Date, such Indirect Reimbursements so deposited in the Indirect Reimbursement Account will be sufficient to pay the next maturing debt service payment on the Bonds.

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

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

Issuance of Additional Bonds

The Trust Agreement permits the issuance of Additional Bonds payable on a parity with the Series 2020 Bonds upon meeting the conditions of the Trust Agreement, as described in APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT — Conditions to Issuance of Bonds.” Subject to complying with the limits established in the Act and the Trust Agreement, the Authority may issue additional Bonds in the future for any lawful purpose. Under the Memorandum of Understanding, the Project is the only construction project for which Bonds may be issued under the Trust Agreement unless otherwise approved by the FHWA. There can be no assurance that the General Assembly of the State will or will not authorize additional Construction Projects to be funded in whole or in part with proceeds of Additional Bonds. The Trust Agreement requires, among other things, that before any Series of Additional Bonds is issued for other than refunding purposes, (i) a certificate of an Authorized Officer of the Authority has been delivered stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Trust Agreement or the GARVEE Financing Agreement, and (ii) a certificate of an Authorized Officer of the Authority has been delivered which demonstrates that the eligible Obligation Authority during the most recently completed Federal Fiscal Year was equal to at least three times (300%) of the Maximum Annual Debt Service in the current and any future Federal Fiscal Year on all Outstanding Bonds and on the Additional Bonds proposed to be issued excluding, in the case of Refunding Bonds, the debt service on the Bonds to be refunded thereby.

Amendment or Supplement to GARVEE Financing Agreement

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

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

The Federal-Aid Highway Program (FAHP)

The Federal Aid Highway Program (the “FAHP”) is an “umbrella” term that encompasses most of the federal programs providing highway funds to the states, including the State. FHWA is the federal agency within the U.S. Department of Transportation responsible for administering the FAHP. The FAHP is funded from transportation user-related revenues deposited in the Federal Highway Trust Fund (the “FHTF”). The primary source of revenues in the FHTF is derived from the federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes. The FAHP is a reimbursement program. Once projects are approved by FHWA and funds are obligated, the federal government makes payments to the states for costs as they are incurred on projects, which may include debt service on obligations issued to finance a project. Federal reimbursements are typically matched with state and/or local funds. The maximum federal share is specified in the federal legislation authorizing the program. Most projects have an 80% base federal share, while interstate construction, highway safety and maintenance projects typically have been funded with a 90% base federal share.

Funding under the FAHP is provided to states through a multi-step funding cycle that includes: (i) multiyear authorization by Congress of the funding for various highway programs; (ii) apportionment and allocation of funds to the states each Federal Fiscal Year (“FFY”) according to statutory formulas or, for some funding categories through administrative action; (iii) obligation of funds, which is the federal government's legal commitment (or promise) to pay or reimburse states for the federal share of a project's eligible costs; (iv) appropriations acts by Congress specifying the amount of funds available for the year to liquidate obligations; (v) program implementation which covers the programming and authorization phases; and (vi) reimbursement by the federal government of the eligible project costs. Each of these steps is described in more detail under “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal Aid Funding Procedures” below.

Title 23, United States Code, entitled “Highways,” includes many of the laws that govern the FAHP. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be central to the program. These provisions may be considered for amendment when and if FAHP is reauthorized. Reauthorization has tended to be evolutionary, with a moderate number of sections of Title 23 being amended or repealed during each reauthorization.

The terms and conditions of participation in the FAHP as described herein are subject to change at the discretion of Congress. Changes in law, regulation or policy or a decrease in federal revenues may materially adversely affect the availability of Pledged Federal Aid. There can be no assurance that there will not be future changes in law, regulation, policy, or the availability of revenues at the federal level which may materially adversely affect the future availability of Pledged Federal Aid to pay debt service on the Series 2020 Bonds.

Authorization

Generally. The FAHP must be periodically reauthorized by Congress and has historically been authorized under multi-year authorizing legislation. The most recent legislation, entitled the “Fixing America's

Surface Transportation Act,” or the FAST Act, enacted December 4, 2015, provides for funding of FAHP with highway user fees through FFY 2022, but with Obligation Authority through FFY 2020. On September 30, 2020, Congress passed a continuing resolution which extended the FAST Act authorization through September 30, 2021. While this 1 year extension applies to federal highway contract authority, Obligation Authority, which is the actual level of funding to states, is limited to a pro-rated portion of the full-year funding amount through December 11, 2020 (the expiration date of the continuing resolution).

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

In periods in which the authorizing legislation expired prior to enactment of succeeding comprehensive multi-year authorizing legislation, Congress and/or the FHWA have historically found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states in each instance. Examples of the two mechanisms in particular that have kept federal revenues flowing include:

Access to Unobligated Balances: The 1987 Surface Transportation and Uniform Relocation Assistance Act expired on September 30, 1991 and the Intermodal Surface Transportation Efficiency Act (“ISTEA”) was not enacted until December 18, 1991. The FHWA was able to act administratively to keep federal-aid funding flowing because states could use their unobligated balances to provide contract authority to use new OA.

Short-Term Authorization: ISTEA expired on September 30, 1997 and until approval of the Transportation Equity Act for the 21st Century (“TEA-21”) on June 9, 1998, no new long-term authorization legislation was enacted. Despite the lack of long-term authorizing legislation, states were provided an upper limit on OA through passage of an appropriations act plus access to their unobligated balances. On November 13, 1997, Congress passed the Surface Transportation Extension Act of 1997 (“STEA”), which provided a six-month authorization for highway funding and established a limit on the amount of new OA states could use at funding levels equal to about a quarter of FFY 1997 authorization levels. Since most states have unobligated balances of at least half their normal annual OA levels and an authorization act need not be in place for the FHWA to give states new OA, states were able to spend down prior unfunded federal apportionments (contract authority) with newly allocated OA. The lack of an enacted authorization act during this period did not pose a threat to the continued flow of revenues, because dedicated highway user fees continued to flow into the FHTF. Similarly, TEA-21 expired on September 30, 2003 and until approval of the Safe, Accountable, Flexible, Efficient Transportation Act: A Legacy for Users (“SAFETEA-LU”) on August 10, 2005, Congress passed twelve authorization extension acts that reauthorized the FAHP through May 31, 2005 and, through passage of a combination of continuing resolutions and appropriations bills, states were provided OA to ensure the continuation of the FAHP. Following the expiration of SAFETEA-LU on September 30, 2009, Congress passed ten authorization extension acts that reauthorized the FAHP through June 30, 2012. The last multi-year authorization of the FAHP prior to the FAST Act was the Moving Ahead for Progress in the 21st Century Act (“MAP-21”), which provided funding through September 30, 2014. Following the end of MAP-21, Congress used a series of five short-term authorizations to fund the FAHP until passage of the FAST Act.

Although measures have been taken by Congress and/or FHWA in the past, no assurance can be given that such measures would or could be taken in the future to maintain the flow of federal-aid funding upon termination of the current funding authorization.

Federal Highway Trust Fund (FHTF)

The FHTF provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the FHTF is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of a state's cost of eligible transportation projects (which may include debt service on obligations issued to finance a federal-aid project), including highway projects.

The FHTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account. The FHTF is required under current federal law to maintain a positive balance to ensure that prior commitments for the distribution of federal revenues can be met.

Federal gasoline excise taxes are the largest revenue source for the FHTF. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon tax on gasoline and 21.44 cents per gallon out of the current 24.4 cents per gallon tax on diesel, go to the Highway Account, with the remainder deposited to the Mass Transit Account.

At least since 2007, the Congressional Budget Office (“CBO”) has, from time to time, reported or testified that if Congress adhered to the highway and safety spending levels which it had authorized, absent other measures, the Highway Account of the FHTF would go into deficit within a year or two after such report or testimony was presented. As part of the testimony provided on May 6, 2014 on the status of the FHTF and options for financing highway spending, CBO stated that for several decades, the balances in the Highway Account were relatively stable or growing, but since 2001, receipts have consistently fallen below expenditures.

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The table below sets forth the balances in the Highway Account from FFY 2011 through FFY 2020:

HIGHWAY ACCOUNT BALANCE
Federal Fiscal Years 2011 through 2020
(in Billions)

Federal Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 ⁽¹⁾
Highway Account Opening Balance	\$20.743	\$14.323	\$9.731	\$3.771	\$11.376	\$9.040	\$51.436	\$41.443	\$32.605	\$24.652
Receipts										
Net Tax Receipts	31.961	35.143	31.800	34.066	35.740	36.062	35.699	37.265	38.267	25.854
Interest Income	0.011	0.005	0.005	0.003	0.001	0.092	0.281	0.543	0.621	0.140
Other Receipts	0.038	2.493 ⁽²⁾	5.899 ⁽³⁾	18.435 ⁽⁴⁾	6.092 ⁽⁵⁾	52.119 ⁽⁶⁾	0.128 ⁽⁷⁾	0.120 ⁽⁸⁾	0.098	0.105
Total Receipts	32.010	37.641	37.704	52.504	41.834	88.274	36.108	37.928	38.985	26.079
Transfers										
To Mass Transit Account	1.140	1.103	0.796	1.159	1.246	1.170	1.175	1.700	1.401	1.615
From Mass Transit Account	0.034	0.020	0.050	0.051	0.029	0.078	0.052	0.066	0.069	0.053
Outlays	37.325	41.150	42.917	43.791	42.952	44.786	44.977	45.132	45.607	36.794
Closing Balance	\$14.323	\$9.731	\$3.771	\$11.376	\$9.040	\$51.436	\$41.443	\$32.605	\$24.652	\$12.375

Source: Federal Highway Administration Table FE-1 as of July 2020. Totals may not sum due to rounding.

(1) Through July 31, 2020.

(2) Includes a transfer of \$2.4 billion to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to P.L. 112-141.

(3) Includes a transfer of \$6.2 billion to the Highway Account from the General Fund pursuant to P.L. 112-141, of which \$316.2 million was sequestered.

(4) Includes transfers of \$10.4 billion to the Highway Account from the General Fund pursuant to P.L. 112-141, of which \$748.8 million was sequestered, \$7.765 billion to the Highway Account from the General Fund and \$1.0 billion to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to P.L. 113-159.

(5) Includes a transfer of \$6.068 billion to the Highway Account from the General Fund pursuant to P.L. 114-41.

(6) Includes transfers of \$51.9 billion to the Highway Account from the General Fund pursuant to P.L. 114-94 and \$100.0 million to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to P.L. 114-94.

(7) Includes a transfer of \$100 million (reduced to \$93,100,000 by a sequester) to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to Section 31203 of P.L. 114-94.

(8) Includes a transfer of \$100 million (reduced to \$93,100,000 by a sequester) to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to Section 31203 of P.L. 114-94.

Statutory authority (i) to impose the taxes that are dedicated to the FHTF; (ii) to place the revenues resulting from those taxes in the FHTF; and (iii) to expend moneys from the FHTF all have expiration dates which must be extended by Congress periodically. The life of the FHTF has been extended several times since its inception, most recently by the FAST Act, which (i) reauthorized imposing most taxes dedicated to the FHTF through September 30, 2022, (ii) allocated the resulting revenues to the FHTF, and (iii) extended authority to expend funds from the Highway Account of the FHTF for programs under FAST Act and previous authorization acts through September 30, 2020. On September 30, 2020, Congress passed a continuing resolution which extended the FAST Act authorization through September 30, 2021. While this 1 year extension applies to federal highway contract authority, Obligation Authority, which is the actual level of funding to states, is limited to a pro-rated portion of the full-year funding amount through December 11, 2020 (the expiration date of the continuing resolution).

The CBO, in its Budget and Economic Outlook: 2019 to 2029, dated January 2019, reports that since 2008, spending exceeded the FHTF's revenues by a total of \$115 billion. Since 2008, Congress has authorized a series of transfers to the FHTF to avoid delaying payments to state and local governments. The FAST Act authorized the transfer of \$70 billion, largely from the General Fund of the United States Treasury, to the FHTF in December 2015 as the FHTF fund balance neared exhaustion. Including that amount, transfers into the FHTF since 2008 have totaled about \$144 billion.

The FAST Act extended the taxes that are credited to the FHTF through September 30, 2022. The primary source of funds in the FHTF is federal excise taxes, 40% of which come from taxes on the consumption of motor fuels and retail sales of trucks. Annual receipts from these taxes were projected to decrease slightly over the 10-year period from 2018 to 2028, averaging an annual decline of 0.1% but remaining close to \$40 billion per year. The slight decline in highway revenues is the net effect of falling receipts from taxes on gasoline and rising receipts from taxes on diesel fuel and trucks. Gasoline consumption is expected to decline because improved fuel economy (spurred by increases in the federal government's fuel-economy standards) is expected to more than offset the increase in the number of per capital miles driven due to population growth. Increased fuel economy is also expected to reduce the consumption of diesel fuel over the 10-year period. After 2021, diesel consumption is expected to decline as fuel economy continues to improve. The closures and stay-at-home orders implemented in response to the COVID-19 pandemic will impact future FHTF revenues.

In the latest baseline projections prepared in September 2020, CBO predicts that, assuming that the taxes are extended by Congress beyond that date and that obligations paid from the FHTF increase at the rate of inflation, the balance in both the Highway Account and the Mass Transit Account will be exhausted in 2021. In the event the FHTF is exhausted, spending would be limited to no more than is collected in receipts. The CBO estimates that in 2022, the first year after the projected exhaustion of the FHTF, spending would be 25% below the amount in their baseline projections and the gap would continue to increase each year thereafter resulting in a projected 38% spending reduction by 2030. While these projections were prepared after the beginning of the current public health emergency caused by the coronavirus, the full net effect that the crisis will have on these projections is unclear. The extent of the effect of the COVID-19 pandemic on federal spending and specifically, FHWA appropriations, if any, cannot be known at this point. Under current federal law, a positive balance is required to be maintained in the FHTF to ensure that prior commitments for distribution of federal revenues can be met. Unless Congress enacts a measure to address revenue generation for the FHTF, the FHTF is expected to face another revenue shortfall when the FAST Act expires, which may impact the availability of federal transportation funds to pay debt service on the Series 2020 Bonds.

Various proposals are being considered to address the FHTF's future funding, including an increase in fuel taxes, a variety of new taxes and other funding sources for the FHTF. There can be no assurance that Congress will enact any of these proposals or if any of the proposals are enacted that they will provide sufficient funding to eliminate projected FHTF deficits.

The FHWA operates under contract authority authorized by the FAST Act, and accordingly, a lapse in annual appropriations does not materially disrupt operations. Thus, the failure of the Congress to enact an annual appropriation prior to the start of a FFY, which would result in a "government shutdown," typically does not impact FHWA operations. Further, FHWA has sufficient liquidated cash to continue operations in the event of a lapse in annual appropriations. However, any lapse in annual appropriations or a partial-year budget can reduce the amount of Obligation Authority that would otherwise be made available to the State. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal Aid Funding Procedures – Obligation", "– Federal Aid Funding Procedures – Obligation Ceiling" and "– Authorization – Generally."

The FHTF was not among the discretionary funding sources affected by the federal government shutdown during the period of December 22, 2018 through January 25, 2019. In the absence of an appropriations act or a continuing resolution, the overall limitation on obligations was based on the levels authorized in the FAST Act. As a result, FHWA did not shut down and there was no lapse in FAHP reimbursements to the states. The Department received all FAHP reimbursements requested during this period.

The United States Treasury Offset Program (the "TOP") is administered pursuant to the Debt Collection Improvement Act of 1996 ("DCIA"), which requires the Department of the Treasury and other disbursing agencies to collect delinquent debts owed to the federal government. Under the DCIA, if a "person"

is in debt to the federal government, the federal agency payments may be offset through the TOP by the amount of the debt owed and up to the amount of the scheduled payment. “Person” is defined to include a state or local government. Administrative offset under the DCIA is precluded only when another law specifically prohibits the offset. In the last five years, the Department had 4 offset actions totaling \$12,524,632.90 related to civil penalties. Subsequent to the offset action, the Department recovered the amounts. The Department shares the same taxpayer identification number with other state departments and agencies. It is the Department’s understanding that the United States Treasury offsets amounts owed to the federal government from entities with the same taxpayer identification number. In addition, the Administrator of FHWA is authorized to withhold payment of federal funds to a state for a project if the Administrator of FHWA determines that the state has violated or failed to comply with federal laws or regulations with respect to that project.

Federal Aid Funding Procedures

The FAHP continues to enable the construction of an extensive national transportation system through reimbursement of a large percentage of state expenditures for approved highway projects. The FAHP is unusual among federal programs in that:

(a) the FAHP is funded by dedicated revenues from user-tax sources deposited in a special trust fund, the FHTF;

(b) the contract authority of the FHWA has historically been established by a multi-year authorization act rather than through annual appropriation acts; and

(c) contract authority is not at risk during the annual appropriations process (as budget authority is in most other federal programs), although an appropriations act is required in order to liquidate obligations.

The following summarizes the major steps in funding the FAHP.

Authorization. The first and most important step in funding the FAHP is the development and enactment of authorizing legislation. Authorizing legislation for federal highways began with the Federal Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the FAHP as it exists today. Since that time, the FAHP, as then in existence, has been continued or renewed through the passage of multi-year authorization acts. Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi-year (i.e. four or more years) surface transportation acts. There is no guarantee, however, that reauthorization of the FAHP will continue to occur on a multi-year basis. The current reauthorization under the FAST Act, as extended pursuant to a continuing resolution of Congress, is for the period ending September 30, 2021.

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

Once Congress has established authorizations, the next step involves how funds are made available to states. Typically, federal programs operate using appropriated budget authority, which means that funds, although authorized, are not available until passage of an appropriations act. However, most programs within the FAHP do not require this two-step process. Through what is termed “contract authority” (a special type of budget authority), authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the FAHP, funds authorized for a FFY are available for distribution through apportionments or allocations. The use of contract authority gives the states advance notice of the level of federal funding at the time an authorization act is enacted, eliminating much of the uncertainty associated with the authorization-appropriation sequence.

The existence of dedicated revenues in the FHTF and of multi-year contract authorizations are designed to provide a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts has historically been limited, since sufficient unobligated balances generally exist that can be used by the states, with the approval of Congress, to cover gaps in funding between multi-year reauthorization acts, but there can be no assurance that federal authorizations will not lapse. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Authorization – Lapsing of Authorization.”

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

Apportionments. The distribution of funds using a formula provided in law is called an apportionment. Most federal-aid highway funds are distributed to states through apportionments. Each FFY, the FHWA has responsibility for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute. Annual apportionments are generally made on the first day of the FFY (which is October 1). The Department strives to use the oldest apportionment available when obligating funds to prevent the lapsing of apportionment.

Allocations. Some categories of funds do not have a legislatively mandated distribution formula. In most cases, allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law.

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

Obligation. Obligation is the legal commitment (or promise) of the federal government to pay, through reimbursement to a state, the federal share of an approved project's eligible costs, which may include debt service on obligations issued to finance a project. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. Once an obligation is made, the federal government is to reimburse the states when bills or payments become due. However, Congress places a restriction or “ceiling” on the amount of federal assistance that may be promised (obligated) during a specific time period. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Obligation Ceiling” below.

Once Congress establishes an overall obligation limitation, FHWA distributes obligation authority (“OA”) to states proportionately based on each state's share of apportioned and allocated revenues. The actual ratio of OA to apportionment and allocations may vary from state to state, since some federal-aid programs are exempt from the obligation limitation. During the FFY, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of OA is reduced. A state's OA (unlike its apportionments and allocations of authorized funding) must be used before the end of the FFY for which it is made available. If it is not used, the unused OA will be redistributed to other states to ensure that the total limitation nationwide will be used. A state may receive additional OA through a redistribution process each year in August that reallocates OA from states or programs unable to obligate fully their share to other states that are able to obligate more than their initial share (this process is known as “August Redistribution”). The State typically uses all of its OA in each FFY and typically receives additional OA that has been redistributed by FHWA. See “STATE PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM” for the State's OA, apportionments and total Federal Aid Revenues received in prior FFYs.

Obligation Ceiling. Most of the FAHP does not receive budget authority through appropriations acts as do most other federal programs. Congressional appropriations committees use Obligation Authority as a means of balancing the annual level of highway spending with other federal budget priorities. Thus, Congress may place a restriction or “ceiling” on the amount of federal assistance that may be obligated during a specified time period. The obligation limitation is the amount of authorized funding that Congress allows states to obligate in an individual year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used, and, in effect, can limit the amount of funds that can be used. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – The Federal Highway Trust Fund.”

Although a ceiling on obligations restricts how much funding may be used in a FFY, generally a state has flexibility within the overall limitation to transfer among certain apportioned highway programs. Certain sums may be used only for special purposes once they are apportioned to the states. Generally, the unobligated balance of apportionments or allocations that a state has remaining at the end of any FFY is carried forward into the subsequent FFY and is available for use, contingent upon the availability of Obligation Authority issued in each year. Generally, if a state does not obligate a particular year’s funding within the period of availability, the authority to obligate any remaining amount lapses. The Department has been successful in obligating its full amount of Obligation Authority and the additional Obligation Authority made available to the state through the annual process of redistributing federal funds from those states and programs that are unable to utilize all of their obligation authority.

Rescission of Unobligated Balances. Congress took ten separate actions to reduce previously authorized spending levels, between FFYs 2006 through 2011 by issuing rescissions. Additionally, Congress took action to rescind, on June 30, 2017, \$857 million of unobligated balances of federal-aid highway funds apportioned to the states pursuant to the Department of Transportation Appropriations Act, 2017, title I of division K, Public Law 115-31. Each such action rescinded unobligated balances of apportionments among the states on a proportional basis based upon each state’s apportionment exclusive of certain identified funds or programs. The aggregate amount for these rescissions for the State was \$168 million, which was applied to reduce any unobligated apportionment balances for prior years. Section 1438 of the FAST Act had mandated that on July 1, 2020, \$7.569 billion in unobligated balances of certain federal highway funds apportioned to the states and the District of Columbia be rescinded. However, legislation enacted in November 2019 repealed the scheduled rescission. Future rescissions are possible and may have an adverse effect on the State and its highway program, but the State bases its budget upon its expected Obligation Authority and federal highway reimbursements, not upon expected apportionments. Although rescissions could be large enough to impact the State’s use of Obligation Authority, to date they have not. If Congress continues to require rescissions, the balances of unobligated apportionment for those federal programs that would support the Project may be reduced. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS” herein.

Highway Program Implementation. To receive federal reimbursements for transportation projects, states are required to develop long-range transportation plans that are based on realistic projections of state and federal funding. Projects are not eligible for federal reimbursements unless they are either directly identified in a long-range plan or consistent with policies and objectives identified in long-range plans and are included in the four-year Statewide Transportation Improvement Program (“STIP”) that lists all projects proposed for financing in that four-year period. The STIP must be approved by FHWA and Federal Transit Administration (“FTA”).

States are required to follow federal fiscal management procedures as they implement projects that are included in the STIP. These fiscal management processes ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. Further, states are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states.

Fiscal constraint in the Federal Aid Highway Program is a requirement of joint FHWA/FTA regulations for Statewide and Metropolitan Transportation Planning at 23 CFR 450. Fiscal constraint requires that the STIP only include projects for which funding is committed or reasonably expected to be available. The Department demonstrates fiscal constraint as part of the bi-annual STIP submission to FHWA and FTA; this demonstration is contained within the published STIP document. The STIP summarizes current estimated costs for all projects and all phases for a ten-year period. Total available resources are based on the Department's Base Financial plan that projects best estimates of federal aid revenues and state revenues. Within the STIP for FFYs 2021 through 2027, debt service on the Series 2020 Bonds is included as an anticipated expenditure along with other anticipated expenditures for the National Highway System beginning in FFY 2021.

States may request FHWA approval for eligible projects either through the traditional process or through the Advance Construction procedure as discussed below:

Traditional Approach. Under the traditional highway funding approach, FHWA approves the full federal share of funding for a project at the beginning of the project, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funds on a project. The project sponsor submits plans, specifications and estimates ("PS&Es") for a project to FHWA, and requests that FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and PS&Es must identify the category or categories of federal funding that will be used.

FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements. Provided all requirements are satisfied, FHWA authorizes federal participation in the project, and obligates the federal share of project costs. By obligating the funds, FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of the state's OA and also sets aside an equivalent amount of apportionments by program. Accordingly, the state must have sufficient OA to cover the level of federal participation it requests.

Once authorization for a project has been obtained, the state advertises the project and receives bids. The state awards the contract to the lowest responsive bidder and submits a modified agreement to FHWA requesting any necessary adjustments to federal funding to reflect the actual bid amount. The project agreement identifies the funds that are estimated to be expended by the state and the amount that will be reimbursed by the FHWA.

Advance Construction Approach. FHWA has implemented several fiscal management techniques that provide states additional flexibility in managing their Obligation Authority and cash flow. Advance construction ("Advance Construction") and partial conversion of Advance Construction are two key techniques that facilitate federal-aid project funding.

The Advance Construction approach for authorizing projects allows states to finance projects eligible for federal aid without obligating the full federal share of costs at the beginning of the project. This allows states to begin a project before accumulating all of the Obligation Authority needed to cover the federal share of the project. Similar to the traditional approach, the state submits PS&Es to FHWA and requests project authorization. Under Advance Construction, however, FHWA is asked to authorize the project without obligating some or all of the federal funds planned to pay for the project. The state will provide the up-front financing for the project and then at a later date "convert" the Advance Construction balance and obligate the full federal share of the project costs, when sufficient Obligation Authority is available. At the time of conversion, the state can be reimbursed for the federal share of costs incurred up to the point of conversion.

Under the partial conversion of Advance Construction approach, the state converts, obligates, and receives reimbursement for only a portion of its funding of an Advance Construction project in a given year. This removes any requirement to wait until the full amount of Obligation Authority for the project is available.

The state therefore can obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's Obligation Authority is available. Using the technique to partially convert the federal share makes bond and note financing more viable and federal-aid funds available to support a greater number of projects. The National Highway System Designation Act of 1995 (the "NHS Act") provided additional flexibility in the use of Advance Construction by allowing partial conversion of Advance Construction as implemented through a Federal Register Notice dated July 19, 1995.

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

Reimbursement. The FAHP is a reimbursement program. As work progresses on a federal-aid highway project, a state pays the contractor for completed work from available state funds. The state electronically transmits vouchers for the federal share of completed work and certifies to FHWA that the claims for payment are in accordance with the terms of the applicable project agreements and state and federal laws or regulations. After review and approval by FHWA Division office, payment is scheduled for the date requested by the state. Payment is transferred directly from the United States Treasury to the state's account at a financial institution by wire transfer, and is generally scheduled to be made within two days of the submission of the state's electronic bill.

Special Federal Provisions Relating to Debt-Financed Projects

The NHS Act made several changes affecting the financing of federal-aid highway projects, including Advance Construction procedures and payments to states for debt financing.

Section 311 of the NHS Act significantly expanded the eligibility of bond, notes and other debt instrument financing costs for federal-aid reimbursement. This change to the FAHP was codified into permanent highway law as an amendment to Section 122 of Title 23 of the United States Code. Under Section 122, various debt-related costs are eligible for reimbursement, including principal and interest payments, issuance costs, insurance, and other costs incidental to a financing.

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

- The project must be approved as a federal-aid, debt-financed (bond, certificate, note or other debt instrument) project to receive payments for eligible debt-related costs under Section 122. Once a project is selected for debt financing, the project is submitted to FHWA for approval as an Advance Construction project under Section 115 of Title 23. The Advance Construction designation ensures the project follows federal-aid procedures and preserves the eligibility to reimburse debt-related costs through future federal-aid fund obligations.
- Debt-financed projects are subject to requirements of the Federal Clean Air Act and federal air quality conformity requirements.

- At the time the project agreement is signed, a state may elect to seek reimbursement for debt service and/or related issuance costs in lieu of reimbursement for construction costs. If a state elects to receive debt service reimbursements, a debt service schedule will be included in the project agreement. If multiple projects are funded with proceeds of a debt issue, each project will be assigned a prorated share of debt-related costs.
- To comply with the intent of the fiscally constrained planning process, the federal share of debt-related costs (e.g., interest and principal payments, associated issuance costs, and on-going debt servicing expenses) anticipated to be reimbursed with federal-aid funds over the life of the debt obligations should be designated as Advance Construction. The planned amount of federal-aid reimbursements (Advance Construction conversion) should be included in the STIP, in accordance with FHWA procedures.
- Periodic debt service payments (federal-aid reimbursements) on the debt obligations would represent partial conversions of designated Advance Construction amounts to federal aid. A state can obligate such federal aid annually over the life of the permanent financing or a state can make the conversion in one lump sum upon project completion to help take out construction financing. A state would follow the normal procedures for conversion of an Advance Construction project.
- A state may seek federal-aid reimbursements for eligible debt-related costs as these costs are incurred. Issuance costs, debt service payments, and incidental costs represent costs incurred that may be reimbursed with federal-aid funds to the extent such costs are deemed eligible.
- A state may make arrangements with FHWA regarding the procedures under which it would submit a billing to FHWA for debt-related costs. A request for debt service payment can be timed so that reimbursements can be received shortly before the debt service payment date.
- A state may designate a trustee or other depository to receive federal-aid debt service payments directly from FHWA.

FHWA has, pursuant to the terms of the Memorandum of Understanding, approved the Project as a “debt-financed” project.

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Federal Reimbursements Received by the State

The table below details the amount of reimbursements received by the State under the Federal Program for state fiscal years 2000 through 2020.

State of Delaware Federal Reimbursements Received (in millions) 2000 – 2020			
State Fiscal Year Ending June 30	Federal Reimbursement Received	State Fiscal Year Ending June 30	Federal Reimbursement Received*
2000	115.83	2011	182.90
2001	127.11	2012	189.90
2002	111.36	2013	185.88
2003	111.68	2014	175.83
2004	88.05	2015	206.30
2005	102.25	2016	189.93
2006	108.67	2017	202.30
2007	91.36	2018	210.97
2008	134.13	2019	183.50
2009	174.99	2020	236.63
2010	214.99		

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

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

STATE PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM

The availability of Pledged Federal Aid to the Department and/or the Trustee and the resulting ability to meet the debt service requirements on the Series 2020 Bonds will depend on several factors, most importantly, the amount of funding provided to the State by the federal government under the FAHP and the State’s ability to use such funding. The sections below summarize the recent history of funding levels provided to the State under FAHP, the State’s use of such funding, and the anticipated funding levels that will be made available to the State under the FAST Act or subsequent legislative reauthorization of FAHP. In addition, certain other information is provided regarding federal equity provisions and the State’s potential ability to utilize future available funding for Federal Aid Projects.

Funding History

Role of Obligation Authority. The culmination of the federal authorization and appropriation process for the FAHP is the provision of Obligation Authority to a state. Obligation Authority, which is apportioned to states on an annual basis, sets the upper limit on the federal government’s commitment to pay, through reimbursements, its share of eligible expenditures on approved projects. Thus, current year Obligation

Authority plus prior years' Obligation Authority obligated but not yet expended determines the maximum amount of Pledged Federal Aid that a state may receive under FAHP. Although annual Obligation Authority is not a direct representation of the amount of reimbursements a state will receive under FAHP in a given year due to lags in spending and special appropriations, Obligation Authority levels will determine over time the amount of reimbursements that a state may receive.

Obligation Authority Provided to the State. Since the advent of the modern multi-year federal authorization acts in 1982, the State has received substantial funding through the FAHP. The table below details the amount of Obligation Authority made available to the State from Federal Fiscal Year 2010 through Federal Fiscal Year 2020.

The State's federal highway funding has increased substantially as a result of recent reauthorizations of the federal aid highway program. Over the last ten years, with each surface transportation legislation that has been enacted, the Department has seen increased apportionments. Since 2011 the State's federal highway program allocations and apportionments have increased by 24.3%. No assurance can be given that the State's federal highway funding will continue to increase or remain at the same levels in the future.

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State of Delaware History of Apportionments and Obligation Authority (in millions)		
<u>Federal Fiscal Year Ending Sept. 30th</u>	<u>Total Apportionments</u>	<u>Obligation Authority*</u>
2010	\$191.9	\$161.4
2011	\$172.2	\$155.8
2012	\$161.1	\$155.8
2013	\$162.0	\$168.0
2014	\$162.4	\$153.7
2015	\$161.9	\$166.6
2016	\$171.4	\$170.5
2017	\$172.4	\$178.1
2018	\$186.2	\$193.4
2019	\$194.0	\$184.8
2020	\$214.0	\$195.5

Source: FHWA data from Fiscal Management Information System.

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

Based upon an enacted extension of the FAST Act, the Department estimates that its apportionment and Obligation Authority for the period October 1, 2020 to September 30, 2021 will be \$182.9 million and \$164.7 million, respectively. The Department’s estimates are based on the FFY 2020 base apportionment and Obligation Authority amounts received and do not include any special or supplemental apportionments or Obligation Authority redistributions.

Future Utilization of Pledged Federal Aid

The Department believes that sufficient Pledged Federal Aid will be received during the 15-year term of the Series 2020 Bonds to pay debt service on the Series 2020 Bonds. Various factors beyond the control of the Department may affect the Department’s ability to do so, including, without limitation, subsequent reauthorizations, federal budgetary limitations and other possible changes in the FAHP that cannot now be anticipated.

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

made available to it. The Department also fully expects that the future anticipated funding levels will be sufficient to meet future debt-service obligations.

THE AUTHORITY

General; Relation to the Department of Transportation

The Authority is a body corporate and politic constituting an instrumentality of the State which has been established and is authorized to create an economical, efficient and unified system of air, water, vehicular, public and specialized transportation in the State. The Act, however, specifically excludes the following 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" herein.

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. Commencing in January 2016, the Authority began the construction and equipping of a new U.S. 301 toll road, which consists of a new 14-mile long, access controlled toll highway with two lanes in each direction that connects existing U.S. 301 at the Maryland/Delaware State Line with SR 1, south of the Roth Bridge, over the Chesapeake and Delaware (C&D) Canal in southern New Castle County, Delaware. The U.S. 301 toll road opened to traffic in January 2019.

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 Newark and Philadelphia; freight rail and aviation and various statewide and local transit services.

On June 30, 2020, the Governor signed Senate Bill No. 242 into law which provides the necessary authorization for the issuance of GARVEE Bonds.

An excerpt from the bill is printed below;

Section 97. General Provisions. *The Department of Transportation (Department) is hereby authorized and directed to use all its designated powers and resources to carry out the following legislative mandates:*

“(c) New Transportation Trust Fund Debt Authorizations. To fund a portion of the projects authorized herein, the Delaware Transportation Authority is hereby authorized to issue GARVEE bonds in an amount not to exceed \$200,000,000 pursuant to the provisions of 2 Del. C. c. 13 and 14. All proceeds (net of issuance costs) from the GARVEE bond sale shall be used for I-95 Rehabilitation project. Annual obligational authority from the Federal Highway Administration shall be used to repay debt associated with the term of the GARVEE bonds. The Secretary of Transportation is hereby authorized to pledge the State’s annual obligational authority from the Federal Highway Administration as security for the GARVEE bonds and is authorized to take any further action and execute any other documents necessary or convenient to consummate the issuance of the GARVEE bonds. A fifteen-year amortization schedule shall be made available for the review and approval of the Director of Office of Management & Budget and Controller General annually.”

Management of the Department and the Authority

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

JENNIFER COHAN was appointed in January 2015 to lead the Delaware Department of Transportation (DelDOT), becoming the third woman to serve in this role in the Department’s 100 year history. Ms. Cohan recently announced her retirement from state service after 31 dedicated years, her retirement is effective October 31, 2020. Prior to her appointment, Jennifer served as the Director of the Delaware Division of Motor Vehicles for eight years, and her state public service career has spanned more than 30 years. Her previous work includes serving as the Financial/Program Manager at the Delaware Department of Natural Resources and Environmental Control (DNREC) managing the state’s Clean Water Program, and working with the Delaware State Legislature within the Office of the Controller General. Ms. Cohan has also held an array of leadership positions within DelDOT in the areas of planning, finance, and Motor Carrier Safety. Jennifer graduated summa cum laude from Wilmington University with a Bachelor of Science in Business Management and a Master of Science in Public Administration and also attended the Fels Institute of Government at the University of Pennsylvania. She remains involved with Wilmington University as an adjunct professor teaching leadership and public policy in the master's program.

Secretary Cohan currently serves as the Chair of ITS American board of directors. She also Chair’s the I-95 Corridor Coalition, Chair of the Committee on Transportation System Operations (CTSO) and Co-Chair of Cooperative Automated Transportation (CAT). Beyond her professional duties, Secretary Cohan is an active board member of the Greater Dover Boys and Girls Club and serves as Chair of the Southern Delaware American Heart Association Board of Directors. In 2016, Secretary Cohan was honored with the Kent Distinguished Citizen Award by the Del-Mar-Va Council of the Boy Scouts of America for her commitment to public service and is an inductee of the Delaware Women’s Hall of Fames.

NICOLE MAJESKI has served as the Deputy Secretary for the Delaware Department of Transportation since 2011. Ms. Majeski is expected to be appointed to act as Acting Secretary in October 2020 with the intent of Senate confirmation in January 2021. Prior to coming to the State, Ms. Majeski worked for New Castle County Government, serving as Chief of State to then County Executive Chris Coons. Ms. Majeski currently serves on the AASHTO Committee on Knowledge Management, the Agency Administration Managing Committee, the National Governors Association’s Transportation Policy Forum and the Northeast

Association of State Transportation Officials Policy Committee. Ms. Majeski is a graduate of the University of Delaware and a Council of State Government Toll Fellow.

SHANTE HASTINGS was named Chief Engineer and Director of Transportation Solutions for the Department as of July 1, 2019 and is also expected to act as Deputy Secretary beginning in October 2020. Ms. Hastings has been with the Department since 2000 and is responsible for implementation of the Department's \$650 million annual Capital Transportation Program delivered by her team of 450 staff statewide. In 2013, Ms. Hastings was awarded the Young Engineer of the Year Award by the Delaware Engineering Society in recognition of her work in the field of engineering and community service. Ms. Hastings currently serves on the boards for Leadership Delaware, the Delaware State Fair and the Joshua M. Freeman Foundation. Ms. Hastings is a Past President of the University of Delaware Alumni Association and currently serves as the Vice President of the University of Delaware Kent and Sussex Counties Alumni Club. Ms. Hastings is a proud member of Sigma Kappa Sorority and has stayed active as a chapter advisor. Ms. Hastings holds a Bachelor of Civil Engineering from the University of Delaware and is a registered Professional Engineer in the State.

LANIE THORNTON was named Director of Finance for the Department in February, 2019. Ms. Thornton joined the Department in August of 2007 and had previously served as the Assistant Director of Finance overseeing the development and implementation of both the Operating and Capital budgets for the Department with an annual budget of \$1 Billion dollars, and is the key financial liaison for the Regulatory Agencies (Federal Highway Administration and Federal Transit Administration). Ms. Thornton has 20 years of financial management experience in both the private and public sectors, working with, and advising executive leadership on accounting, finance planning, and strategy to meet the mission and objectives of the organization. She has expert knowledge of Federal DOT Apportionments and Appropriations for both the Federal Highway Administration and the Federal Transit Administration, and the full utilization of the funding to meet key department objectives. Ms. Thornton holds a Bachelor of Science degree in Accounting and a Master's in Business Administration from the Wilmington University.

BRIAN G. MOTYL, Assistant Director of Finance and Transportation Trust Fund Administrator and Policy Advisor, joined the Department in May 2006. Prior to coming to the Department, Mr. Motyl was a Fiscal Management Analyst with the 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 has experience working on and managing several of the Authority's issuances of senior revenue bonds, Build America Bonds, GARVEE Bonds, TIFIA Financing and Toll Revenue Bonds. Mr. Motyl holds a Bachelor of Science degree in Business/Public Management from the State University of New York, College of Technology at Utica/Rome.

JANA SIMPLER joined the Department of Transportation as the Director of the Division of Motor Vehicles in September 2018. Prior to serving as the DMV Director, Jana served as the Director of the Office of Highway Safety of the Department of Safety and Homeland Security for eight years. She joined that office in 1997, was promoted to the Deputy Director position in 2000, and served a variety of roles prior to being named Director in 2010. As Director of DMV, Jana is responsible for the direction, management, and administration of the operations and programs of the Division of Motor Vehicles and Toll Operations in accordance with Federal and state laws, rules, and regulations. She is responsible for a staff of over 600 employees statewide and is dedicated to providing excellent customer service and implementing innovative initiatives to ensure customer's needs are met. Jana received her Master of Science in Public Administration from Wilmington University in 1997 and her Bachelor of Science in Criminal Justice from the University of Delaware in 1993.

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, THE ROUTE 1 TOLL ROAD OR U.S. 301 TOLL ROAD.

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

Delaware Economic and Financial Advisory Council

Delaware Economic and Financial Advisory Council ("DEFAC"), created in 1977, is comprised currently of 31 members 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 October, 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 31. 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 October, 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 (except money in any State pension fund and money held for individuals under the State deferred compensation program). The Authority has independent statutory authority to invest funds in the Transportation Trust Fund and voluntarily adheres to the Board's formal investment guidelines with respect to such investments. The Board is composed of nine members including the Secretary of Finance, the Secretary of State, the State Treasurer, the Controller General (serving ex officio), and five members from the private sector appointed by the Governor and confirmed by the State Senate.

THE TRANSPORTATION TRUST FUND

General

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

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

THE TRANSPORTATION TRUST FUND HAS NOT BEEN PLEDGED AS SECURITY FOR THE SERIES 2020 BONDS.

LITIGATION AND CLAIMS AFFECTING THE AUTHORITY

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

NO LITIGATION AFFECTING THE SERIES 2020 BONDS

There is no litigation pending or, to the knowledge of the Authority, threatened, questioning the existence of the Authority, the validity of the Series 2020 Bonds, or any proceedings of the Authority taken with respect to the issuance or sale thereof, or seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2020 Bonds, or questioning the power of the Authority or the Department to receive and pledge revenues to pay the Series 2020 Bonds as provided in the Trust Agreement. There is no litigation pending or, to the knowledge of the Authority or the Department, threatened questioning (i) the validity of the GARVEE Financing Agreement or (ii) the ability of the Department to cause the transfer of the Pledged Federal Aid to the Trustee on behalf of the Authority.

UNDERWRITING

The Series 2020 Bonds are to be purchased by BofA Securities, Inc., as representative for the underwriters (collectively, the "Underwriters") named in the Bond Purchase Agreement hereinafter referred to. The Underwriters have jointly and severally agreed to purchase the Series 2020 Bonds from the Authority pursuant to and subject to the conditions set forth in a Bond Purchase Agreement dated October 20, 2020, at a purchase price of \$244,020,059.87, which reflects an Underwriters' discount of \$441,233.98, and original issue premium of \$49,991,293.85. The Underwriters are committed to take and pay for all of the Series 2020 Bonds if any are taken. The prices at which the Series 2020 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others. The Underwriters have designated BofA Securities, Inc. as Representative of the Underwriters of the Series 2020 Bonds.

BofA Securities, Inc. (“BofA Securities”), as an underwriter of the Series 2020 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2020 Bonds.

Citigroup Global Markets Inc., an Underwriter of the Series 2020 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts with respect to the Series 2020 Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), one of the Underwriters of the Series 2020 Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2020 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2020 Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2020 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

FINANCIAL ADVISOR

PFM Financial Advisors LLC has served as financial advisor (the “Financial Advisor”) to the Authority in connection with the sale of the Series 2020 Bonds and other matters pertinent thereto.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”), and S&P Global Ratings (“S&P”) have assigned ratings to the Series 2020 Bonds of “A1” (stable outlook) and “AA” (stable outlook) respectively. Any explanation of the significance of each of the ratings of the Series 2020 Bonds may be obtained from the rating agency furnishing the same. The Authority furnished to Moody’s and S&P certain materials and information respecting itself. Generally, rating agencies base their ratings on such materials and information, and on their own investigations, studies and assumptions. There is no assurance that such ratings will be obtained for any given period of time or that they may not be lowered or withdrawn entirely by such rating agencies, or any of them, if in their, or its, judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the respective Series 2020 Bonds.

LEGAL MATTERS

The validity of the issuance of the Series 2020 Bonds will be passed upon and is subject to the approving opinion of Saul Ewing Arnstein & Lehr LLP, Wilmington, Delaware, Bond Counsel to the Authority. Certain legal matters will also be passed upon for the Authority and the Department by the Deputy Attorney General of the State and for the Underwriters by Cozen O'Connor, Wilmington, Delaware and Philadelphia, Pennsylvania. The proposed form of the opinion of Bond Counsel is included in APPENDIX D.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetic computations supporting the conclusion that the cash flows from the refunding escrow to be funded with a portion of the proceeds of the Series 2020 Bonds are sufficient to pay the redemption price of and interest on the Series 2010 Bonds to their redemption date has been independently verified by PFM Asset Management LLC, Harrisburg, Pennsylvania (the "Verification Agent"). Such verification has been based upon information supplied to the Verification Agent. The Verification Agent has expressed no opinion on the assumptions provided to it.

TAX MATTERS

Tax Exemption-Opinion of Bond Counsel

The Code contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the Series 2020 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the Series 2020 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority subsequent to the issuance and delivery of the Series 2020 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority has made covenants to comply with such requirements.

In the opinion of Bond Counsel, interest on the Series 2020 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 complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Series 2020 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2020 Bonds to be so includable in gross income retroactive to the date of issuance of the Series 2020 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the Series 2020 Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax.

In addition to the matters addressed below, prospective purchasers of the Series 2020 Bonds should be aware that ownership of the Series 2020 Bonds may result in collateral tax consequences to certain taxpayers, including but not limited to, foreign corporations, certain S corporations, financial institutions, recipients of social security and railroad retirement benefits and property or casualty insurance companies. Bond Counsel expresses no opinion regarding any other federal tax consequences related to the Series 2020 Bonds or the receipt of interest thereon. **Prospective purchasers of the Series 2020 Bonds should consult their own tax advisors as to the impact of these other tax consequences.**

In the opinion Bond Counsel, under existing law, the Series 2020 Bonds, the interest on the Series 2020 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.

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

The Code, subject to limited exceptions not applicable to the Series 2020 Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the Series 2020 Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the Series 2020 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 Amortizable Bond Premium

The Series 2020 Bonds are hereinafter referred to as the “Premium Bonds”. An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the inside cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

LEGALITY FOR INVESTMENT

The Act provides that the Series 2020 Bonds are securities in which all officers of political subdivisions, administrative departments, boards and commissions of the State, all banks, bankers, savings banks and institutions, building and loan associations, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business; all insurance companies, insurance associations and other persons carrying on an insurance business; all administrators, executors, guardians, trustees and other fiduciaries; and all other persons whatsoever who now are or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest any funds, including capital, belonging to them or within their control.

The Act also provides that the Series 2020 Bonds may be properly and legally deposited with and received by any officer of the State, or of any political subdivision or agency of the State, for any purpose for which the deposit of bonds or other obligations of the State is now, or may hereafter be, authorized by law.

CONTINUING DISCLOSURE UNDERTAKING

Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, (the “Rule”) prohibits an underwriter from purchasing or selling municipal securities, such as the Series 2020 Bonds, unless it has determined that the issuer of such securities and/or other persons deemed to be material “obligated persons” (each, a “MOP”) have committed to provide (i) on an annual basis, certain financial information, including financial information and operating data (“Annual Reports”), to the Electronic Municipal Market Access

System (“EMMA”) created by the Municipal Securities Rulemaking Board; and (ii) notice of various events described in the Rule, if material (“Event Notices”), to EMMA.

The Authority and the Department will agree with the purchasers of the Series 2020 Bonds, by executing a Continuing Disclosure Agreement to provide Annual Reports to EMMA. The Authority will provide Event Notices to EMMA. A form of the Continuing Disclosure Agreement appears as APPENDIX C to this Official Statement.

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

MISCELLANEOUS

So far as any statements made in this Official Statement involve matter of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the opinions, forecasts or estimates will be realized. This Official Statement is not intended to be construed as a contract or agreement between the Authority and any purchaser or owner of any of the Series 2020 Bonds.

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

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

DELAWARE TRANSPORTATION AUTHORITY

By: Secretary of Department of Transportation

/s/ Jennifer L. Cohan

Jennifer L. Cohan

Director of Finance, Department of Transportation

/s/ Lanie Thornton

Lanie Thornton

Transportation Trust Fund Administrator

/s/ Brian G. Motyl

Brian G. Motyl

Dated: October 20, 2020

Appendix A-

Summary of Certain Provisions of the Trust Agreement

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SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

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

Definitions

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

“Act” shall mean Title 2 of the Delaware Code, Chapters 13 and 14, as amended, and 82 Del. Laws Ch. 244.

“Additional Bonds” shall mean Bonds (other than the Series 2010 Bonds and Series 2020 Bonds) issued under the provisions of the Master Trust Agreement, which shall include Refunding Bonds.

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

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

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

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

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

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

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

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

“Bond” or “Bonds” shall mean the Series 2010 Bonds, Series 2020 Bonds and any other bonds of the Authority authorized and issued under the Trust Agreement, including any Additional Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“FHWA” shall mean the Federal Highway Administration.

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

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

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

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

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

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

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

“Interest Payment Date” shall mean, (a) in the case of Series 2020 Bonds, January 1 and July 1, commencing July 1, 2021 and (b) in the case of any other Series of Bonds, the date upon which interest on the Bonds of such Series shall be payable as provided in the Related Series Trust Agreement.

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

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

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

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

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

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

“Memorandum of Understanding” shall mean the Memorandum of Understanding among FHWA, the Department and the Authority Accounting for Debt Service Payment on GARVEE Bonds for the U.S. 301 Project dated as of August 24, 2020, as amended or supplemented from time to time.

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

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

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

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

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

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

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

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

“Project” shall mean the GARVEE Project as defined in the Financing Agreement and any Supplement to Financing Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

“Resolution” shall mean the resolution of the Authority adopted on October 20, 2020 authorizing, among other things, the issuance of the Series 2020 Bonds and the execution and delivery of the Related Supplemental Trust Agreement and any subsequent resolution of the Authority relating to a Series of Bonds.

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

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

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

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

“Series Resolution” shall mean a resolution of the Authority authorizing the issuance of a Series of Bonds other than the Series 2020 Bonds in accordance with the terms and provisions hereof, adopted by the Authority in accordance with the Trust Agreement.

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

“Series 2020 Bonds” shall mean the Authority’s \$194,470,000 aggregate principal amount Grant Anticipation Bonds, Series 2020 Bonds.

“State” shall mean the State of Delaware.

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

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

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

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

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

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

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

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

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

Trust Estate

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

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

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

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

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

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

(f) all proceeds of the foregoing.

Additional Bonds

From time to time when authorized by the Trust Agreement and subject to the terms, limitations and conditions established in the Trust Agreement, the Authority may authorize the issuance of a Series of Bonds other than the Series 2010 Bonds and the Series 2020 Bonds authorized by the Trust Agreement upon adoption of a Series Resolution and execution of a Series Trust Agreement, and the Bonds of any such Series may be issued and delivered upon compliance with the Trust Agreement. The Bonds of each Series shall bear such designation as shall be determined by the Authority. Bonds of any Series shall be issued in the form provided by the Related Series Trust Agreement.

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

Establishment of Funds and Accounts

The following funds and accounts are created with the Trustee, for the purposes required for the Series 2020 Bonds separate and apart from all other funds and accounts of the Authority: the Debt Service Fund; the Direct GARVEE Reimbursement Account and Indirect Reimbursement Account within the Debt Service Fund; the Construction Fund; the Escrow Fund; the Cost of Issuance Account within the Construction Fund; and the Rebate Fund.

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

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

Application of Proceeds of Bonds

The proceeds of each Series of Bonds shall be received by the Trustee on behalf of the Authority. Upon the receipt of the proceeds of the Series 2020 Bonds, the Authority shall make payments from such proceeds as follows: (i) an amount equal to the Costs of Issuance of the Series 2020 Bonds shall be deposited to the Cost of Issuance Account within the Construction Fund, (ii) an amount sufficient to refund the Outstanding Series 2010 Bonds shall be deposited to the Escrow Fund, and (iii) the balance of such proceeds shall be deposited to the Construction Fund to pay the costs of the Project.

Application of Proceeds of Pledged Federal Aid

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

Debt Service Fund and Flow of Funds

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

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

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

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

If FHWA does not timely provide sufficient Direct GARVEE Reimbursements for the next maturing debt service payment, the Trustee shall use the moneys deposited in the Indirect Reimbursement Account constituting Indirect Reimbursements to cover any such deficiency on the

applicable Interest Payment Date. Except as set forth in the Master Trust Agreement, Indirect Reimbursements shall only be used by the Trustee as set forth in the preceding sentence.

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

1. to pay an amount equal to the next interest payment and any Exchange Payment becoming due on Bonds on such Interest Payment Date or Redemption Date;
2. to pay an amount equal to the next maturing principal payment of Bonds, if any, becoming due on such Interest Payment Date or Redemption Date; and
3. to transfer into the Debt Service Reserve Fund, if any, beginning on the date on which the Authority receives notice of any deficiency in such Debt Service Reserve Fund, in such amount as shall be required to make the amount on deposit in or credited to such Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement.

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

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

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

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

1. Amounts in the Debt Service Fund shall be used to pay (i) interest on the Bonds, unless draws have been made on a Credit Facility for such purpose, in which case, amounts equal to such draws shall be paid to the Credit Facility Provider and (ii) any Exchange Payment under any Related Exchange Payment.
2. Amounts in the Debt Service Fund shall be used to pay principal on the Bonds, unless draws have been made on a Credit Facility for such purpose, in which case amounts equal to such draws shall be paid to the Credit Facility Provider;
3. Amounts in any Purchase Account shall be used to purchase Bonds for which the Purchase Account was created which are tendered for purchase, subject to the provisions of the Related Series Trust Agreement; and

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

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

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

Construction Fund

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

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

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

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

Debt Service Reserve Fund

For Additional Bonds issued under the Trust Agreement and as directed by any Related Series Trust Agreement, the Trustee shall create a special fund known as the Debt Service Reserve Fund which

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

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

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

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

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

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

Rebate Fund

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

Upon the written direction of the Authority, the Trustee shall transfer amounts on deposit in any Fund or Account created by the Trust Agreement to the Rebate Fund, any other provision of the Trust Agreement to the contrary notwithstanding. Amounts on deposit in the Rebate Fund from time to time required to be paid to the United States of America pursuant to Section 148 of the Code as a rebate or payment in lieu thereof shall be made available by the Trustee to the Authority for such payments upon

the written direction of the Authority and shall not be pledged to the payment of the principal or Purchase Price of or interest or premium, if any, on any Bonds.

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

Investment of Funds

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

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

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

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

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

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

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

Powers as to Bonds and Pledge

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

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

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

Supplemental Trust Agreements

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

- (a) to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Trust Agreement;
- (b) to authorize the issuance and delivery of Additional Bonds in accordance with the Trust Agreement;
- (c) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority;
- (d) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Trust Agreement;

(e) to confirm as further assurance any pledge under and the subjection to any lien, claim, or pledge created or to be created by the provisions of the Trust Agreement;

(f) to modify any of the provisions of the Trust Agreement in any other respect, provided that such modifications shall not be effective until after all Bonds Outstanding as of the date of execution and delivery of such Supplemental Trust Agreement shall cease to be Outstanding;

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

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

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

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

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

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

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

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

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

Amendments of Trust Agreement

Any modification or amendment of the Trust Agreement or any Supplemental Trust Agreement and of the rights and obligations of the Authority and of the Holders of the Bonds pursuant to the provisions of the Trust Agreement summarized in the Appendix under “Supplemental Agreements” may be made by a Supplemental Trust Agreement, with the written consent given by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding of each Series affected by such

amendment at the time such consent is given and any Related Credit Facility Provider; provided, however, no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage or otherwise affect the Series of Bonds the consent of the Holders of which is required to effect any such modification or amendment without the unanimous consent of such holders. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Trust Agreement or any Supplemental Trust Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series.

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

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

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

Events of Default and Remedies

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

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

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

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

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

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

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

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

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

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

Priority of Payments After Default

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

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

(1) to the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installments, to the persons entitled

thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in the Bonds; and

(2) to the payment to the persons entitled thereto of the unpaid principal amount of any of the Bonds that shall have become due and payable, whether at maturity or by call for redemption, in order of their due dates and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular due date, together with such interest, then to the payment first of such interest, ratably, according to the amount of interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on the date, to the persons entitled thereto, including amounts owed to a Credit Facility Provider in respect of principal, without any discrimination or preference, except as to any difference in the respective rates of interest specified in the Bonds; and

(b) if the principal of all of the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

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

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

Direction of Proceedings

Unless otherwise provided in a Series Trust Agreement, anything in the Trust Agreement or any Series Trust Agreement to the contrary notwithstanding, the owners of a majority of the aggregate principal amount of the Outstanding Bonds and the principal amounts due under any Auxiliary

Agreements shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Trust Agreement and that the Trustee shall have the right to decline to follow any such direction (i) if in the opinion of the Trustee would be unjustly prejudicial to owners not parties to such direction or (ii) if there has not been offered to the Trustee reasonable security and indemnity against the cost, expenses (including reasonable legal expenses) and liabilities to be incurred with respect thereto.

Limitation on Rights of Holders

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

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

Responsibilities of Fiduciaries; Fiduciaries Entitled to Indemnity

No Fiduciary makes any representations as to the validity or sufficiency of the Trust Agreement or of any Bonds issued thereunder or in respect of the security afforded by the Trust Agreement or the technical or financial feasibility of the Project, the compliance of the Project with the Act or the tax-exempt status of the Bonds or the due execution of this Master Trust Agreement by the Authority, and no Fiduciary shall incur any responsibility in respect thereof. The Registrar shall, however, be responsible for its representation contained in the Certificate of Authentication executed by it on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Authority. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect of the Trust Agreement, or to advance any of its own moneys, unless properly indemnified, it being understood that the Trustee shall make all required draws on any Credit Facility and make all payments on the Bonds as provided in the Trust Agreement (to the extent funds are available, for s-ach purpose) regardless of having received any indemnity or security. No Fiduciary shall be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or willful neglect.

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

Evidence on Which Fiduciaries May Act

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

Permitted Acts and Functions of Fiduciaries

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

Resignation and Removal of Trustee

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

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

Appointment of Successor Trustee

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

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

Defeasance

If the Authority shall pay or cause to be paid the principal of and premium, if any, and interest on all Bonds and all amounts payable under each Credit Facility Agreement, Liquidity Facility and Exchange Agreement, if any, at the times and in the manner stipulated therein and in the Trust Agreement, then the pledge of the Trust Estate to the Trustee and all other rights granted hereby to the Trustee, the Holders and the Auxiliary Agreement Providers shall be discharged and satisfied. In such event, upon the request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay or deliver to the

Authority, or to such officer, board or body as may then be entitled by law to receive the same, all property held by it pursuant to the Trust Agreement (other than any moneys and securities required for the payment of Bonds not theretofore surrendered for such payment).

A Bond and, except as otherwise provided in the Related Series Trust Agreement, any Additional Bond, shall be deemed to have been paid within the meaning of and with the effect expressed in the previous paragraph if (1) money for the payment or redemption of such Bond shall be held by the Trustee (through deposit by the Authority of moneys for such payment or redemption or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption date of such Bond, or (2) if the maturity or redemption date of such Bond shall not have arrived (a) provision shall have been made by the Authority for the payment of the principal or redemption price of and interest on such Bond on the due dates for such payments by deposit with the Trustee (or other method satisfactory to the Trustee) of moneys or Government Obligations, the principal of and the interest on which when due will provide for such payment, and (b) if such Bond is to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bond and notice of such redemption shall have been duly given or provisions satisfactory to the Trustee shall have been made for the giving of such notice. The Trustee may rely upon a report by an independent certified public accountant or a verification agent with a favorable reputation in the field of verifying defeasance escrows, as to the sufficiency of the deposit (or other method) under clause (a) above to provide for the payment described therein.

Moneys Held for Particular Bonds

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

No Recourse Under Trust Agreement or Bonds

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

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Appendix B-
Form of GARVEE Financing Agreement

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

BY AND BETWEEN

THE DELAWARE DEPARTMENT OF TRANSPORTATION

AND

THE DELAWARE TRANSPORTATION AUTHORITY

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

WITNESSETH:

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

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

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

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

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

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

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

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

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

Section 1. GARVEE Project Description.

1.1. The Project shall generally consist of:

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

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

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

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

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

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

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

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

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

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

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

Section 3. Issuance of GARVEE Bonds.

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

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

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

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

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

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

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

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

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

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

Section 4. Payment of GARVEE Project Costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 7. Compliance with Master Trust Agreement.

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

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

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

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

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

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

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

Section 8. Defense of the Trust Estate.

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

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

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

Section 9. Miscellaneous Provisions.

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

For the Authority:

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

With a copy to Bond Counsel for the Authority:

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

For the Department:

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

With a copy to Counsel for the Department:

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

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

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

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

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

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

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

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

DELAWARE DEPARTMENT OF
TRANSPORTATION

By: *Cavot Wicks*
Secretary of Transportation

DELAWARE TRANSPORTATION
AUTHORITY

By: *Cavot Wicks*
Secretary of Transportation

By: *Lady S English*
Director of Finance

By: *Bernard M. [unclear]*
Transportation Trust Fund Administrator

EXHIBIT A

Copy of Trust Agreement

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

**FIRST AMENDMENT OF THE GARVEE FINANCING AND PLEDGE AGREEMENT
(U.S. 301 PROJECT)**

BY AND BETWEEN

THE DELAWARE DEPARTMENT OF TRANSPORTATION

AND

THE DELAWARE TRANSPORTATION AUTHORITY

This First Amendment of the GARVEE Financing and Pledge Agreement (U.S. 301 Project), dated as of March 15, 2012 (the "First Amendment"), amends the GARVEE Financing and Pledge Agreement (U.S. 301 Project), dated as of June 1, 2010 (the "Original Financing Agreement," and together with the First Amendment, the "Financing Agreement") by and among the Delaware Department of Transportation (the "Department") and the Delaware Transportation Authority (the "Authority," and together with the Department, the "Parties"). Capitalized terms used herein but not defined shall have the meaning ascribed to them in the Master Trust Agreement (as defined herein).

WITNESSETH:

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

WHEREAS, pursuant to the authorization provided under Section 83(c) of Chapter 87 of Volume 77 of the Laws of Delaware, as amended (the "FY 2010 Bond Bill") and the Original Financing Agreement, the Secretary of the Department has pledged the State's annual obligational authority of future federal highway funds from the FHWA as security for GARVEE Bonds issued by the Authority; and

WHEREAS, pursuant to the Original Financing Agreement, the Parties identified specific projects (the "GARVEE Project") which could be financed by the proceeds of GARVEE Bonds; and

WHEREAS the Authority has previously issued its Grant Anticipation Bonds, Series 2010 in the aggregate principal amount of \$113,490,000 pursuant to a Master Trust Agreement, dated as of June 1, 2010 (the "Master Trust Agreement") by and between the Authority and Wilmington Trust, National Association, as successor trustee to Wilmington Trust Company, to finance a portion of the costs for the GARVEE Project; and

WHEREAS, the Parties hereby desire to amend the defined term “GARVEE Project” from the Original Financing Agreement to allow for proceeds of GARVEE Bonds to also finance a portion of the costs associated with the construction and equipping of the new U.S. 301 Maryland State Line capital improvement project.

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

Section 1. Amendment of the Original Financing Agreement.

1.1. Section 1 of the Original Financing Agreement is hereby amended and restated in its entirety to read as follows:

1.1 The Project shall generally consist of:

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

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

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

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

1.2 The Project will be financed from a variety of funding sources. The portions of the Project to be funded with the proceeds of GARVEE Bonds shall be referred to herein as the “GARVEE Project.”

Section 2. Miscellaneous Provisions.

2.1. Parties in Interest. All terms of this First Amendment shall be binding upon and inure to the benefit of and be enforceable by and against the respective heirs and successors of the Department and the Authority, except as otherwise expressly provided herein.

2.2. Counterparts. This First Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

2.3. Governing Law. This First Amendment shall be governed exclusively by the provisions hereof and by the applicable laws of the State, including (without limitation) the Act.

2.4. Amendments and Supplements. This First Amendment shall not be amended or supplemented by the parties hereto unless such amendment or supplement does not materially adversely affect the rights of the registered owners of the GARVEE Bonds.


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

DELAWARE DEPARTMENT OF
TRANSPORTATION

By:  _____
Secretary of Transportation

DELAWARE TRANSPORTATION
AUTHORITY

By:  _____
Secretary of Transportation

By:  _____
Director of Finance

By:  _____
Transportation Trust Fund Administrator

**SECOND SUPPLEMENT TO THE GARVEE FINANCING AND PLEDGE
AGREEMENT**

BY AND BETWEEN

THE DELAWARE DEPARTMENT OF TRANSPORTATION

AND

THE DELAWARE TRANSPORTATION AUTHORITY

This Second Supplement to the GARVEE Financing and Pledge Agreement, dated as of October 15, 2020 (“Second Supplement”), supplements and amends the GARVEE Financing and Pledge Agreement, dated as of June 1, 2010 (the “Original Financing Agreement”), by and between the Delaware Department of Transportation (the “Department”) and the Delaware Transportation Authority (the “Authority,” and together with the Department, the “Parties”). The Original Financing Agreement was also amended and supplemented by the terms of a First Amendment of the GARVEE Financing and Pledge Agreement, dated as of March 15, 2012 (the “First Amendment”). The Original Financing Agreement as amended and supplemented by the First Amendment and Second Supplement is herein referred to as the “Financing Agreement.” Capitalized terms used herein but not defined shall have the meaning ascribed to them in the Trust Agreement (as defined herein).

WITNESSETH:

WHEREAS, the Authority is authorized and empowered under the Transportation Trust Fund Act, constituting Chapter 87, Volume 66 of the laws of the State of Delaware 2 Del. C. Ch. 14 and the Delaware Transportation Authority Act, constituting Chapter 164, Volume 62 of the laws of the State of Delaware 2 Del. C. Ch. 13, both as amended, from time to time, together with 82 Del. Laws Chap. 244 (collectively, the “Act”), to issue grant anticipation bonds secured by a pledge of future federal aid (the “GARVEE Bonds” or “Bonds”); and

WHEREAS, pursuant to the Act, the Authority has previously issued its Grant Anticipation Bonds, Series 2010 in the aggregate principal amount of \$113,490,000 (the “2010 GARVEE Bonds”) pursuant to a Master Trust Agreement, dated as of June 1, 2010, as amended and supplemented by a First Supplement to the Master Trust Agreement, dated March 15, 2012 (the “First Supplement”) by and between the Authority and Wilmington Trust Company to finance a portion of the costs of the planning, design, acquisition, construction and equipping of a new US 301 limited access highway from the Maryland border to SR 1 (the “US 301 Project”); and

WHEREAS, pursuant to the authorization provided under Section 97(c) of Chapter 82 of Volume 244 of the Laws of Delaware, as amended (the “FY 2020 Bond Bill”) and the Original Financing Agreement, the Secretary of the Department has been authorized to pledge the State’s annual obligational authority of future federal highway funds from the FHWA as security for GARVEE Bonds issued by the Authority to finance the I-95 Rehabilitation Project; and

WHEREAS, the Authority has determined to finance the I-95 Rehabilitation Project (as hereinafter defined) and the refunding of the 2010 GARVEE Bonds by issuing a new series of GARVEE Bonds, designated “Grant Anticipation Bonds, Series 2020 (the “2020 GARVEE Bonds” or “2020 Bonds”) pursuant to a Second Supplement to Master Trust Agreement, dated as of October 15, 2020 (the “Second Supplement to Trust Agreement”). The Original Trust Agreement, as supplemented and amended by the First Supplement and Second Supplement to Trust Agreement, is herein referred to as the “Trust Agreement,” and

WHEREAS, the Parties hereby desire to amend the defined term “GARVEE Project” from the Original Financing Agreement and First Amendment to allow for proceeds of the 2020 GARVEE Bonds to finance the I-95 Rehabilitation Project more specifically defined below.

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

Section 1. I-95 Rehabilitation Project; 2020 GARVEE Bonds.

1.1. The Original Financing Agreement is hereby amended and supplemented to provide that the Authority will issue the 2020 GARVEE Bonds pursuant to the Trust Agreement to finance a project (the “I-95 Rehabilitation Project”) including, but not limited to, the completion of design and the construction of the rehabilitation of the I-95 corridor in Wilmington, Delaware from I-495 to just north of the Brandywine River Bridge. The planned construction includes, but is not limited to, the repair of nineteen (19) bridges, rehabilitation of over three (3) miles of pavement on I-95, reconstruction of eleven (11) exit/entrance ramps and a new on-ramp from 2nd Street to I-95 South.

1.2. Any reference to “Project” or “GARVEE Project” in the Financing Agreement shall be deemed to be the I-95 Rehabilitation Project.

1.3. The I-95 Rehabilitation Project will be financed from a variety of funding sources. The portions of the I-95 Rehabilitation Project to be funded with the proceeds of the 2020 GARVEE Bonds shall be referred to herein as the “GARVEE Project.

1.4. All other terms and conditions of the Original Financing Agreement shall remain in full force and effect for the benefit and security of the 2020 GARVEE Bonds.

Section 2. Miscellaneous Provisions.

2.1. Parties in Interest. All terms of this Second Supplement shall be binding upon and inure to the benefit of and be enforceable by and against the respective heirs and successors of the Department and the Authority, except as otherwise expressly provided herein.

2.2. Counterparts. This Second Supplement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

2.3. Governing Law. This Second Supplement shall be governed exclusively by the provisions hereof and by the applicable laws of the State, including (without limitation) the Act.

2.4. Amendments and Supplements. This Second Supplement shall not be amended or supplemented by the parties hereto unless such amendment or supplement does not materially adversely affect the rights of the registered owners of the GARVEE Bonds.

[Signatures Appear on Following Page]

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

DELAWARE DEPARTMENT OF
TRANSPORTATION

DELAWARE TRANSPORTATION
AUTHORITY

By: _____
Secretary of Transportation

By: _____
Secretary of Transportation

By: _____
Director of Finance

By: _____
Transportation Trust Fund Administrator

Appendix C-
Form of Continuing Disclosure Agreement

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**DELAWARE TRANSPORTATION AUTHORITY
GRANT ANTICIPATION BONDS, SERIES 2020**

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of October __, 2020 (the “**Disclosure Agreement**”) is executed and delivered by THE DELAWARE TRANSPORTATION AUTHORITY (as more fully defined below, the “**Authority**”) and the DELAWARE DEPARTMENT OF TRANSPORTATION (as more fully defined below, the “**Department**”) in connection with the issuance of the Authority’s \$194,470,000 Grant Anticipation Bonds, Series 2020 (the “**GARVEE 2020 Bonds**” or “**2020 Bonds**”). The Authority and the Department, each intending to be legally bound, hereby covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by each of the Authority and the Department for the benefit of the Holders from time to time of the Bonds (as defined below) and in order to assist the Participating Underwriters in complying with the Rule (as defined below).

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 GARVEE 2020 Bonds which the Authority has declared in writing to be covered by this Disclosure Agreement.

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

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

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

“**Bonds**” shall mean the GARVEE 2020 Bonds and any Additional Bonds, if any.

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

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

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

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

“EMMA” shall mean the Electronic Municipal Market Access System maintained by the MSRB at <http://emma.msrb.org/>, which serves as the sole nationally recognized municipal securities information repository under the Rule.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

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

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

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

“Official Statement” shall mean the final Official Statement relating to the GARVEE 2020 Bonds or a Series of Additional Bonds, as applicable.

“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 nationally recognized municipal securities information repository under the Rule. **As of the date hereof, the Securities and Exchange Commission has appointed the MSRB through EMMA to act as the sole Repository.** Any information filed in connection with this Disclosure Agreement shall be filed with EMMA at <http://emma.msrb.org/>, any State Repository and any future Repository as may be required under the Rule.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as heretofore amended, and as such Rule may be hereafter amended from time-to-time.

“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 and with which the Authority is legally required to file the Annual Report. Currently, there is no State Repository in Delaware. The list of state information repositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Repository.

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

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

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the first day of the [ninth] calendar month immediately following the end of the Authority's fiscal year, provide to the State and each Repository an Authority Annual Report which is consistent with the requirements of Section 4(a) of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Authority shall provide the Authority 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(a) of this Disclosure Agreement.

If the Authority is unable to provide the Annual Report to Repositories by the date required in subsection (a), a Notice Event pursuant to Section 5(a)(17) shall be deemed to have occurred and the Authority shall report to the Repository electronically in accordance with the provisions of Section 5(b) hereof.

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 Repository; and (ii) file a report with the Authority certifying that the Authority 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.

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

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

If the Department is unable to provide the Department Annual Report to Repositories by the date required in subsection (b), a Notice Event pursuant to Section 5(17) shall be deemed to have occurred and the Department shall report to the Repository electronically in accordance with the provisions of Section 5(b) hereof.

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

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

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

SECTION 4. Content of Annual Reports

(a) The Authority's Annual Report shall contain or incorporate by reference the information listed in Exhibit A1 with respect to the relevant fiscal year.

Any or all of the information required may be incorporated by reference from other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted 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.

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.

(b) The Department Annual Report shall contain or incorporate by reference the information listed in Exhibit A2 with respect to the relevant fiscal year.

Any or all of the information required may be incorporated by reference from other documents which have been submitted to 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 Departments shall clearly identify each such other document so incorporated by reference.

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

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non payment-related defaults, if material;
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of Bondholders, if material;
8. Bond calls (other than mandatory sinking fund redemption), if material, and tender offers;
9. Defeasance of Bonds;
10. Release, substitution, or sale of property securing repayment of any Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Authority (for the purposes of the event identified in subsection 5(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority);
13. The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the Authority or the Department, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority or the Department, any of which affect security holders, if material;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Authority or the Department, any of which reflect financial difficulties; and
17. Failure to provide annual financial information as required.

(b) Upon the occurrence of a Notice Event, the Authority shall file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB via EMMA in a timely manner not in excess of ten (10) Business Days after the occurrence of the Notice Event.

SECTION 6. Termination of Reporting Obligation. The Authority's and the Department's obligations under this Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) the assumption by a successor Obligated Person of all of the obligations of 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 7. 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 8. Amendments.

(a) Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Department may modify or amend this Disclosure Agreement. The Authority and the Department acknowledge and agree that the current SEC interpretation of the Rule requires satisfaction of the following preconditions for any amendment:

(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 or the Department;

(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 or the Department (such as the Trustee or nationally recognized bond counsel) or by an approving vote of a majority of Holders.

(b) The Authority and the Department shall report any modification or amendment of this Disclosure Agreement as required by the Rule. To the extent required by the Rule, the Authority and the Department shall include as a component of the first Annual 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 Repository.

(c) A supplement to this Disclosure Agreement to declare that it is applicable to Additional Bonds shall not be considered an amendment for purposes of this Section 8.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority and the Department from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Disclosure Agreement. If the Authority or the Department chooses to include any information in any Annual Report or notice of occurrence of a Notice Event in addition to that which is specifically required by this Disclosure Agreement, the Authority or the Department 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 Notice Event.

SECTION 10. Submission of Information to the MSRB. The information required to be disclosed pursuant to this Disclosure Agreement shall be submitted to the MSRB through EMMA. Subject to future changes in submission rules and regulations, such submissions shall be provided to the MSRB, through EMMA, in portable document format (“PDF”) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. Such PDF files shall be word-searchable (allowing the user to search for specific terms used within the document through a search or find function available in a software package).

Subject to future changes in submission rules and regulations, at the time that such information is submitted through EMMA, the Authority or the Department, or any Dissemination Agent engaged by the Authority or the Department, shall also provide to the MSRB information necessary to accurately identify the category of information being provided and other identifying descriptions required by MSRB rules and regulations.

SECTION 11. Default. In the event of a failure of the Authority or the Department to comply with any provisions of this Disclosure Agreement, the Trustee, any 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 or the Department to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Department to comply with this Disclosure Agreement shall be an action to compel performance; provided however that nothing herein shall limit any Holder's rights under applicable federal securities law.

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

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

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

SECTION 15. Beneficiaries. This Disclosure Agreement is being entered into solely for the benefit of the 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 17. 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, each of the Delaware Transportation Authority and the Delaware Department of Transportation have caused this Disclosure Agreement to be duly executed as of the day and year first above written.

(SEAL)

DELAWARE TRANSPORTATION AUTHORITY

By: _____
Transportation Trust Fund Administrator

(SEAL)

DELAWARE DEPARTMENT OF TRANSPORTATION

By: _____
Secretary of Transportation

EXHIBIT A1

CONTENTS OF AUTHORITY ANNUAL REPORT

The Authority Annual Report shall contain, with respect to the prior fiscal year, any updated information pertaining to the financial and the operating data of the Authority circulated in the Official Statement in connection with the issuance of 2020 Bonds under the captions “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal-Aid Funding Procedures,” “- Federal Reimbursements Received by the State” and “STATE PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM – Funding History.”

EXHIBIT A2

The Department Annual Report shall contain, with respect to the prior fiscal year, any updated information pertaining to the financial and the operating data of the Department or the State circulated in the Official Statement in connection with the issuance of 2020 Bonds under the captions “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal-Aid Funding Procedure,” “- Federal Reimbursements Received by the State” and “STATE PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM – Funding History.”

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Appendix D-
Proposed Form of Opinion of Bond Counsel

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October __, 2020

[PROPOSED FORM OF BOND COUNSEL OPINION]

BOND COUNSEL OPINION

\$194,470,000

DELAWARE TRANSPORTATION AUTHORITY
GRANT ANTICIPATION BONDS, SERIES 2020

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as bond counsel in connection with the issuance of \$194,470,000 Grant Anticipation Bonds, Series 2020 (the “Bonds”), on the date hereof, by the Delaware Transportation Authority, a body politic and corporate constituting a public instrumentality (the “Authority”) of The State of Delaware (the “State”). The Bonds are subject to redemption, in whole or in part, at the times, in the manner and upon the terms set forth in the Bonds.

The Bonds are issued pursuant to Chapter 13, Title 2, Delaware Code, as amended, and Chapter 14, Title 2, Delaware Code, as amended, together with 82 Del. Laws Chapter 244 (collectively, the “Act”), a Master Trust Agreement, dated as of June 1, 2010, by and between the Authority and Wilmington Trust Company, a State banking corporation (“WTC”) (WTC, not in its individual capacity but solely as trustee, the “Trustee”), as amended and supplemented by a First Supplement to Master Trust Agreement, dated March 15, 2012, and as further supplemented by a Second Supplement to Master Trust Agreement dated as of October 15, 2020 (collectively, the “Trust Agreement”), and a resolution of the Authority dated October 20, 2020 (the “Resolution”), and other laws of the State, for the purposes of financing a portion of the Delaware Department of Transportation's (the “Department”) capital project and the refunding of certain outstanding bonds as more fully described in the Resolution (the “Project”) and paying costs of issuing the Bonds.

As bond counsel, we have examined an executed counterpart of the Trust Agreement, a certified copy of the Resolution, the GARVEE Financing and Pledge Agreement dated as of June 1, 2010 by and between the Department and the Authority, as amended and supplemented by a First Amendment of the GARVEE Financing and Pledge Agreement dated as of March 15, 2012 and as further supplemented by a Second Supplement to the GARVEE Financing and Pledge Agreement dated as of October 15, 2020 (collectively, the “Financing Agreement”), the forms of the Bonds and applicable laws. In addition, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary for the purposes of the opinion rendered below, including the Authority's Tax Certificate (the “Tax Certificate”). In such

examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. We have relied upon the aforesaid instruments, certificates and documents as to any facts material to our opinion, when relevant facts were not independently established and on the performance of the covenants of the Authority contained in the Resolution. We have relied, as to the execution, authentication and delivery of, and payment for, the Bonds, on certificates of the Authority and the Trustee.

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

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

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

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

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

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

(6) Interest on the Bonds 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 for purposes of the federal

alternative minimum tax. We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

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

The foregoing opinions relating to the enforceability against the Authority of the Resolution, the Trust Agreement and the Bonds are qualified to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights and remedies of creditors generally, and general principles of equity.

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