

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 10, 2005

NEW ISSUE – BOOK ENTRY ONLY

In the opinion of Bond Counsel, interest on the 2005 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 2005 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the “Code”) for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the 2005 Bonds. Under existing law, the 2005 Bonds, interest on the 2005 Bonds and their transfer shall be exempt from taxation by the State of Delaware and its political subdivisions except for estate, inheritance or gift taxes imposed by the State of Delaware. For a more complete discussion, see “TAX MATTERS” herein.

DELAWARE TRANSPORTATION AUTHORITY
\$150,000,000
Transportation System Senior Revenue Bonds, 2005 Series

Dated: December 1, 2005

Due: July 1, as shown below

The Transportation System Senior Revenue Bonds, 2005 Series (the “2005 Bonds”) will be issued in book-entry only form. Beneficial owners of 2005 Bonds will not receive physical delivery of Bond certificates. Principal and interest payments on the 2005 Bonds are to be made to The Depository Trust Company or its nominee as record owner of the 2005 Bonds. Interest will be payable July 1, 2006 and thereafter semi-annually on each January 1 and July 1.

The 2005 Bonds maturing on and after July 1, 2016 are subject to optional redemption prior to maturity, at the option of the Authority, in whole or in part at any time on or after July 1, 2015, in any order of maturity selected by the Authority and within any maturity by lot, at a redemption price equal to 100% of the principal amount of the 2005 Bonds to be redeemed plus interest accrued and unpaid to the redemption date.

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES*

<u>Due</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount(\$)</u>	<u>Interest</u> <u>Rate(%)</u>	<u>Price</u>	<u>Due</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount(\$)</u>	<u>Interest</u> <u>Rate(%)</u>	<u>Price</u>
2006	1,000,000			2016	2,795,000		
2007	1,000,000			2017	11,505,000		
2008	1,500,000			2018	12,765,000		
2009	6,990,000			2019	8,105,000		
2010	5,265,000			2020	3,385,000		
2011	15,365,000			2021	4,680,000		
2012	12,345,000			2022	6,025,000		
2013	12,220,000			2023	6,135,000		
2014	7,580,000			2024	11,625,000		
2015	7,870,000			2025	11,845,000		

The 2005 Bonds are limited obligations of the Authority, payable solely from and secured by a pledge and assignment of Pledged Revenue. See “SECURITY FOR THE BONDS.” The 2005 Bonds are secured on a parity with other Transportation System Senior Revenue Bonds which have been issued by the Authority and remain outstanding. The Authority may issue additional bonds which are secured on a parity with all such Senior Bonds. THE 2005 BONDS DO NOT CONSTITUTE A DEBT OF THE STATE OF DELAWARE OR OF ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF, OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE GENERAL TAXING POWER OR THE FAITH AND CREDIT OF THE STATE OF DELAWARE OR ANY SUCH POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY.

The 2005 Bonds are offered when, as and if issued and received by the Underwriters, subject to the issuance of a legal opinion as to validity by Bond Counsel, Saul Ewing LLP, Wilmington, Delaware and certain other conditions. A Deputy Attorney General of The State of Delaware will opine as to certain legal matters for the Authority. It is expected that the 2005 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about December 1, 2005.

Dated: November __, 2005

* Preliminary, subject to change.

RED HERRING LANGUAGE

This Preliminary Official Statement has been deemed final by the Delaware Transportation Authority for the purposes of Securities and Exchange Commission Rule 15c2-12 subject to revision and completion as contemplated by said Rule. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale, of the 2005 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

No dealer, broker, salesman or other person has been authorized by the Delaware Transportation Authority or the underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2005 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or The State of Delaware since the date hereof. This Official Statement is distributed in connection with the sale of securities referred to herein and may not be reproduced or used in whole for any other purpose. In no instance may this Official Statement be reproduced or used in part.

IN CONNECTION WITH THE OFFERING OF THE 2005 Bonds, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE 2005 BONDS SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED. THE ANNUAL FINANCIAL REPORT OF THE AUTHORITY MAY BE OBTAINED BY WRITTEN REQUEST TO THE DEPARTMENT OF TRANSPORTATION, FINANCE, P.O. BOX 778, DOVER, DELAWARE 19903.

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OFFICIAL STATEMENT
Delaware Transportation Authority

\$150,000,000
Transportation System Senior Revenue Bonds, 2005 Series

INTRODUCTION

This Official Statement (which includes the cover page, graphs and the appendices hereto) sets forth information in connection with the issuance of \$150,000,000 aggregate principal amount of Transportation System Senior Revenue Bonds, 2005 Series (the “2005 Bonds”) by the Delaware Transportation Authority (the “Authority”), a body corporate and politic constituting a public instrumentality of The State of Delaware (the “State”). The 2005 Bonds, together with the Authority’s other Transportation System Senior Revenue Bonds which have been or may be issued in the future on a parity with the 2005 Bonds, and remain outstanding from time to time, are herein referred to collectively as the “Senior Bonds”. The Authority also has outstanding certain Transportation System Junior Revenue Bonds which, together with the Authority’s other Transportation System Junior Revenue Bonds which may be issued in the future on a parity with such Junior Bonds, are herein referred to collectively as the “Junior Bonds”. As hereinafter more fully described, the Junior Bonds have a lien on the Pledged Revenue, subordinate to the lien of the Senior Bonds.

The 2005 Bonds are being issued pursuant to the Delaware Transportation Authority Act, Chapter 13, Title 2, Delaware Code, as amended, and the Transportation Trust Fund Act, Chapter 14, Title 2, Delaware Code, as amended (collectively, the “Act”) and a Trust Agreement, dated as of August 1, 1988, by and between the Authority and Wilmington Trust Company, Wilmington, Delaware (“WTC”) (WTC, not in its individual capacity but solely as trustee, the “Trustee”), as supplemented and amended (the Trust Agreement as so supplemented and amended is hereinafter referred to as the “Agreement”).

This Official Statement contains, among other topics, a description of the current Capital Transportation Program and the sources of funding therefor; the security for the 2005 Bonds; the terms of the 2005 Bonds; and the powers, responsibilities, membership and projected operations of the Authority and the Department of Transportation.

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

DELAWARE TRANSPORTATION AUTHORITY

General; Relation to the Department of Transportation

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

Powers and Responsibilities of the Authority

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

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

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

Management of the Department and the Authority

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

NATHAN HAYWARD III was appointed Delaware's seventh Transportation Secretary by Governor Ruth Ann Minner in January, 2001. He returned to state government after sixteen years of work in the private sector where he held senior positions in finance, strategic planning and international

development. As a Cabinet officer in former Governor Pete duPont's administration (1977-1985), he was Director of the Office of Management, Budget and Planning (1977-1980) and a key architect of the state's major financial restructuring which brought much needed reforms to taxation and spending. From 1981-1985, he was the founding Director of the Delaware Development Office. During this period, the First State adopted landmark legislation making Delaware an attractive situs for the financial services industry. Mr. Hayward also crafted the beginning legislation which lead to the creation of the Transportation Trust Fund. In addition to his Cabinet position, Mr. Hayward serves as Chairman of the Diamond State Port Corporation which is responsible for the maritime Port of Wilmington, and is a long serving member of Delaware's Economic and Financial Advisory Council.

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

KATHY S. ENGLISH, Director of Finance, joined the Department in September 2004. Ms. English has 18 years experience with state government. She holds a Masters Degree in Business Administration and an Associates degree in Human Resource Management. Since 1987, Ms. English has held a number of increasingly responsible positions in the Department of Public Safety (Delaware State Police, Office of Highway Safety, Office of the Secretary) and the Department of Corrections. She has earned a number of awards at the state and federal level, has been a certified Trainer/Facilitator for the State Personnel Office since 1991, and was a Delaware Management Fellow in 1999.

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

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

JOHN D. NAUMAN, Assistant Director of Finance and Transportation Trust Fund Administrator since October 2001, joined the Department in September 1998 as a Fiscal Management Analyst. He holds a Masters in Business Administration from Wilmington College and a B.S. in Accounting from the University of Delaware. Prior to coming to the Department, he worked for Playtex Apparel, Inc. and MBNA America.

TERRY L. PETRUCCI, Director of Public Relations since August 2001 and Executive Assistant to the Secretary since 1997, has over 27 years of service with the State of Delaware. Prior to coming to the Department, she was Assistant Chief of Fiscal and Policy Analysis in the Office of the Budget. Ms. Petrucci attended Delaware State University.

RALPH A. REEB II, Director of Planning for the Department since December 2000, has served the Department in various capacities over the last 10 years including Assistant Director of Planning, Manager of Intergovernmental Coordinator, and Manager of Marketing and Program Evaluation in the DTC Division. Mr. Reeb came to the Department from the Institute for Public Administration at the University of Delaware where his responsibilities as Senior Management Analyst included planning for local communities. Mr. Reeb has a Bachelors Degree in Economics from the University of Maine and a Masters Degree in Public Administration from the University of Delaware.

MICHAEL D. SHAHAN, Director of the Division of Motor Vehicles since 1992 has over 27 years in Safety and Transportation related service. Prior to the Division of Motor Vehicles, he spent 10 years in the Motor Fuel Tax Division. He is an active member of the American Association of Motor Vehicle Administrators (AAMVA). He was President of Region I in 2000 and served on the International Board of Directors for 5 years, from 1999 until 2004. He holds a B.S. Degree in Business Administration and Psychology from Salisbury University.

CAROLANN D. WICKS, Chief Engineer and Director of Transportation Solutions, graduated from the University of Delaware with a Bachelors Degree in Civil Engineering and a Masters Degree in Public Administration. Ms. Wicks has 20 years experience with the Department, working her way from a Civil Engineer I to the Assistant Chief Engineer. She has won several awards including the Eugene E. Abbott Award for Excellence and the Alfred Johnson Achievement Award, a national award presented by AASHTO.

Role of the State

General

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

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

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

The issuance of Authority debt obligations is subject to approval by the State's Bond Issuing Officers and to one of the provisions of the State's statutory debt limitations designed to control total indebtedness of the State and the Authority. The applicable limit (the "15% Test") states that no "tax-supported debt obligation" of the State and no "Transportation Trust Fund debt obligation" of the Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations (plus certain lease obligations) will exceed 15% of the estimated aggregate General Fund revenue from all sources, plus Transportation Trust Fund revenue. Estimated revenue figures are for the fiscal year following the fiscal year in which such obligation is incurred, as determined by the most recent projections made by the Delaware Economic and Financial Advisory Council ("DEFAC"). Such estimated revenue figures are adjusted, if appropriate, by the fiscal impact of subsequently enacted legislation as certified by the Secretary of Finance. After the issuance of the 2005 Bonds, the applicable debt service under the 15% Test will be approximately ____% of the applicable revenue in fiscal 2007. The State and the Authority expect that the Bonds projected to be issued in the current Capital Transportation Program can be issued within the limits of the 15% Test.

Delaware Economic and Financial Advisory Council

Delaware Economic and Financial Advisory Council ("DEFAC") is a council comprised currently of 34 government officials and private citizens from the business and financial communities appointed by the Governor. DEFAC was established by Executive Order to provide to the General Assembly General Fund revenue forecasts and Transportation Trust Fund revenue forecasts six times each fiscal year in September, December, March, April, May and June for the current fiscal year and the succeeding two fiscal years. A forecast for the current fiscal year and the succeeding four fiscal years is generated once each year, not later than October 1. A six-year forecast is generated for the Transportation Trust Fund. General Fund and Transportation Trust Fund expenditure forecasts are generated for the current fiscal year in December, March, April, May and June. These forecasts are used in the State budget process to assist State compliance with the State's constitutional limits on spending and statutory debt limitations.

Cash Management Policy Board

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

THE TRANSPORTATION TRUST FUND

General

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

In addition, the Trust Fund has assumed the responsibility for (1) the operating expenses of the Authority (including the Delaware Transit Corporation), the Delaware Turnpike and the Route 1 Toll

Road and all of the other divisions of the Department and (2) debt service on general obligation bonds previously sold by the State for transportation projects.

Initial Funding

The Trust Fund was initially funded in fiscal 1988 with existing cash balances of \$22.5 million, a special one time appropriation from the General Fund of \$27.8 million plus the dedication of revenue streams (including investment earnings) then aggregating approximately \$76.2 million per year. Since establishing the Trust Fund, the State has increased fee and tax rates for existing dedicated revenue streams and has assigned to the Trust Fund certain additional sources of transportation related revenue, as well as certain additional transportation related expenses. As a result, revenues to the Trust Fund have increased substantially since fiscal 1988 and totaled \$403.3 million in fiscal 2005.

Summary of Revenue Dedicated to the Trust Fund

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

	Fiscal 2005 (dollars in millions)	Percentage of Total Fiscal 2005 Pledged Revenue
Pledged to the Bonds:		
Motor Fuel Taxes	\$113.7 ⁽¹⁾	37.8%
Delaware Turnpike Toll/Concession	60.7	20.2%
Motor Vehicle Document Fees	65.7	21.9%
Motor Vehicle Registration Fees.....	30.2 ⁽²⁾	10.0%
Miscellaneous Transportation Revenue.....	24.5 ⁽³⁾	8.1%
Investment Earnings	<u>6.0</u>	<u>2.0%</u>
Total Pledged Revenue.....	\$300.8	100.0%
Non-Pledged to the Bonds:		
Route 1 Toll Revenue	30.2	
Non-Pledged Miscellaneous Transportation Revenue ⁽⁴⁾	<u>72.3⁽⁴⁾</u>	
Total Non-Pledged Revenue.....	102.5	
 Total Trust Fund Revenue	 <u>\$403.3</u>	

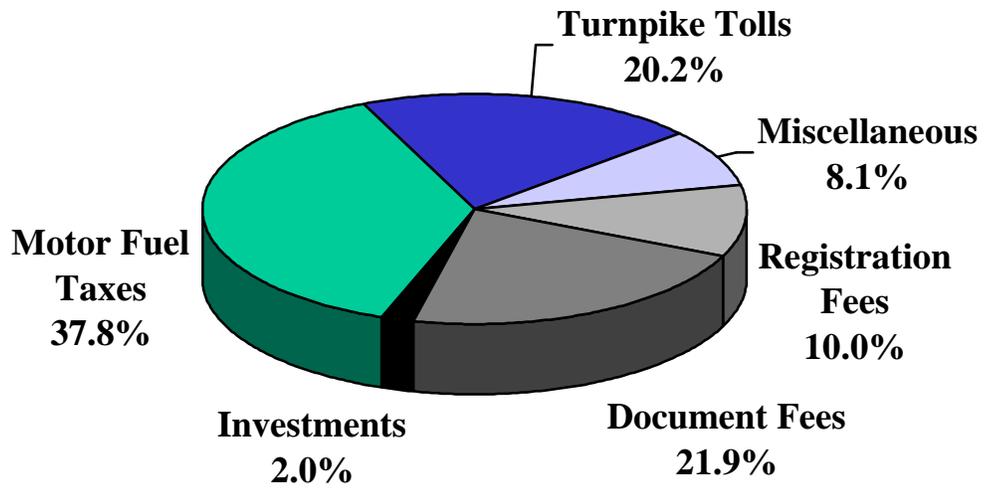
(1) Revenue from motor fuel and special tax receipts. Net of refunds for fuel consumed for non-highway use (\$0.3 million).

(2) Net of refunds to other states under the International Registration Plan (\$1.1 million).

(3) Net of refunds to other jurisdictions under the International Motor Fuel Tax Agreement (\$1.1 million) and transfers to the General Fund (\$0.3 million). Includes motor carrier fees.

(4) Includes \$10 million annual transfer from escheat revenues, plus other additional General Fund support including motor vehicle dealer handling fees, motor vehicle dealer annual licensing fees, motor vehicle use taxes on vehicle lease payments, Department review fees for development plans, real estate lease fees, property sales, dollars received from New Jersey for E-Z Pass expense reimbursement, and other miscellaneous revenues. Approximately \$52.1 million of this amount represents one time General Fund funding for the Port of Wilmington, the Green Infrastructure Program and the Glenville Disaster Relief Program.

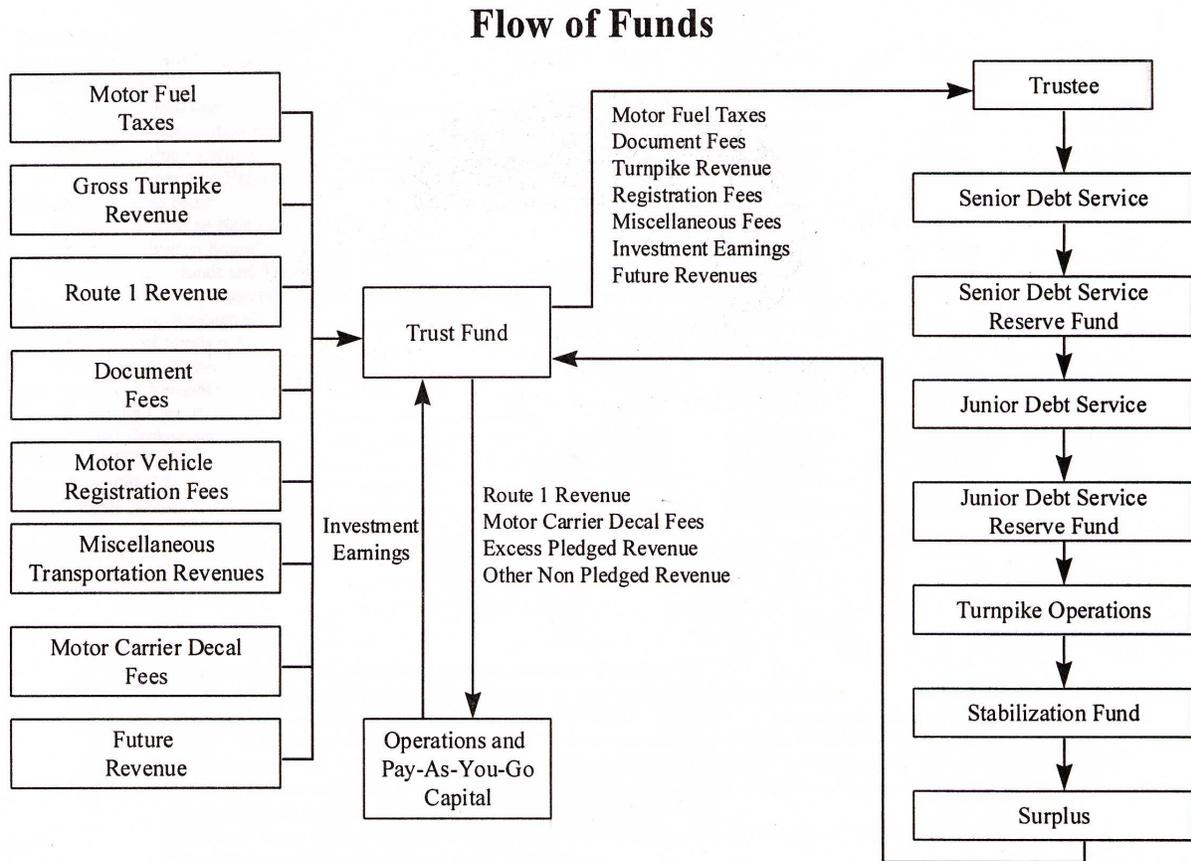
**Sources of Pledged Revenue
Transportation Trust Fund - Fiscal 2005**



Uses of Funds in the Trust Fund

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

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



Sources and Uses of Funds for Fiscal Years 2002, 2003, 2004 and 2005

The following summary of the results of the Sources and Uses of Funds are for fiscal years ended June 30, 2002, 2003, 2004 and 2005. (Audited financial statements for the fiscal years 2004 and 2005 are included in APPENDIX A). The summary reflects the flow of funds required by the Agreement as illustrated in the Flow of Funds diagram above.

Summary Results

Fiscal Years Ended
(dollars in thousands)

<u>Sources of Funds</u>	2002	2003	2004	2005
<u>Existing Pledged Revenue</u>				
Motor Fuel Tax Administration	\$ 111,586	\$ 110,403	\$ 117,225	\$ 117,917
I-95 Tolls & Concessions ⁽¹⁾	64,584	62,637	62,861	60,021
DMV Fees	97,501	99,678	105,663	116,180
Interest Income	<u>5,879</u>	<u>4,592</u>	<u>4,923</u>	<u>5,207</u>
Total Pledged Revenue	279,550	277,310	290,672	299,325
<u>Non-Pledged Revenues</u>				
Route 1 Toll Road	24,223	25,443	27,101	30,563
Continuing General Fund Support	10,000	0	10,000	10,000
One Time General Fund Support/Pass-through	0	0	0	52,100
DE Transit (Farebox., FTA, & Other)	13,511	12,640	13,064	14,100
Port of Wilmington – Refinancing	0	1,065	1,059	0
Other Miscellaneous Revenue	<u>4,712</u>	<u>4,612</u>	<u>31,491</u>	<u>7,597</u>
Total Non-Pledged Revenue	52,446	43,759	82,715	114,360
Total Revenue	331,996	321,069	373,387	413,685
Borrowing	<u>83,890</u>	<u>239,474</u>	<u>0</u>	<u>140,251</u>
TOTAL SOURCES	415,886	560,543	373,387	553,936
 <u>Uses of Funds:</u>				
<u>Debt Service</u>				
DTA Bonds & Notes	74,519	82,989	94,397	98,609
State G.O. Bonds	<u>1,674</u>	<u>1,247</u>	<u>622</u>	<u>546</u>
Debt Service	76,193	84,236	95,019	99,155
<u>Operations</u>				
Department Operations	86,498	106,345	125,415	135,287
Delaware Transit Corp. Operations	<u>58,915</u>	<u>57,543</u>	<u>65,023</u>	<u>70,401</u>
Total Operations	145,413	163,888	190,438	205,688
State Capital Spending	206,489	152,311	224,135	290,718
TOTAL USES	428,095	400,435	509,592	595,561
Additional Senior Bonds Test	4.61	4.04	3.59	3.47
Additional Junior Bonds Test	14.13	13.3	13.97	15.05

⁽¹⁾ Includes toll, concession and other revenue on the Delaware Turnpike.

ESTIMATED SOURCES AND USES OF FUNDS

The following table summarizes the sources and uses of money (exclusive of accrued interest) which the Authority estimates will be available to fund various capital improvements, to pay the General Obligation Bond Anticipation Note, to fund a deposit to the Senior Bonds Debt Service Reserve Account and to pay costs of issuance of the 2005 Bonds.

Sources of Funds

Principal amount of 2005 Bonds	\$ 150,000,000
Net Original Issue Premium	
Accrued Interest	
Total	

Uses of Funds

Capital Improvements to Transportation System	
Payment of the General Obligation Bond Anticipation Note	
Senior Bond Debt Service Reserve Account	
Accrued Interest	
Financing expenses	
Underwriting discount	
Other financing expenses (including bond insurance premium)	
Total	

DESCRIPTION OF THE 2005 BONDS

The 2005 Bonds are to be issued in the total aggregate principal amount of \$150,000,000. The 2005 Bonds are dated and bear interest from December 1, 2005 payable commencing July 1, 2006, and thereafter semi-annually on each January 1 and July 1 at the rate or rates per annum and shall mature, all as set forth on the cover page of this Official Statement.

The 2005 Bonds will be payable as to principal upon presentation and surrender thereof to the Trustee at the principal office of Wilmington Trust Company, Wilmington, Delaware. The 2005 Bonds will be issued as fully registered bonds, and, when issued will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company (“DTC”). Purchases of beneficial interests in the 2005 Bonds will be made in book-entry form (without certificates) in the denomination of \$1,000 or any whole multiple thereof. Under certain limited circumstances described herein, the Authority may determine to forego immobilization of the 2005 Bonds at DTC, or another securities depository, in which case, such beneficial interests are expected to become exchangeable for one or more fully registered bonds of like principal, series and maturity in the denomination of \$5,000 or any whole multiple thereof.

So long as DTC or its nominee, Cede & Co., is the registered owner of the 2005 Bonds, payments of the principal of and interest on the 2005 Bonds are to be made by the Trustee directly to Cede & Co. Distribution of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to owners of beneficial interests in the 2005 Bonds is the responsibility of the DTC participants. See “BOOK-ENTRY ONLY SYSTEM.”

Optional Redemption

The 2005 Bonds maturing on or after July 1, 2016 are subject to redemption, at the option of the Authority, in whole or in part at any time on or after July 1, 2015, in any order of maturity selected by the Authority and within any maturity by lot, at a redemption price equal to 100% of the principal amount of the 2005 Bonds to be redeemed plus interest accrued and unpaid to the redemption date.

Notice of Redemption

The Agreement provides that at least 30 days but not more than 60 days before the redemption date of any of the 2005 Bonds, the Trustee shall mail notice of such redemption to all owners of 2005 Bonds or portions thereof to be redeemed at their addresses as they appear on the registration books held by the Trustee. Each such notice will set forth the 2005 Bonds or portions thereof to be redeemed, the date for such redemption, the redemption price to be paid, and if less than all of the 2005 Bonds will be called for redemption, the maturities of the 2005 Bonds to be redeemed and shall otherwise comply with Securities Exchange Act of 1934 Release No. 34-23856, including the requirement that notice be given to all organizations registered with the Securities and Exchange Commission as securities depositories, and to at least two information services of national recognition which disseminate redemption information with respect to tax exempt securities. So long as DTC is the registered owner of the 2005 Bonds, this notice is required to be mailed by the Trustee to DTC only. Any failure of DTC to mail such notice to any participant will not affect the validity of the redemption of the 2005 Bonds.

SECURITY FOR THE BONDS

Pledge and Assignment of Revenue and Funds

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

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

Tax and Fee Revenue

The State has pledged and assigned to the Trust Fund, for the use of the Authority, (i) all motor fuel tax revenue imposed and collected by the State, (ii) all motor vehicle document fees imposed and collected by the State, (iii) all motor vehicle registration fees imposed and collected by the State, (iv) the Pledged Miscellaneous Transportation Revenue plus certain other miscellaneous transportation revenue and reimbursement which have not been pledged as security for the Bonds and (v) \$10,000,000 from escheat revenues for fiscal 2005, which escheat revenues have not been pledged as security for the Bonds. The escheat revenues referred to in item (v) above were transferred to the Trust Fund from fiscal 2000 until fiscal 2002, but were not so transferred in fiscal 2003. Such escheat revenues were again transferred to the Trust Fund in fiscal 2004 and fiscal 2005, and it is expected that they will be transferred to the Trust Fund in fiscal years subsequent to fiscal 2005. In the Agreement the Authority has, in turn, pledged and assigned such motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees, investment earnings and the Pledged Miscellaneous Transportation Revenue to secure the Bonds. The Pledged Miscellaneous Transportation Revenue and the Non-Pledged Miscellaneous Transportation Revenue (hereinafter defined) are hereafter collectively referred to as the "Miscellaneous Transportation Revenue".

The State has covenanted in the Act that it will not repeal or reduce the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees or the fees constituting Pledged Miscellaneous Transportation Revenue, which are pledged to secure the Bonds, below the levels in effect on the date of issuance of the 2005 Bonds until such Bonds are paid or provision for their payment is made. The State, however, has not authorized nor does it have any obligation to increase the rates of those taxes or fees to generate revenue to meet debt service on the 2005 Bonds. The above covenant does not apply to the Non-Pledged Miscellaneous Transportation Revenue, or other non-pledged revenue.

Delaware Turnpike Revenue

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

The Authority covenants in the Agreement that it will fix and revise from time to time, and charge and collect charges, fares, fees, rentals and tolls for the use of the Delaware Turnpike and that it will not reduce the tolls on the Delaware Turnpike below the level in effect on the date of issuance of the 2005 Bonds, except as provided in the Agreement. The Authority may increase tolls, reduce tolls and make certain other adjustments or reclassifications of toll rates or establish special toll rates for the Delaware Turnpike as provided in the Agreement.

Bond Proceeds

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

Debt Service Fund; Stabilization Fund

Under the Agreement there is established a Debt Service Fund and within that fund there is a separate Principal and Interest Account, and Redemption Account, for the Senior Bonds and the Junior Bonds. All funds held by the Trustee in such Senior Bonds accounts are pledged to secure only the Senior Bonds, and all funds held by the Trustee in such Junior Bonds accounts are pledged to secure only the Junior

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

Debt Service Reserve Fund

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

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

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

Two months prior to each October 1 (as of a date during such two-month period) unless the Authority has filed with the Trustee the certificate described above during the two-month period prior to the next preceding July 1, the Authority shall prepare such certificate. In the event that the certificate shows that Test Revenues do not cover maximum Principal and Interest Requirements of the Senior Bonds Outstanding by 2.00 times, then the Authority will file the certificate with the Trustee and (i) the Senior Bonds Debt Service Reserve Account Requirement shall become an amount equal to the maximum Principal and Interest Requirements on Senior Bonds Outstanding and (ii) the Authority shall commence to make deposits to the Senior Bonds Debt Service Reserve Account on at least an equal monthly basis to fund fully the Senior Bonds Debt Service Reserve Account Requirement on or by the second anniversary of the date of calculation. On any subsequent July 1, if such coverage exceeds 2.25 times, the Senior Bonds Debt Service

Reserve Account Requirement may be reduced to an amount equal to one-half maximum Principal and Interest Requirements on Senior Bonds Outstanding, subject to increase as provided above. The foregoing certificate shall also be filed by the Authority with the Trustee at the time of issuance of additional Bonds.

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

Investment Earnings

All investment earnings on the Revenue Fund, the Capital Fund, the Debt Service Fund, the Stabilization Fund and the Debt Service Reserve Fund, net of any amounts required to be paid to the Internal Revenue Service in order to preserve the tax-exempt status of the 2005 Bonds, are to be retained in or deposited by the Trustee in the Revenue Fund and are pledged by the Authority in the Agreement to secure the 2005 Bonds. The Authority is also required to cause the investment earnings on all of its other funds not held by the Trustee, including particularly the Transportation Trust Fund, to be paid to the Trustee for deposit in the Revenue Fund at least once a year (the "TTF Investment Earnings"). These investment earnings are also pledged by the Authority in the Agreement to secure the Bonds; however, such earnings shall not be treated as Additional Revenue for purposes of satisfying the coverage test which must be met as a condition of issuing additional bonds in the Agreement (See "Security for the Bonds", "Additional Senior Bonds" and "Additional Junior Bonds").

Non-Pledged Revenue

The Authority has not pledged to secure the Bonds (i) the toll revenue from the Route 1 Toll Road (the "Route 1 Toll Revenue"), (ii) the \$10,000,000 of escheat revenue for fiscal 2005 which is transferred from the General Fund to the Transportation Trust Fund, nor (iii) certain other miscellaneous transportation revenue and reimbursements which includes various amounts which may not be transferred in future fiscal years (items (ii) and (iii) are collectively referred to as the "Non-Pledged Miscellaneous Transportation Revenue"). The escheat revenues referred to above were transferred to the Trust Fund from fiscal 2000 until fiscal 2002, but were not so transferred in fiscal 2003. Such escheat revenue was again transferred to the Trust Fund in fiscal 2004 and fiscal 2005. It is expected that such escheat revenue will be transferred to the Trust Fund in fiscal years subsequent to fiscal 2005. Certain components of the Non-Pledged Miscellaneous Transportation Revenue are not projected to be recurring in future fiscal years. See "SOURCES OF REVENUE FOR THE TRUST FUND -- Miscellaneous Transportation Revenue - Non-Pledged Miscellaneous Transportation Revenues" for a discussion of revenue sources transferred to the Trust Fund but which have not been pledged by the Authority to secure the Bonds.

Flow of Funds

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

day of each month, the Trustee is required under the Agreement to withdraw all funds from the Revenue Fund on deposit on the tenth day of that month and to deposit these funds in the following order of priority:

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

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

Senior Lien for Senior Bonds

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

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

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

The State has covenanted in the Act that it will not repeal or reduce the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees or the fees constituting Pledged Miscellaneous Transportation Revenue, which are pledged to secure the Bonds, below the levels in effect on the date of issuance of the 2005 Bonds until such Bonds are paid or provision for their payment is made. The State has not, however, authorized nor does it have any obligation to increase the rates of those taxes or fees to generate revenue to meet debt service on the 2005 Bonds.

The State has also covenanted in the Act that it will not (i) limit or alter the rights or powers vested in the Authority by the Act in any way that would jeopardize the interest of the holders of the Bonds or inhibit or prevent performance or fulfillment by the Authority of the terms of any agreement made with

the holders or (ii) prevent the Authority from obtaining revenue which, together with other available funds, shall be sufficient to meet all expenses of the Authority and fulfill the terms of any agreement made with the holders of Bonds and all costs and expenses in connection with any action or proceedings by or on behalf of the holders, or (iii) prevent the Authority from receiving payment of funds as provided in any agreement, until the Bonds together with interest and premium, if any, thereon are fully met and discharged or provided for.

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

Additional Senior Bonds

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

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

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

(ii)(A) The Senior Bonds Alternate Test is satisfied if estimated Test Revenue (assuming for each fiscal year described below, that Test Revenue is equal to the aggregate amount of Test Revenue for the same 12 month period as in (i)(A) above as adjusted in subsequent fiscal years for any increase in tolls, taxes or fees from the date such increase is to be in effect) (I) for the current fiscal year and each of the following four fiscal years equals or exceeds 2.00 times the Principal and Interest Requirements for all Senior Bonds Outstanding during each such year and (II) for the fifth following fiscal year equals or exceeds 2.00 times the maximum Principal and Interest Requirements for all Senior Bonds for that year or any subsequent fiscal year.

(B) The Junior Bonds Alternate Test is satisfied if estimated Test Revenue (assuming for each fiscal year described below, that Test Revenue is equal to the aggregate amount of Test Revenue for the same 12 month period as in (i)(A) above as adjusted in subsequent fiscal years for any increase in tolls,

taxes or fees from the date such increase is to be in effect), less (x) for the current and each of the next four fiscal years, the Principal and Interest Requirements on the Senior Bonds for each such year, and (y) for the fifth following fiscal year, the maximum Principal and Interest Requirements on the Senior Bonds for that year or any subsequent fiscal year, (I) for the current fiscal year and each of the following four fiscal years equals or exceeds 3.0 times the Principal and Interest Requirements for all Junior Bonds Outstanding during each such year and (II) for the fifth following fiscal year equals or exceeds 3.0 times the maximum Principal and Interest Requirements for all Junior Bonds for that year or any subsequent fiscal year.

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

Additional Junior Bonds

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

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

Additional Revenue Considered in Additional Bonds Tests

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

Subordinate Indebtedness

Under the Agreement, the Authority may also issue additional obligations secured by a lien on the Pledged Revenue which is subordinate to the lien of the Senior Bonds and the Junior Bonds. Such obligations may be issued without regard to any additional bonds debt service coverage test. The rights of holders of any Subordinate Indebtedness will be limited, however, as follows: all principal and interest on all Senior and Junior Bonds must be paid before any payment of debt service may be made on any Subordinate Indebtedness if any of the following occur (i) insolvency, bankruptcy, receivership or any similar proceeding with respect to the Authority or its property; (ii) the acceleration of principal and interest on the Subordinate Indebtedness; (iii) an Event of Default with respect to Senior or Junior Bonds resulting in acceleration of principal of and interest on the Senior Bonds and/or the Junior Bonds; or (iv) an Event of Default resulting from the failure in payment of Principal and Interest Requirements on any Bond. An event of default with respect to Subordinate Indebtedness shall not in itself create the right to declare an Event of Default with respect to the Senior Bonds or the Junior Bonds.

SOURCES OF REVENUE FOR THE TRUST FUND

General

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

The Delaware Economic and Financial Advisory Council ("DEFAC") forecasts revenue of the Transportation Trust Fund applying various assumptions and forecasts provided to it by the Department. The report of URS Corporation (the "Transportation Consultant"), entitled "Traffic and Earnings Report for the Delaware Turnpike and the Route 1 Toll Road", dated October 28, 2005 (the "Transportation Consultant's Report") is attached hereto as APPENDIX E. The forecasts of toll and concession revenue for the Delaware Turnpike and the Route 1 Toll Road contained herein reflect the DEFAC forecasts.

Motor Fuel Tax Revenue

General

Motor fuel tax revenue is derived from taxes imposed by the State on gasoline and special fuels. This revenue totaled \$113.7 million (net of refunds) in fiscal 2005. Motor fuel tax revenue provided 37.8% of the revenue pledged to secure the Bonds in fiscal 2005 and is the largest component of such pledged revenue.

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

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

Historical Summary of Gallonage and Revenue from Motor Fuel Taxation

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

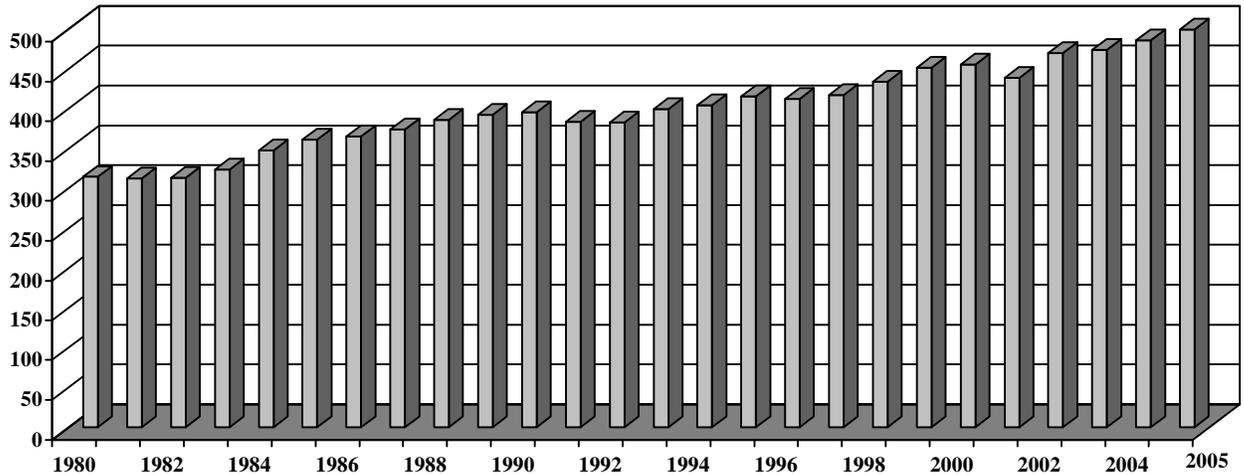
History of Gallonage and Revenue from Motor Fuel Taxes
(dollars and gallonage in millions; percent change calculated from unrounded data)

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

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

The following graph plots the taxable motor fuel consumed in the State from fiscal 1980 through fiscal 2005.

Motor Fuel Consumption 1980-2005 (in millions of gallons)



Motor Fuel Consumption

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

During the twenty-six year period from fiscal 1980 through fiscal 2005, motor fuel consumption has risen from a low of 312.4 million gallons during the fiscal 1981 recessionary period to an all time high of 499.2 million gallons during fiscal 2005. The average percentage growth during this time period was 1.9%.

Special fuel consumption has doubled since fiscal 1980 primarily because of the increased use of diesel engines. Special fuel's percentage of total consumption has increased from 9.2% in fiscal 1980 to 13.0% in fiscal 2005.

Projections of Gallonage and Revenue from Motor Fuel Taxes

Based on the historical data regarding motor fuel consumption and some of the factors referenced above, DEFAC has provided projections of fuel consumption through fiscal 2011. The single most important factor which will affect future motor fuel consumption, both nationally and in Delaware, is the trend toward increasing the vehicle engine efficiency rate resulting in increased average miles per gallon. New vehicles entering the fleet have increased the average number of gallons for all vehicles and future changes in vehicle technology may affect gasoline consumption.

The forecasted motor fuel consumption and revenue from motor fuel taxation, assumes the current and approved rate structure of \$.23 per gallon for gasoline and \$.22 per gallon for special fuels. The forecasted growth rates of motor fuel consumption are expected to be less than historical averages for the reasons referred to above.

Projections of Gallonage and Revenue from Motor Fuel Taxes⁽¹⁾
(dollars and gallonage in millions)

<u>Fiscal Year</u>	<u>Gallonage</u>	<u>Percent Change</u>	<u>Revenue⁽²⁾</u>	<u>Percent Change</u>
2006.....	506.7	1.5 ⁽³⁾	\$114.0	0.3 ⁽³⁾
2007.....	514.8	1.6	115.0	0.9
2008.....	524.1	1.8	116.0	0.9
2009.....	533.5	1.8	117.0	0.9
2010.....	543.1	1.8	118.0	0.9
2011.....	552.9	1.8	119.0	0.8

- (1) Projections for fiscal 2006 through fiscal 2011 provided by DEFAC from its September 19, 2005 meeting.
(2) Revenue net of refunds for non-highway use.
(3) Increase over fiscal 2005 actual.

Toll Revenue

Delaware Turnpike Revenue

General. The toll and concession revenue of the Delaware Turnpike generated the third largest source of revenue to the Trust Fund: \$60.7 million in fiscal 2005 or 20.2% of the revenue pledged to secure the Bonds. Of the total toll and concession revenue in fiscal 2005, toll revenue comprised 95% and concession revenue comprised 5%.

Electronic Tolls. In 1998, the Department joined a consortium of several transportation agencies from New Jersey and New York (the “Consortium”) for the purpose of installing an electronic toll collection system (“E-Z Pass System”) on the toll roads and bridges operated by the members of the Consortium. Pursuant to a Contract (the “Vendor Contract”), dated March 10, 1998, between The New Jersey Turnpike Authority, as the designated representative of the Consortium, and Adesta Communications (formerly MFS Network Technologies, Inc.) (the “Vendor”), the Department completed the installation of the E-Z Pass System on the Route 1 Toll Road and the Delaware Turnpike (which became operational on the Delaware Turnpike in November 1998, the southern section of the Route 1 Toll Road in April 1999 and the northern section in November 1999). All tolls paid by the users of the E-Z Pass System in Delaware are promptly being remitted to the Authority. Under the Vendor Contract, the Department has a contingent liability for a share of various costs to the extent that such costs are not covered by the anticipated revenues. The Department has a true-up liability in 2008 estimated at \$12.0 million plus accrued interest. The State has established a reserve for such liability on its financial statements.

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

In connection with the decision to separate from the Consortium, the Department issued a Request for Proposals and subsequently entered into an Agreement with TransCore for the build-out and

operation of the Department's new stand-alone E-Z Pass Customer Service Center and Violations Processing Center. The Center was completed and made operational in October 2003.

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

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

Delaware's E-Z Pass utilization rates have increased as expected. The Delaware Turnpike has a utilization rate of 43.9%, while the rate on State Route 1 is 55.8%, both in fiscal 2005. These rates will continue to increase as neighboring toll facilities join the E-Z Pass network. The Delaware River and Bay Authority (operator of the Delaware Memorial Bridge), started operating in the E-Z Pass network in July 2001. The Maryland Transportation Authority (operator of the John F. Kennedy Memorial Highway and several bridges) accepts E-Z Pass on the John F. Kennedy Memorial Highway, the Key Bridge, and the Fort McHenry and Harbor Tunnels, and in November 2001 it began accepting E-Z Pass on the Bay Bridge and Harry Nice Bridge. Delaware's toll roads are now connected to E-Z Pass participants to the north and the south, which will lead to further increases in utilization.

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

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

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

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

The Delaware Turnpike restaurants were renovated in 1988 and are operated by the HMS Host Corporation pursuant to a twenty-year contract which extends through June 2008. In fiscal 2005, restaurant revenue to the Delaware Turnpike totaled \$1.6 million. One service station is operated by Exxon Corporation under a ten-year contract that expires in March 2007, and another service station is operated by Sunoco, Inc. under a ten-year contract that expires in October 2008. In fiscal 2005, the two service stations sold 9.8 million gallons of motor fuel and generated \$1.0 million of concession revenue for the Delaware Turnpike. Revenue generated from other miscellaneous sources including public telephone contracts totaled \$0.3 million during fiscal 2005.

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

The average annual growth of vehicle trips since fiscal 1980 has been 3.2%. During fiscal 2005, passenger traffic decreased 1.3% and commercial traffic was up 4.5%.

The following table summarizes the recorded vehicle trips through the Delaware Turnpike toll barrier and the revenue derived therefrom and from concessions from fiscal 1980 through fiscal 2005.

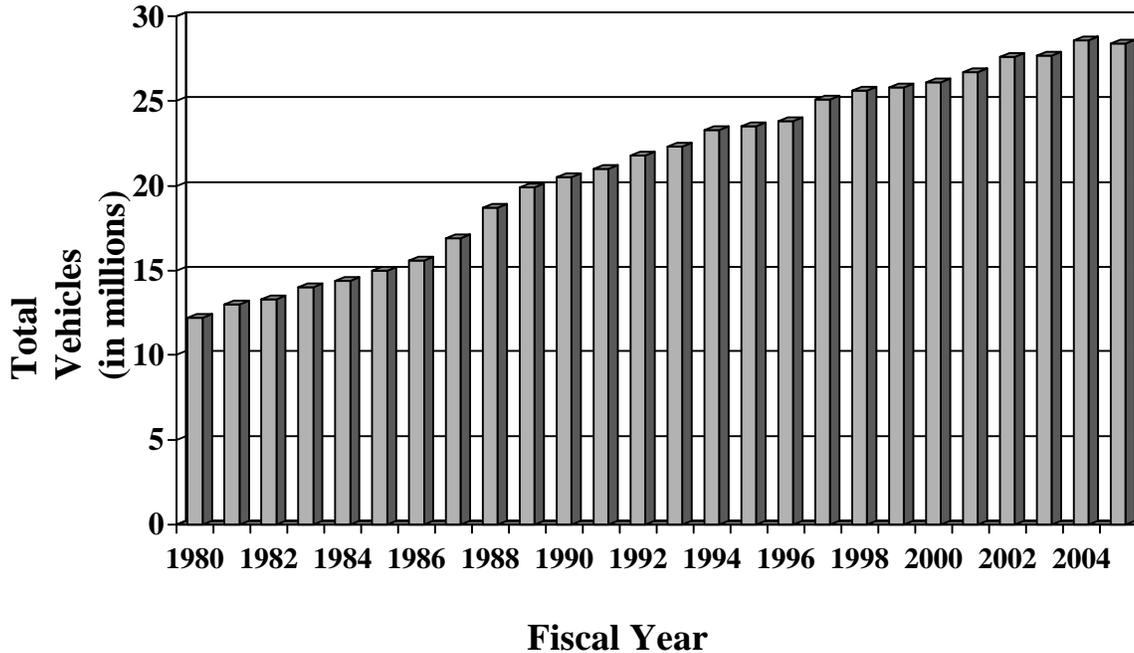
Vehicle Trips and Delaware Turnpike Revenue
(dollars and vehicles in millions, percent change and totals
calculated from unrounded data)

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

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

The following graph illustrates the growth of traffic through the toll gates of the Delaware Turnpike from fiscal 1980 through fiscal 2005.

Delaware Turnpike Toll Traffic Fiscal 1980-2005



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

The following table summarizes the recent toll history and indicates the percentage of toll revenue collected in fiscal 2005 by class of vehicle.

Delaware Turnpike Barrier Tolls

	<u>July 1, 1983 - Oct. 1, 1989</u>	<u>Oct. 1, 1989 - Sept. 1, 1993</u>	<u>Sept. 1, 1993 - Jan. 4, 1999</u>	<u>Jan. 4, 1999 – October 1, 2005</u>	Percentage of Fiscal 2005 Toll Revenue by Vehicle <u>Class</u>
High Occupancy Vehicle	N/A	N/A	\$.50	\$.63	0.0%
Passenger cars, pick up and panel trucks.....	\$ 1.00	1.00	1.25	2.00 ⁽¹⁾	50.8 ⁽²⁾
E-Z Pass Vehicle (two-axle).....				1.25	35.4%
Two axle, six tire trucks	1.20	1.00	1.25	1.25	N/A
Three axle trucks.....	1.80	2.00	2.50	2.50	1.8%
Four axle trucks	2.40	3.00	3.75	3.75	1.5%
Five axle trucks.....	3.00	4.00	5.00	5.00	10.3%
Six axle trucks.....	3.60	5.00	6.25	6.25	0.2%
Special permit vehicles.....	10.00	10.00	10.00	10.00	0.0%

- (1) Effective January 4, 1999, the toll for cash paying (non-E-Z Pass) passenger cars was increased to \$2.00.
 (2) Includes toll revenue from two axle, six tire trucks which are now in the same vehicle class as passenger cars, pick up and panel trucks.

The following rates became effective on October 1, 2005. After October 1, 2005, there is only one discount plan on I-95. Commercial vehicles (3 or more axles) with E-Z Pass will get a 75% discount between 10 pm and 6 am.

New Toll Rates – Newark

	<u>Per Axle</u>	Toll Rates	<u>Rounded Rates</u>
2 Axle	\$1.50		\$ 3.00
3 Axle	1.60		5.00
4 Axle	1.60		6.00
5 Axle	1.60		8.00
6 Axle	1.60		10.00
Permit	--		10.00

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

**Projected Toll and
Concession Revenue of Delaware Turnpike⁽¹⁾**
(dollars in millions)

<u>Fiscal Year</u>	<u>Toll Revenue⁽²⁾</u>	<u>Concessions⁽³⁾</u>	<u>Total Revenue</u>	<u>Percent Change</u>
2006	\$86.4	\$2.6	\$ 89.0	47.4 ⁽⁴⁾
2007	99.0	2.7	101.7	14.3
2008	100.0	2.7	102.8	1.1
2009	101.1	2.7	103.8	1.0
2010	101.9	2.7	104.6	0.8
2011	102.7	2.7	105.4	0.8

-
- (1) Projections provided by DEFAC from its September 19, 2005 meeting.
(2) New toll rate structure effective October 1, 2005.
(3) Excludes "Other Turnpike Revenue".
(4) Percent change from fiscal 2005 actual.

Route 1 Toll Road

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

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

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

Listed below is the toll schedule which went into effect during December 1993 for South Smyrna, Denneys Road and the Dover Plaza, and in November 1999 for Biddles Plaza and Boyds Corner. The current schedule is broken down by vehicle class and toll plaza location:

<u>Vehicle Class</u>	<u>South Smyrna</u>	<u>Denneys Road</u>	<u>Dover Plaza</u>	<u>Boyds Corner</u>	<u>Biddles Plaza</u>
Passenger car & light truck	\$ 0.25	\$ 0.50	\$ 1.00	\$ 0.50	\$ 1.00
Passenger car with trailer	0.50	1.00	2.00	1.00	2.00
Three axle truck or bus	0.50	1.00	2.00	1.00	2.00
Four axle truck.....	0.75	1.50	3.00	1.50	3.00
Five axle truck.....	1.00	2.00	4.00	2.00	4.00
Six axle truck.....	1.25	2.50	5.00	2.50	5.00
Wide load permit	10.00	10.00	10.00	10.00	10.00

During the second half of fiscal 1995, the Department implemented discounted fare programs for carpools and commercial vehicles. Frequent users of the Route 1 Toll Road received discounts by registering with the E-Z Pass Consortium and pre-paying tolls under the Debit Card Discount Program. In April of 1999, the E-Z Pass system was introduced at the Dover, Denneys and S. Smyrna exits of State Route 1. In November 1999, the system was introduced at the Biddles and Boyds Corner Plazas. Each of these plazas provide discounts for use of E-Z Pass. The discount structure applies to vehicles by class.

The structure of the tolls for the E-Z Pass system was based on providing incentives to encourage the use of E-Z Pass. The system provides discounts for use of E-Z Pass and prorates tolls based on the distance an E-Z Pass customer drives.

Effective October 2000, the Department offered a toll discount program which provides a 50% discount off the cash price of tolls for 2-axle vehicles using E-Z Pass on the Route 1 Toll Road for 30 or more trips during a 30-day period. A trip is defined as any usage of the Route 1 Toll Road where a toll is charged against a customer's account regardless of where the entrance and exit is located on the road. The standard 15% discount will remain in effect if a customer makes fewer than 30 trips in 30 days. The frequency-of-use provision applies to non-commercial 2-axle vehicles. The 3, 4, 5, and 6-axle vehicles will also receive a 50% discount off of the cash price, but without having to make a minimum number of trips.

The E-Z Pass system also provides for a pro-rata toll rate for distance traveled on the Route 1 Toll Road. For instance, because the distance between the main Biddles Plaza and the Boyds Corner Plaza is roughly half the distance of the northern section of the Route 1 Toll Road, the toll rate for the 2-axle E-Z Pass vehicle is half of the cash toll plus the discount (\$.85) or \$.43 cents per trip. Multi-axle vehicles receive the same pro-rata toll rate discount applied times the number of additional axles over the 2-axle vehicle.

High-occupancy vehicles will be receiving a 65% discount under the current frequency of use program. A high-occupancy vehicle carries two or more passengers and is required to stop at a staffed toll booth for verification. Customers must sign up separately for the HOV frequency of use program.

Cash customers will be charged based on the cost to travel the total length of the road. Since the satellite exits will not be staffed, cash-paying customers leaving the system will not receive a prorated credit for distance traveled. Coin machines are available for cash-paying customers at the Boyds Corner and Denneys Road exits.

Historic and Projected State Route 1 Toll Revenue. Fiscal 1995 represented the first full year of operation for the Route 1 Toll Road. Total revenues of \$6.4 million exceeded the forecast of \$5.7 million projected in connection with the sale of the 1994 Series Senior Bonds. DEFAC's projected toll revenue for the entire Route 1 Toll Road, assuming the present toll structure was maintained at both mainline toll barriers, is set forth in the following table. Total annual revenues to be generated from the

entire toll road are expected to increase to approximately \$36.5 million by fiscal 2010. Revenue from the Route 1 Toll Road is not pledged to secure the Bonds.

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

<u>Fiscal Year</u>	<u>Total Toll Revenue</u>	<u>Percent Change</u>
1995	\$6.4	---
1996	7.4	15.6
1997	8.4	13.1
1998	9.2	8.9
1999	9.7	5.8
2000	16.4	69.8
2001	20.7	25.7
2002	24.2	17.2
2003	25.4	5.0
2004	27.1	6.5
2005	30.2	11.3
2006	32.5	7.6
2007	33.5	3.1
2008	34.0	1.5
2009	35.5	4.4
2010	36.5	2.8
2011	37.5	2.7

(1) Projections provided by DEFAC from its September 19, 2005 meeting.

Motor Vehicle Document Fees

General

Motor vehicle document fees are imposed upon the sale or transfer of any new or used motor vehicle, truck tractor, trailer or motorcycle in the State. These fees contributed \$65.7 million in fiscal 2005, 21.9% of the revenue pledged to the Bonds in fiscal 2005. The document fee, which is based on the vehicle purchase price, is paid by the owners and collected by the State for deposit in the Trust Fund. If the price of the vehicle is less than \$400, the fee is \$8; if the price is \$400 to \$500, the fee is \$13.75. Thereafter, the fee increases by \$2.75 for each additional \$100 of vehicle purchase price or any fraction thereof. The following table summarizes the history of motor vehicle document fee collections from fiscal 1980 through fiscal 2005.

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

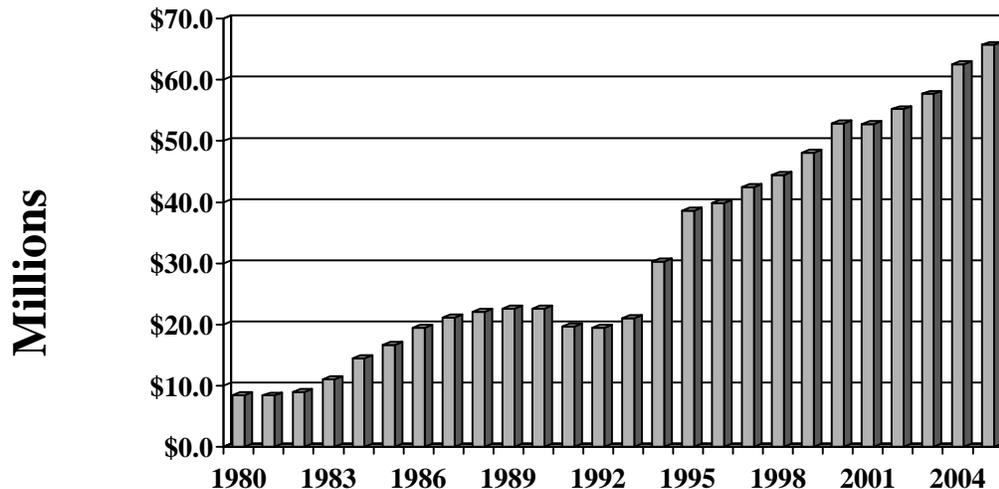
<u>Fiscal Year</u>	<u>Vehicles Titled⁽¹⁾</u>	<u>Percent Change</u>	<u>Revenue</u>	<u>Percent Change</u>
1980.....	189.1	--	\$ 8.5	--
1981.....	181.7	(3.9)	8.4	(1.6)
1982.....	177.2	(2.5)	9.0	7.2
1983.....	190.0	7.2	11.1	23.5
1984.....	233.8	23.1	14.5	30.0
1985.....	229.6	(1.8)	16.7	15.5
1986.....	251.4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

(1) Includes titles for both new and used vehicles which closely approximates total car sales during each fiscal year.

(2) Reflects rate increase from 2% to 2.75%, effective September 1, 1993.

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

Motor Vehicle Document Fee Revenue 1980-2005



The average annual rate of growth in revenue was 10.6% between fiscal 1994 and fiscal 2005, due in large part to increases in new car sales and document fees (as described below). The average annual rate of growth in revenue was 5.5% between fiscal 1996 and fiscal 2005, despite no increase in the document fee. Document fee revenue is generated by the number of transactions as well as the cost of the vehicle transferred.

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

Projections of Motor Vehicle Document Fees

Revenue growth is expected to increase at a rate less than historical averages given the reduced levels of pent-up demand for vehicles absorbed by the large increases in car sales during the past four years.

Average annual titling is forecast to remain constant at 2.9% between fiscal 2006 and fiscal 2011. The document fee revenue is expected to increase, with an average growth rate of 2.7% through fiscal year 2011.

Listed below are the DEFAC forecasts of document fee revenue through fiscal 2011 assuming the current document fee rate of 2.75% remains unchanged.

Projected Motor Vehicle Document Fees ⁽¹⁾
 (vehicles in thousands and dollars in millions)

<u>Fiscal Year</u>	<u>Vehicles Titled</u>	<u>Percent Change</u>	<u>Revenue</u>	<u>Percent Change</u>
2006.....	283.6	2.7 ⁽²⁾	\$68.0	3.5 ⁽²⁾
2007.....	291.2	2.7	70.0	2.9
2008.....	299.1	2.7	71.7	2.4
2009.....	307.1	2.7	73.5	2.5
2010.....	315.4	2.7	75.4	2.6
2011.....	324.0	2.7	77.3	2.5

(1) Projections provided by DEFAC from its September 19, 2005 meeting.

(2) Percentage change from actual fiscal 2005 results.

Motor Vehicle Registration Fees

General

Motor vehicle registration fees are paid at the time of application for the registration of a motor vehicle and prior to the issuance of the required registration plates by the Division of Motor Vehicles. The revenue (net of refunds to other states) from this source was \$30.2 million in fiscal 2005 and constituted 10% of the revenue pledged to the Bonds in fiscal 2005.

Since October 1986, new cars can be registered for a three year period and effective September 1990, new or used cars have had the option to renew for a two year period. Commencing in July 2000, any newly-manufactured current model year motor vehicle or trailer with a gross registered weight of 10,000 lbs. or less not previously registered or titled in any state or country may be initially registered by the owner for five years or less. Passenger cars have paid \$20 per year since 1965 while trucks pay according to their weight. On October 1, 1991, the registration fee for commercial vehicles increased from \$2.60 to \$4.00 for each 500 pounds in excess of 5,000 pounds as part of the three year plan to increase fees in this category. On July 1, 1992 this fee was increased to \$6.00 for each such 500 pounds. The third increase to \$8.40 for each such 500 pounds became effective on July 1, 1993.

During January 1995 the Department established the Motor Carrier Service Section to support the trucking industry and entered into a base state agreement under the International Registration Plan (“IRP”) for the collection and distribution of commercial registration fees for vehicles in excess of 26,000 pounds. Under IRP, commercial registration fee revenue is a function of the miles traveled in each state and the registration fee assessed by each state.

Since fiscal 1980, the average annual growth rate of registrations in the State has been 2.6% and the average annual growth rate of revenue from those registrations has been 3.8%, largely due to commercial fee increases enacted in fiscal 1992. Registration fee revenue growth since fiscal 1987 has varied from the growth in the number of vehicles registered. In fiscal 1987 and fiscal 1988, revenue increased faster than vehicles registered, whereas in fiscal 1989 and fiscal 1990 revenue decreased while the number of vehicles registered increased. The variances are primarily due to the option, beginning in fiscal 1987, for new car owners to elect a three year registration period. In fiscal 1991, growth in vehicles registered was flat but revenue increased 14.8% due to the implementation of a two year registration option

for used vehicles. Increases in commercial registration fees were phased in from fiscal 1992 through 1994, contributing to increases in revenue of 7.8%, 4.7% and 11.4%, respectively. The growth in registered vehicles from fiscal 2000 to fiscal 2005 was 17.1%. This motor vehicle growth rate is directly correlated to the population growth rate in Delaware.

Historical Summary of Vehicle Registrations and Revenue

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

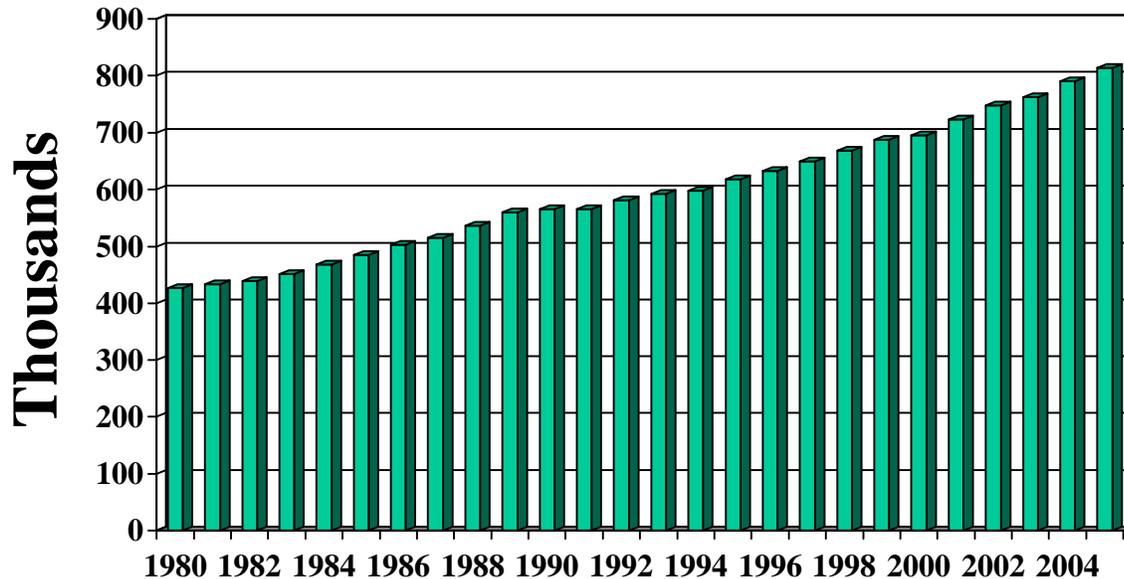
History of Vehicle Registrations and Revenue
(dollars in millions, vehicle registrations in thousands,
percent change calculated from unrounded data)

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

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

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

Motor Vehicle Registrations 1980-2005 (thousands)



Projections of Motor Vehicle Registration Fees

DEFAC has also projected the revenue from motor vehicle registration fees from fiscal 2006 through fiscal 2011. The number of motor vehicle registrations is expected to grow at an annual rate of approximately 3%, which is the historic average growth rate.

Projected Registration Fee Revenue⁽¹⁾ (vehicles in thousands and dollars in millions)

<u>Fiscal Year</u>	<u>Vehicles</u>	<u>Percent Change</u>	<u>Revenue</u>	<u>Percent Change</u>
2006	838.7	3.0 ⁽²⁾	\$30.5	1.0 ⁽²⁾
2007.....	863.9	3.0	31.2	2.3
2008.....	889.8	3.0	31.8	1.9
2009.....	916.5	3.0	32.4	1.9
2010.....	944.0	3.0	33.0	1.9
2011.....	972.3	3.0	33.6	1.8

(1) Projections provided by DEFAC from its September 19, 2005 meeting. All amounts are net of refunds for IRP.
 (2) Percentage change from actual fiscal 2005 results.

Miscellaneous Transportation Revenue

Pledged Miscellaneous Transportation Revenue

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

Motor carrier registration fee revenue is collected with respect to trucks registered in Delaware and totaled \$4.3 million (net of refunds) in fiscal 2005. Motor carrier registration fees are comprised of the motor fuel road use tax, hauling permits, temporary operating permits, and penalty and interest. The road use tax is calculated based upon the miles traveled in Delaware, the average miles per gallon, the actual fuel purchased in Delaware and the rate of the motor fuel tax. To the extent that fuel purchases are less than fuel used, the truckers are taxed at the current motor fuel tax rate for the difference. If fuel purchases in the State exceed the amount of fuel used while traveling roads in Delaware, refunds are made to the motor carrier.

The State charges various fees for obtaining a driver's license. These fees vary from \$12.50 for a five year license to operate a passenger vehicle to \$20.50 for a five year taxi or motor carrier driver's license. The revenue from these fees was \$2.3 million in fiscal 2005, a 5.7% increase from fiscal 2004.

The Division of Motor Vehicles sells driver and vehicle records for \$15 per document and \$20 per certified document. Revenue from these sales was \$7.7 million in fiscal 2005. Motor vehicle titling fees are also charged by the Division of Motor Vehicles. Prior to August 1, 1991, a certificate of title cost \$4. Effective August 1, 1991, titling fees increased from \$4 to \$15. These fees generated \$6.2 million in revenue in fiscal 2005.

State residents may buy “vanity” license plates for their vehicles. Prior to July 1, 1997, the annual cost for a “vanity” license plate was \$40.00 in addition to the \$20.00 annual registration fee. Effective July 1, 1997, the annual cost was decreased to \$30.00 in addition to the \$20.00 annual registration fee. There were 9,899 “vanity tags” sold in fiscal 2005, generating revenue of \$.7 million. In addition to vanity tag revenue, the Department also receives other Division of Motor Vehicle revenue from the issuance of temporary tags and permits, reinstatement fees and nine other miscellaneous categories. Effective August 1, 1991, fees for temporary tags and permits each increased from \$4 to \$10. Revenue from other miscellaneous sources of Pledged Miscellaneous Transportation Revenue aggregated \$4.0 million in fiscal 2005.

Historical Summary of Pledged Miscellaneous Transportation Revenue

The following table outlines the history of revenue from these sources from fiscal 1980 through fiscal 2005.

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

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

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- (1) Motor Fuel Tax increased from 9 to 11 cents on August 1, 1981.
 - (2) Titling Fee increased from \$2 to \$4 effective September 1, 1985.
 - (3) Motor Fuel Tax increased from 11 to 13 cents on October 1, 1986.
 - (4) Motor Fuel Tax increased from 13 to 16 cents on September 1, 1987. Sale of driver and vehicle records increased from \$2 to \$4 per copy effective July 1, 1987.
 - (5) Fee increases for Vanity Tags (\$25 to \$28.75), Temporary Tags (\$2 to \$4), License Reinstatement Fees (\$125 to \$143.75) and Temporary Permits (\$2 to \$2.30) on July 1, 1990.
 - (6) Motor Fuel Tax increased from 16 to 19 cents effective January 1, 1991. Titling fees increased from \$4 to \$15 effective August 1, 1991. Increases in miscellaneous motor vehicle fees (Vanity Tags, Temporary Tags and Temporary Permits) became effective August 1, 1991.
 - (7) Hauling permits transferred from General Fund and rate on special fuels increased 3 cents from \$.19 to \$.22 per gallon effective January 1, 1995.
 - (8) Driving and vehicle records increased from \$4 to \$15 per record and certified documents increased from \$8 to \$20 effective July 1, 2005.

Non-Pledged Miscellaneous Transportation Revenue

During its August 1999 legislative session, the General Assembly dedicated an annual amount of \$10,000,000 from its escheat revenues for transfer to the Transportation Trust Fund on an annual basis. In fiscal 2003, the \$10,000,000 escheat revenue was not transferred to the Transportation Trust Fund. Such escheat revenue was transferred to the Trust Fund in fiscal 2004 and fiscal 2005, and it is expected that it will also be transferred to the Transportation Fund in the fiscal years subsequent to fiscal 2005. During its June 1997 legislative session, the General Assembly approved the transfer of three revenue sources from the General Fund to the Trust Fund effective during fiscal 1998. These revenue sources, which totaled \$2.5 million in fiscal 2005, include: (1) the motor vehicle dealer handling fee assessed at \$2 for every vehicle sold by auto dealers; (2) the annual license fees for all motor vehicle dealers charged at \$100 per year; and (3) the motor vehicle use tax on lessees and lessors based on amount of lease payments. The tax rate for lessees is 1.92% of total amount and the rate for lessors is .288%. Effective January 1, 2006, the tax rate for lessees will be 1.54% of total amount and the rate for lessors will be .23%. In addition to transferring existing revenues to the Trust Fund, the General Assembly also approved the implementation of new fees to be assessed by the Department for the review of development plans. These fees, \$.5 million in fiscal 2005, are included in the projections of “Non-Pledged Miscellaneous Transportation Revenues” below and have not been pledged by the Authority to secure the Bonds.

The Department’s capital program requires the acquisition of real property in advance of actual construction. Once construction is completed, any property acquired for the project, but no longer needed, is sold. As a by-product of this process the Department manages a portfolio of properties awaiting construction or disposal. All such lease revenues are transferred to the Transportation Trust Fund, and in fiscal 2005 amounted to \$.2 million. These revenues are not pledged. The Department has provided preliminary forecasts through fiscal 2011 for this revenue stream which are included in the table below.

The amount of Non-Pledged Miscellaneous Transportation Revenue in 2005 contains approximately \$52.1 million which represents a one-time funding by the General Fund on a pass-through basis of certain programs for the Port of Wilmington, the Green Infrastructure Program and the Glenville Disaster Relief Program. It is not expected that these items will recur in future years. See APPENDIX “A” – Delaware Transportation Authority Transportation Trust Fund General Purpose Financial Statements Years Ended June 30, 2005 and 2004 for a description of these items.

Projections of Miscellaneous Transportation Revenue

Current Dedicated Sources. Projections for “Miscellaneous Transportation Revenue” through fiscal 2011 are shown below. These were approved at the September 19, 2005 meeting of DEFAC.

Projected Miscellaneous Transportation Revenue
(dollars in millions)

<u>Fiscal Year</u>	<u>Pledged Miscellaneous Transportation Revenues⁽¹⁾</u>	<u>Non-Pledged Miscellaneous Transportation Revenues⁽²⁾</u>	<u>Total Miscellaneous Transportation Revenue</u>	<u>Percent Change</u>
2006.....	\$25.9	\$95.1 ⁽³⁾	\$121.0	25.1 ⁽⁴⁾
2007.....	24.2	28.5	52.7	(56.5)
2008.....	24.6	22.5	47.1	(10.7)
2009.....	24.8	22.8	47.6	1.2
2010.....	25.1	22.9	48.0	0.8
2011.....	25.8	23.0	48.8	1.8

- (1) Provided by DEFAC from its September 19, 2005 meeting. Includes IFTA/Motor Carrier Fees, vanity tags, record sales, titles and other motor vehicle related fees, net of IFTA and DMV refunds.
- (2) Not pledged by the Authority to secure the Bonds. Excludes the tolls from Route 1 Toll Road and the DTC farebox. Includes \$10,000,000 in escheat revenue annually, real estate lease and sales proceeds, use tax on motor vehicle leases, motor vehicle handling and license fees, and development plan review fees, and various other transfers to the Trust Fund, a significant amount of which are not expected to recur in fiscal years subsequent to 2005.
- (3) Contains a \$72.9 million appropriation from the General Fund which is not expected to recur in future years.
- (4) Percentage change from actual 2005 results.

Projected Total Revenue Sources

The following table shows in the aggregate for fiscal years 2006 through 2011 the projections of total Pledged Revenue and Non-Pledged Revenue.

Projected Total Revenue Sources⁽¹⁾
(dollars in millions)

<u>Fiscal Year</u>	<u>Pledged Revenue⁽²⁾</u>	<u>Percent Change</u>	<u>Non-Pledged Revenue⁽⁴⁾</u>	<u>Percent Change</u>	<u>Total</u>	<u>Percent Change</u>
2006.....	\$333.9	11.0 ⁽³⁾	\$127.6 ⁽⁵⁾	24.5 ⁽³⁾	\$461.5	14.4 ⁽³⁾
2007.....	349.6	4.7	62.0	(51.4)	411.6	(10.8)
2008.....	353.9	1.2	56.4	(9.0)	410.3	(0.3)
2009.....	359.0	1.4	58.3	3.4	417.3	1.7
2010.....	363.1	1.1	59.4	1.8	422.5	1.2
2011.....	368.6	1.5	60.5	2.0	429.1	1.6

- (1) Delaware Turnpike toll and concession revenue, investment earnings, Route 1 Toll Revenue, motor fuel revenue, motor vehicle document fee revenue, motor vehicle registration fee revenue, Pledged Miscellaneous Transportation Revenue and Non-Pledged Miscellaneous Transportation Revenue projected by DEFAC.
- (2) Includes Delaware Turnpike Revenues, motor fuel tax revenues, motor vehicle document fee revenue, motor vehicle registration fee revenue, Pledged Miscellaneous Transportation Revenue and investment earnings.
- (3) Percentage change from actual 2005 result.
- (4) Route 1 Toll Revenue, \$10,000,000 in escheat revenues annually and other Non-Pledged Miscellaneous Transportation Revenues. Does not include DTC farebox transit revenue.
- (5) Contains a \$72.9 million appropriation from the General Fund which is not expected to recur in future years.

DEBT SERVICE REQUIREMENTS

The following table summarizes debt service requirements for the Authority's outstanding Senior and Junior Bonds, as well as the 2005 Bonds in each fiscal year ending June 30 (assuming July 1 payments are made on the previous June 30).

<u>Fiscal Year</u>	<u>Prior Outstanding Senior Bonds Debt Service</u>	<u>2005 Senior Bonds</u>		<u>Total Senior Bonds Debt Service</u>	<u>Total Junior Bonds Debt Service</u>	<u>Total Debt Service on all Senior and Junior Bonds⁽¹⁾</u>
		<u>Principal</u>	<u>Interest</u>			
2006	86,418,668			86,418,668	13,033,219	
2007	87,045,268			87,045,268	13,034,625	
2008	87,138,743			87,138,743	13,037,000	
2009	81,061,168			81,061,168	13,035,750	
2010	81,061,780			81,061,780		
2011	68,631,068			68,631,068		
2012	68,503,786			68,503,786		
2013	64,104,749			64,104,749		
2014	64,213,499			64,213,499		
2015	59,159,549			59,159,549		
2016	59,474,399			59,474,399		
2017	45,761,274			45,761,274		
2018	39,933,655			39,933,655		
2019	40,089,568			40,089,568		
2020	40,075,074			40,075,074		
2021	33,216,761			33,216,761		
2022	26,402,318			26,402,318		
2023	19,598,845			19,598,845		
2024	7,727,775			7,727,775		
2025						
Total	\$1,059,617,943			\$1,059,617,943	\$52,140,594	

(1) Totals may not add due to rounding.

TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS

Capital Improvements Planning and Budgeting

Every year the Department prepares the Capital Transportation Program for the State's transportation system. The priorities reflected in the Capital Transportation Program are based on a rating formula which considers the following factors, among others, with respect to the State's transportation facilities: safety and condition; social, economic and environmental matters; seasonality of traffic; progress of improvement projects; and the availability of federal and State funds. The estimated cost of each program in the Capital Transportation Program must be approximately equal to the estimated federal and State funds available for transportation purposes during the applicable year. Each project included in the Capital Transportation Program represents a functionally distinct project. For example, if a major multi-year highway construction program is planned, the construction is planned in stages with each stage representing a fully functional portion of the overall project. The Capital Transportation Program is designed in this manner so that State appropriations for a project in one year will be sufficient to complete the project. Larger projects may be divided into two or more smaller projects, each of which can be functionally complete if built alone.

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

Capital Transportation Program

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

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

The Department has combined both requirements and developed a six-year Capital Transportation Program in coordination with the MPOs and Sussex County that expresses the Department's capital improvement plans to be authorized with funds from the Transportation Trust Fund as well as federal funds. The first year of the Capital Transportation Program becomes the Department's annual capital budget request and is authorized by the General Assembly and Governor before a project or program can be

enacted. Once enacted, the first year of the Capital Transportation Program becomes the Department's work program.

In preparing its capital spending plans through fiscal 2012, the Department has formulated its Capital Transportation Program by purpose and function for all modes of transportation. Listed below are the names and descriptions of each category which include transportation investments for all modes:

- Road System:* Improvements to roads, bridges, and adjacent assets;
- Grants and Allocations:* The Municipal Street Aid and Community Transportation Funds;
- Transit System:* Investments in transit services including buses, rail, facilities, and other assets supporting transit users;
- Support System:* All other investments in the transportation network including facilities, equipment, information systems, etc.

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

Capital Transportation Program (Fiscal 2007-Fiscal 2012)

The Capital Transportation Program (Fiscal 2007-2012) anticipates the authorization of \$805.3 million in Trust Fund dollars and \$242.5 million of other funds, including federal funds, for a total of \$1,047.7 million.

The following table reflects the Department's current six-year Capital Transportation Program for the period fiscal 2007 through fiscal 2012.

Capital Transportation Program
(in thousands)

	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Total</u>
Road System.....	\$ 81,307	\$ 72,058	\$ 73,277	\$ 75,458	\$ 75,458	\$ 75,458	\$453,016
Grants and Allocations.....	22,483	23,157	23,872	25,333	25,333	25,333	145,511
Transit System.....	2,106	2,161	2,216	2,334	2,334	2,334	13,485
Support System.....	<u>28,185</u>	<u>30,899</u>	<u>31,634</u>	<u>34,179</u>	<u>34,179</u>	<u>34,179</u>	<u>193,255</u>
State Authorization	134,081	128,275	130,999	137,304	137,304	137,304	805,267
Federal/Other Authorization ...	<u>55,975</u>	<u>40,161</u>	<u>40,559</u>	<u>35,261</u>	<u>35,261</u>	<u>35,261</u>	<u>242,478</u>
Total Capital Authorization	<u>\$190,056</u>	<u>\$168,436</u>	<u>\$171,558</u>	<u>\$172,565</u>	<u>\$172,565</u>	<u>\$172,565</u>	<u>\$1,047,745</u>

The total Capital Transportation Program represents a capital program which is both deliverable by the Department and affordable within the Department's financial management guidelines. The Department also understands the need for a comprehensive long term transportation financing strategy that makes full use of innovative financing opportunities in order to maximize available funds.

The Capital Transportation Program for fiscal 2002 contained a \$27,500,000 loan which the Trust Fund made to the Diamond State Port Corporation (the "Port Corporation") to enable the Port Corporation to prepay or refinance certain obligations which it owed to the City of Wilmington related to the Port Corporation's acquisition of the Port of Wilmington from the City. The Port Corporation was obligated

to repay the loan to the Trust Fund over a 20-year term, which commenced in January, 2003. The Port Corporation has not performed its obligations with respect to the loan.

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

The Department issued its General Obligation Bond Anticipation Note dated May 6, 2005, for \$40 million to PNC Bank (the "BAN") to provide funding for its capital program. The BAN matures on January 2, 2006 and is being funded from the proceeds of the 2005 Bonds.

The Department has begun a study of the feasibility of a material increase in the size of its six-year capital budget so as to add a number of large items to its program. The Department has determined that it will not change its requirement that 50% of its capital budget be funded from non-debt sources and that it will take all action necessary to preserve the current ratings on its Bonds. As a result, the Department will determine what additional sources of funds are available to it to fund the possible increases in its capital budget. One of the additional sources of funds being explored by the Department is the possibility of entering into a long-term lease or concession agreement covering the Delaware Turnpike with a private entity. The study is still ongoing.

Executive Order Number Sixty-Nine

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

To address this concern and to ensure that the Department maintains its current excellent credit rating, on June 1, 2005, Governor Ruth Ann Minner signed into law Executive Order Number Sixty-Nine establishing a Transportation Development and Funding Options Committee (the "Committee") to recommend options for providing additional funding to, and accelerating the construction of, needed improvements overseen by the Department. The Committee consists of fifteen (15) members who are capable of making comprehensive recommendations as to the resource needs of the Department and who can examine, explore and evaluate options to undertake key transportation development initiatives. Additionally, the Committee shall examine proposals for increasing both short- and long-term resources for the Trust Fund for fiscal year 2007 and future years, so as to assure the continued timely planning, development and construction of the critical projects identified in the Department's Capital Transportation Program. The Committee will issue a report of its recommendations to the Governor and the General Assembly no later than November 30, 2005.

Federal Funds

Level of Funding

The State of Delaware has benefited from the authorizations granted under the Transportation Equity Act for the 21st Century (TEA-21) and will continue to do so under the Safe Accountable, Flexible, Efficient, Transportation Equity Act: a Legacy for Users (SAFETEA-LU). The State has and will continue to receive on average approximately \$162 million annually in apportionments

under the legislation. In addition, the State received \$8.4 million in discretionary funds for fiscal 2005 and will receive an additional \$168 million in earmarks over the life of SAFETEA-LU. The State will be applying for additional discretionary federal funds to continue the second and third phases of the I-95 reconstruction, transit facilities and transit vehicle purchases. The total federal funding anticipated under fiscal 2007-2012 plan will be approximately \$1,047.7 million.

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

The Department currently is sanctioned 3% of federal funding yearly due to not passing open container requirements from TEA-21. The funds which the Department does not receive as a result of the sanction are from the National Highway System, Surface Transportation Program, and Interstate Maintenance programs. The approximate sanction for FY 2005 authorization is \$2.7 million. Some of these sanctioned dollars (\$1.8 million in FY 2005) do flow back to the Department from the Office of Public Safety in the form of safety work, such as guardrails, repairs and upgrades, and attenuators.

State Infrastructure Bank

The Department was awarded \$1.2 million during fiscal 1997 to capitalize the Delaware State Infrastructure Bank (“SIB”). These funds will be combined with the Department’s federal apportionment and other State funding of \$4.8 million to provide low interest loans and/or credit enhancements to both the public and private sectors to support transportation projects. The first placement of these funds went to complete a portion of Route 1 Toll Road and will be repaid at a 5.2% interest rate over six years.

Application of Innovative Financing Techniques

As part of its capital programming process, the Department is currently reviewing the timing of federal apportionments to determine the potential expanded use of certain financing techniques available with federal funding. The Department is currently making use of “advanced construction” in the programming of federal funds in an effort to accelerate some projects. Other innovative financing techniques being employed include partial conversion of advanced construction and the tapering of federal funds in the payment of vendors on federal projects, as well as federal grant anticipation financing.

Current Financial Plan

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

The current financial plan assumes that the existing sources of revenues will meet projections without an increase in the rates.

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

The Budget Bill for fiscal 2004 included the transfer of the State's Division of Motor Vehicles, which was a State General Fund agency, to the Department of Transportation. The transfer resulted in the payment of additional expenses of approximately \$15 million per year from the Transportation Trust Fund as well as the receipt of several million dollars of additional revenue each year.

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

Transportation Trust Fund Financing Plan
(in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Beginning Cash	\$66,683	\$73,960	\$50,004	\$50,039	\$50,032	\$50,045	\$50,015
Existing Pledged Revenue							
I-95 Tolls & Concessions	60,000	63,200	63,500	63,700	63,700	63,700	64,974
I-95 Toll Increase	29,000	38,500	39,270	40,055	40,856	41,673	42,506
Motor Fuel Tax Admin.	117,900	118,900	119,900	120,900	121,900	122,900	125,358
DMV Fees	120,500	121,500	124,200	126,800	129,600	132,800	136,120
Interest Income	<u>6,500</u>	<u>7,500</u>	<u>7,000</u>	<u>7,500</u>	<u>7,000</u>	<u>7,500</u>	<u>7,500</u>
Total Pledged Revenue	333,900	349,600	353,870	358,955	363,056	368,573	376,458
Non-Pledged Revenues							
SR-I Tolls	32,500	33,500	34,000	35,500	36,500	37,500	38,438
Continuing General Fund Support	10,000	16,000	10,000	10,000	10,000	10,000	10,000
One Time General Fund Support/Pass-through	72,869	0	0	0	0	0	0
DE Transit (Farebox, FTA & Other)	14,253	14,332	14,705	15,089	15,577	16,086	16,488
Port of Wilmington – Refinancing	0	0	0	0	0	0	0
Other	<u>12,265</u>	<u>12,505</u>	<u>12,451</u>	<u>12,802</u>	<u>12,860</u>	<u>13,023</u>	<u>13,154</u>
Total Non-Pledged Revenue	141,887	76,337	71,155	73,391	74,937	76,609	78,079
Total Revenues (lines 15+24)	\$475,787	\$425,937	\$425,025	\$432,347	\$437,993	\$445,182	\$454,538
Borrowing	150,000	74,000	73,900	63,800	58,500	53,300	38,500
Resources Available (Lines 7+25+26)	<u>\$692,470</u>	<u>\$573,897</u>	<u>\$548,929</u>	<u>\$546,185</u>	<u>\$546,525</u>	<u>\$548,527</u>	<u>\$543,052</u>
LESS:							
Debt Service							
DTA Bonds & Notes	149,107	100,080	100,176	94,097	81,062	68,631	68,504
New Debt Service	5,500	15,029	22,547	29,038	34,990	40,412	44,329
State G.O. Bonds	<u>803</u>	<u>1,002</u>	<u>753</u>	<u>796</u>	<u>742</u>	<u>720</u>	<u>430</u>
Debt Service	155,410	115,110	123,476	123,931	116,794	109,763	113,263
Operations							
Department Operations	136,767	146,341	156,585	167,545	179,274	191,823	205,250
Grants Aid Act – GF Support of DelDOT M&O	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)
Delaware Transit Corp. Operations	<u>74,333</u>	<u>79,537</u>	<u>85,104</u>	<u>91,061</u>	<u>97,436</u>	<u>104,256</u>	<u>111,554</u>
Total Operations	197,100	211,877	227,689	244,607	262,709	282,079	302,804
Total Operations & Debt.	<u>\$352,510</u>	<u>\$327,987</u>	<u>\$351,165</u>	<u>\$368,538</u>	<u>\$379,503</u>	<u>\$391,842</u>	<u>\$416,068</u>
State Cash Flow (lines 28-43)	<u>\$339,960</u>	<u>\$245,909</u>	<u>\$197,765</u>	<u>\$177,648</u>	<u>\$167,022</u>	<u>\$156,685</u>	<u>\$126,985</u>
Total State Capital Spending	266,000	195,905	147,726	127,616	116,977	106,670	76,930
Federal Capital Spending	235,100	140,784	146,217	148,283	153,010	157,888	159,900
Total Capital Spending	\$501,100	\$336,689	\$293,943	\$275,899	\$269,987	\$264,558	\$236,830
Ending Cash	\$73,960	\$50,004	\$50,039	\$50,032	\$50,045	\$50,015	\$50,055
State Pay-Go Revenue (lines 25-43)	123,277	97,949	73,861	63,809	58,490	53,340	38,470
State Spend	266,000	195,905	147,726	127,616	116,977	106,670	76,930
Pay Go Percentage	46.3%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Additional Senior Bonds Test	3.22	3.35	3.16	3.19	3.07	3.31	3.27
Authorized/Unexpended State Capital Authorization	680,227	807,327	745,503	726,052	729,435	749,762	780,396
State Capital Authorization – Bond Bill	393,100	134,081	128,275	130,999	137,304	137,304	137,304
State Capital Spending	(266,000)	(195,905)	(147,726)	(127,616)	(116,977)	(106,670)	(76,930)
Authorized/Unexpended	807,327	745,503	726,052	729,435	749,762	780,396	840,770

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2005 Bonds. The 2005 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the 2005 Bonds in the aggregate principal amount of such maturity and will be deposited with DTC. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 2005 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2005 Bonds except in the event that use of the book-entry system for the 2005 Bonds is discontinued.

To facilitate subsequent transfers, all 2005 Bonds deposited by 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 2005 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2005 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The 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. Redemption notices shall be sent to DTC. If less than all of the 2005

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 the 2005 Bonds of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2005 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2005 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 the 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 securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC shall be the responsibility of the Trustee or the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2005 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, Bond certificates are required to 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, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC; the Authority takes no responsibility for the accuracy thereof.

LITIGATION

Except as hereinafter described, there is no litigation pending or, to the knowledge of the Authority, threatened in any court or administrative body, questioning the enforceability of the Act, the statutes imposing the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees, the Miscellaneous Transportation Revenue or the transfer of that revenue to the Authority, the existence of the Authority, the validity of the 2005 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 2005 Bonds or questioning the power of the Authority to collect, pledge and assign revenue of the Delaware Turnpike, or to pay the 2005 Bonds as provided in the Agreement.

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

INDEPENDENT AUDITORS AND TRANSPORTATION CONSULTANT

The financial statements of the Authority's Transportation Trust Fund for fiscal 2005 and 2004 included as APPENDIX A to this Official Statement have been examined by Santora, Starr and Baffone, independent auditors, whose report thereon appears therein.

The Transportation Consultant's Report included as APPENDIX E to this Official Statement has been prepared by URS Corporation. The Transportation Consultant's Report is based on historical data provided by the Authority and the Department of Public Safety and their own forecasts of population, and certain other factors. This report has been included in this Official Statement in reliance on URS' knowledge and experience in examining and projecting such matters. Unanticipated events and circumstances may occur which would affect the forecasts contained therein. Therefore, the actual results achieved during the forecast period may vary materially from those forecasted.

FINANCIAL ADVISOR

Public Financial Management, Inc. has served as financial advisor to the Authority in connection with the sale of the 2005 Bonds.

TRUSTEE

The Trustee for the holders of the 2005 Bonds, as well as the Authority's outstanding Senior Bonds and Junior Bonds, is Wilmington Trust Company. Wilmington Trust Company, as escrow agent, holds funds for the payment of certain defeased indebtedness of the Authority.

RATINGS

The 2005 Bonds have been given a rating of “___” by Standard & Poor's Corporation and “___” by Moody's Investors Service, Inc. Reference is made to the manuals of each rating agency for a complete description of its rating procedures and other rating categories.

A bond rating is not a recommendation to buy, sell or hold bonds. The rating represents a judgment as to the likelihood of timely payment of the 2005 Bonds according to their terms but does not address the likelihood of redemption or other payments of the 2005 Bonds prior to maturity. There is no assurance that any of the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any of the ratings may have an adverse affect on the market price or marketability of the 2005 Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same.

LEGALITY FOR INVESTMENT

The Act provides that the 2005 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 2005 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 2005 Bonds, unless it has determined that the issuer of such securities and/or other persons deemed to be material “obligated persons” (each, a “MOP”) have committed to provide (i) on an annual basis, certain financial information, including financial information and operating data (“Annual Reports”), to each Nationally Recognized Municipal Securities Information Repository (a “NRMSIR”) and the relevant state information repository (if any) and (ii) notice of various events described in the Rule, if material (“Event Notices”), to each NRMSIR or the MSRB and to any such state information repository.

The Authority will agree with the purchasers of the 2005 Bonds, by executing a supplement to the Continuing Disclosure Agreement executed in connection with the issuance of its 1997 Series Bonds prior to the issuance of the 2005 Bonds, to provide Annual Reports with respect to itself to each NRMSIR and to any Delaware information repository that is formed. The Authority has determined that there currently is no other MOP for purposes of the Rule. The Authority will provide Event Notices to the Municipal Securities Rulemaking Board and to any Delaware information repository. A form of the Continuing Disclosure Agreement appears as Appendix C to this Official Statement.

TAX MATTERS

Tax Exemption-Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the “Code”) contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2005 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2005 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 2005 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 (including accrued original issue discount) on the 2005 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the Authority comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2005 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 2005 Bonds to be so includable in gross income retroactive to the date of issuance of the 2005 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2005 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate

alternative minimum taxes; however, under the Code, to the extent that interest on the 2005 Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the corporate alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the 2005 Bonds or the receipt of interest thereon. See discussion of "Alternative Minimum Tax", "Branch Profits Tax", "S Corporations with Passive Investment Income", "Social Security and Railroad Retirement Benefits", "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations", "Property or Casualty Insurance Company" and "Accounting Treatment of Original Issue Discount and Amortizable Bond Premium" below.

In the opinion of Bond Counsel, under existing law, the 2005 Bonds, the interest on the 2005 Bonds and their transfer shall be exempt from taxation by The State of Delaware and its political subdivisions, except for estate, inheritance or gift taxes imposed by The State of Delaware.

Alternative Minimum Tax

The Code includes, for purposes of the corporate alternative minimum tax, a preference item consisting of, generally, seventy-five percent of the excess of a corporation's "adjusted current earnings" over its "alternative minimum taxable income" (computed without regard to this particular preference item and the alternative tax net operating loss deduction). Thus, to the extent that tax-exempt interest (including interest on the 2005 Bonds) is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to an alternative minimum tax.

Branch Profits Tax

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

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have "passive investment income". For purposes of Section 1375 of the Code, the term "passive investment income" includes interest on the 2005 Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are "passive investment income". Thus, interest on the 2005 Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the "benefits") may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the 2005 Bonds) is included in the calculation of "modified adjusted gross income" in determining whether a portion of the benefits received are to be includable in gross income of individuals.

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

The Code, subject to limited exceptions, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2005 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 2005 Bonds and any other tax-exempt obligations acquired after August 7, 1986.

Property or Casualty Insurance Company

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

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium

The 2005 Bonds maturing on July 1 of the years ____ through ____, inclusive, are herein referred to as the "Discount Bonds." In the opinion of Bond Counsel, the difference between the initial public offering price of the Discount Bonds set forth on the cover page and the stated redemption price at maturity of each such Bond constitutes "original issue discount," all or a portion of which will, on the disposition or payment of such Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a "constant interest method," which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

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

The 2005 Bonds maturing on July 1 of the years ____ through ____, inclusive, and ____, are hereinafter referred to as the "Premium Bonds". An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

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

APPROVAL OF LEGAL PROCEEDINGS

The authorization and issuance of the 2005 Bonds are subject to the issuance of a legal opinion as to validity by Bond Counsel, Saul Ewing LLP, Wilmington, Delaware, whose legal opinion will be available at the time of the delivery of the 2005 Bonds. A Deputy Attorney General of the State will approve certain legal matters for the Authority.

The agreement of the Authority with the holders of the 2005 Bonds is set forth in full in the Agreement, and neither any advertisement of the 2005 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the 2005 Bonds. So far as any statements are made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

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

DELAWARE TRANSPORTATION AUTHORITY

By: Secretary of Department of Transportation

Director of Finance

Transportation Trust Fund Administrator

APPENDIX A

Delaware Transportation Authority
Transportation Trust Fund
General Purpose Financial Statements
Years Ended June 30, 2005
and June 30, 2004

APPENDIX B

Summary of Certain Provisions of the Agreement

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

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

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Qualified Investments” shall mean

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

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

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

(d) Defeased Municipal Obligations,

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

(f) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by S&P or Moody's despite the failure of such obligations to qualify as a Qualified Investment under (e) above,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pledge and Assignment of Revenue

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

Flow of Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional Bonds; Debt Service Reserve Fund

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

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

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

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

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

Investment of Funds

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

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

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

Accounts, Reports and Audits

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

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

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

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

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

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

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

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

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

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

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

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

Insurance

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

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

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

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

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

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

(f) Boiler and machinery coverage; and

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

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

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

Tax Law Compliance; Arbitrage Rebate

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

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

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

Other Covenants

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

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

Covenants as to Tolls. The Authority covenants that it will fix and revise from time to time, and charge and collect charges, fares, fees, rentals and tolls for the use of the Delaware Turnpike. The Authority further covenants that it will not reduce tolls in effect on the Delaware Turnpike after the date of issuance of the 2005 Bonds unless the Authority board files a certificate with the Trustee showing that the Authority would have met the tests described in Section 2.07(b)(i)(A) and (B) (“Additional Bonds Coverage Tests”) of the Agreement with respect to the Outstanding Bonds assuming a reduction in Delaware Turnpike Revenues for the applicable twelve-month period utilized in that Section 2.07(b)(i)(A) and (B) as if the reduction occurred on the first day of that period. The Authority may make any other adjustment or reclassification of toll rates or establish special toll rates for the Delaware Turnpike, provided that such adjustment or reclassification is recommended in writing by the Authority's Traffic Consultants and will not reduce Delaware Turnpike Revenues unless the Authority meets the foregoing test. Notwithstanding the foregoing provision, the tolls in effect on August 1, 1988 shall not be reduced.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) bring suit upon said Bonds; or

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

Note: If the State violates its contractual obligation to impose and collect motor vehicle fuel taxes, motor vehicle document fees, motor vehicle registration fees or the fees and taxes yielding Additional Revenue at the rates in effect on the date of issuance of the 2005 Bonds or requires the use of that revenue for some purpose other than as assigned to secure the Bonds, the State would be subject to a bondholders' suit, and, under Delaware law, probably would not be able to avail itself of the defense of sovereign immunity. Payment of any award against the State obtained by a judgment creditor, however, must be appropriated by the State legislature. In addition the overriding interest of the State in

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

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

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

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

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

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

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

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

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

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

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

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

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

Trustee; Paying Agents

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

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

Responsibility of Fiduciaries

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

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

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

Defeasance

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

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

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

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

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

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

Modification of The Agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX C

Form of Continuing Disclosure Agreement

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

CONTINUING DISCLOSURE AGREEMENT

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

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

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

“Additional Bonds” shall mean any indebtedness of the Authority issued subsequent to the 1997 Bonds which the Authority has declared in writing to be covered by this Disclosure Agreement.

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

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

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

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

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor organization. The current address of the MSRB is:

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

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

BLOOMBERG MUNICIPAL REPOSITORIES

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

THOMSON NRMSIR

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

DISCLOSURE, INC.

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

DONNELLEY FINANCIAL

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

KENNY INFORMATION SYSTEMS, INC.

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

MOODY'S NRMSIR

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

DPC DATA INC.

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

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the first day of the eighth calendar month immediately following the end of the Authority's fiscal year, provide to the State and each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent, if any. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that audited financial statements of the Authority may be submitted separately from the balance of the Annual Report.

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

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

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

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

SECTION 4. Content of Annual Reports

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

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

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

SECTION 5. Reporting of Significant Events.

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

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

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

SECTION 6. Accounting Standards. The financial statements described in Section 4(a)(i) above shall be audited by either a certified public accountant or an independent public accountant and shall be prepared in accordance with both (a) generally accepted accounting principles applicable in the preparation of financial statements of municipalities and other public entities as such principles are from time to time promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body (“GAAP”), and (b) applicable federal and state auditing statutes, regulations, standards and/or guidelines; provided however, that the Authority may from time to time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal or state statutes, regulations, standards and/or guidelines. Any such modification of accounting standards to conform to changes in either GAAP or applicable federal or state auditing statutes, regulations, standards or guidelines shall not constitute an amendment to this Disclosure Agreement within the meaning of Section 9 hereof; however, such modifications shall be disclosed in the first Annual Report to be provided subsequent to such modifications.

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

prior Obligated Person both hereunder and under the Bonds. The prior Obligated Person shall provide timely written notice to each Depository of any termination of its obligations hereunder.

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

SECTION 9. Amendments.

(a) Notwithstanding any other provision of this Disclosure Agreement, the Authority may modify or amend this Disclosure Agreement upon receipt of a written opinion of nationally recognized bond counsel to the effect that the then-current requirements of the Rule have been satisfied. The Authority acknowledges and agrees that the current SEC interpretation of the Rule requires satisfaction of the following preconditions:

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

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

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

Compliance with the provisions of this Section 9(a) shall be conclusively evidenced by a written opinion of nationally recognized bond counsel to the effect that the modification or amendment satisfies the requirements of this Section 9(a) and the then-current requirements of the Rule.

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

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including

disclaimers or any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

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

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

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

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

DELAWARE TRANSPORTATION AUTHORITY

(SEAL)

By: _____
Transportation Trust Fund Administrator

EXHIBIT A

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

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

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

Date: _____, _____

DELAWARE TRANSPORTATION AUTHORITY

By: _____

EXHIBIT B

CONTENTS OF ANNUAL REPORT

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

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

APPENDIX D

Proposed Form of Opinion of Bond Counsel

December __, 2005

DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION SYSTEM SENIOR REVENUE BONDS, 2005 SERIES

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as bond counsel in connection with the issuance on the date hereof of Delaware Transportation Authority Transportation System Senior Revenue Bonds, 2005 Series, dated December 1, 2005, in the principal amount of \$150,000,000 (the "Bonds"), by the Delaware Transportation Authority, a body politic and corporate constituting a public instrumentality (the "Authority") of The State of Delaware (the "State"). The Bonds are subject to redemption, in whole or in part, at the times, in the manner and upon the terms set forth in the Bonds.

The Bonds are issued pursuant to Chapter 13, Title 2, Delaware Code, as amended, and Chapter 14, Title 2, Delaware Code, as amended (collectively, the "Act"), a Trust Agreement dated as of August 1, 1988, by and between the Authority and Wilmington Trust Company, a State banking corporation ("WTC") (WTC, not in its individual capacity but solely as trustee, the "Trustee"), as amended and supplemented, including by Supplemental Agreement No. 18, dated as of December 1, 2005 (the "Trust Agreement"), and a resolution of the Authority dated November __, 2005 (the "Resolution"), and other laws of the State, for the purposes of financing a portion of the Delaware Department of Transportation's capital program, financing a deposit to the Senior Bonds Debt Service Reserve Account, refunding a general obligation bond anticipation note of the Authority and paying costs of issuing the Bonds.

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

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

- (1) The Authority is a body politic and corporate constituting a public instrumentality of the State duly created and validly existing under and by virtue of the Act.
- (2) The Resolution has been duly adopted by the Authority, is in full force and effect and is a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms.

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

(4) The Bonds constitute legal and valid limited obligations of the Authority enforceable against the Authority in accordance with their terms. The Bonds are entitled to the benefits and the security, and are subject only to the terms and conditions, set forth in the Resolution and the Trust Agreement.

(5) Interest (including accrued original issue discount) on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The Authority has covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes; however, we call to your attention that under the Code, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the corporate alternative minimum tax. We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

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

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

APPENDIX E

Traffic and Earnings Report for the Delaware Turnpike and
Route 1 Toll Road, dated October 28, 2005, prepared by URS Corporation