

**EXISTING ISSUE
REOFFERING – BOOK-ENTRY ONLY**

RATINGS: See “RATINGS” herein.

On the date of issuance of the 2008 Series A Bonds (as defined herein), Perkins Coie LLP and Burke Burns & Pinelli, Ltd., Initial Co-Bond Counsel (“Initial Co-Bond Counsel”) delivered their opinions with respect to the Reoffered Bonds to the effect that (i) subject to compliance with certain covenants made by the Authority to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended, under then-existing law, interest on the 2008 Series A Bonds was excludable from gross income of the owners thereof for federal income tax purposes, (ii) interest on the 2008 Series A Bonds would not be included as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the 2008 Series A Bonds would be taken into account in computing the corporate alternative minimum tax for certain corporations and (iv) interest on the 2008 Series A Bonds was not exempt from income taxes imposed by the State of Illinois. Initial Co-Bond Counsel have not been engaged to (i) advise and have not advised on the correctness of such opinions as of any date other than the date thereof; (ii) revise or supplement such opinions to reflect any facts or circumstances that may have come to their attention since the date thereof or any change in law that may have occurred since the date thereof; or (iii) render and do not render any opinion on the current tax status of the 2008 Series A Bonds. See APPENDIX E-2 – “OPINIONS OF INITIAL CO-BOND COUNSEL” and the subcaption “TAX MATTERS” herein regarding a description of the opinions of Initial Co-Bond Counsel.

In connection with the substitution of liquidity facilities and remarketing of the Reoffered Bonds (as defined herein), Pugh, Jones, Johnson & Quandt, P.C. and Burke Burns & Pinelli, Ltd., Co-Bond Counsel will deliver their opinion that such substitution and remarketing will not, in and of itself, adversely affect the tax-exempt status of the Reoffered Bonds. Co-Bond Counsel is not rendering any opinion on the current tax status of the Reoffered Bonds. See the caption “TAX MATTERS” herein for additional information.

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A
consisting of



\$191,500,000
2008 Series A-1a
CUSIP No. 452252 GF0

\$191,600,000
2008 Series A-1b
CUSIP No. 452252 GG8

\$95,800,000
2008 Series A-2
CUSIP No. 452252 GD5

Date of Original Issue: February 7, 2008

Date of Reoffering: February 7, 2011

Due: January 1, 2031

This Reoffering Circular contains information relating to The Illinois State Toll Highway Authority (the “Authority”) and the Authority’s Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A (the “2008 Series A Bonds”), which were initially issued by the Authority on February 7, 2008 in two Series: \$383,100,000 Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1 and \$383,100,000 Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2 under a Trust Indenture dated as of December 1, 1985 (as amended, restated and supplemented, the “Indenture”) from the Authority to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”) and which the Authority is dividing into three Sub-series: 2008 Series A-1a (the “2008A-1a Bonds”), 2008 Series A-1b (the “2008A-1b Bonds”) and 2008 Series A-2 (the “2008A-2 Bonds” and, together with the 2008A-1a Bonds and the 2008A-1b Bonds each in the principal amounts shown above, the “Reoffered Bonds”). The Authority is replacing the original liquidity facility for the 2008 Series A Bonds provided by Dexia Credit Local, acting through its New York Branch, with two separate liquidity facilities for the 2008A-1a Bonds and the 2008A-2 Bonds, both from JPMorgan Chase Bank, National Association (“JPMorgan Chase Bank”) and a liquidity facility for the 2008A-1b Bonds from PNC Bank, National Association (“PNC Bank” and, together with JPMorgan Chase Bank, the “Banks”).

The Reoffered Bonds were issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will continue to act as securities depository for the Reoffered Bonds. Purchasers of the Reoffered Bonds do not receive certificates representing their interests in the Reoffered Bonds purchased. Principal of and interest on the Reoffered Bonds will continue to be paid by the Trustee to DTC, which in turn will continue to remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Reoffered Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Reoffered Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See “**BOOK-ENTRY SYSTEM**” herein. During any Weekly Mode or Flexible Mode, the Reoffered Bonds will continue to be issuable in denominations of \$100,000 and any multiple of \$5,000 in excess thereof.

Each Sub-series of the Reoffered Bonds will continue to bear interest at a Weekly Rate determined by the Remarketing Agents in the Weekly Mode until and unless converted to a different Interest Mode as described herein. Each Series (or Sub-series) of the Reoffered Bonds may bear interest from time to time at a Weekly Rate, a Flexible Rate, a Term Rate or a Fixed Rate as determined from time to time by the applicable Remarketing Agent in consultation with the Authority, as described in this Reoffering Circular. Citigroup Global Markets Inc. will continue to serve as Remarketing Agent for the 2008A-1a Bonds and 2008A-1b Bonds and Barclays Capital Markets Inc. will continue to serve as Remarketing Agent for the 2008A-2 Bonds. *Purchasers of the Reoffered Bonds should not rely on this Reoffering Circular for information relating to any Reoffered Bonds bearing interest in any Mode other than the Weekly Mode or Flexible Mode.*

While in the Weekly Mode, the Reoffered Bonds will continue to be purchased upon the demand of the owner thereof at 100 percent of the principal amount plus accrued interest, if any, to the date of purchase, after the giving of notice as described in this Reoffering Circular. The Reoffered Bonds will also continue to be subject to optional and sinking fund redemption and mandatory tender for purchase prior to maturity as described in this Reoffering Circular.

Purchases of tendered Reoffered Bonds consisting of 2008A-1a Bonds and 2008A-2 Bonds only that are in the Weekly Mode and are not remarketed will be funded, subject to certain conditions described herein, initially under separate Standby Bond Purchase Agreements (the “JPMorgan Chase Liquidity Agreements”) among the Authority, the Trustee and JPMorgan Chase Bank. Both JPMorgan Chase Liquidity Agreements expire on February 7, 2013, subject to renewal or extension, unless terminated sooner in accordance with the terms thereof. Purchases of tendered Reoffered Bonds consisting of 2008A-1b Bonds only that are in the Weekly Mode and are not remarketed will be funded, subject to certain conditions described herein, initially under that certain Standby Bond Purchase Agreement (the “PNC Liquidity Agreement”) and, together with the JPMorgan Chase Liquidity Agreements, the “Liquidity Agreements”) among the Authority, the Trustee and PNC Bank. The PNC Liquidity Agreement expires on February 7, 2014, subject to renewal or extension, unless terminated sooner in accordance with the terms thereof. The Liquidity Agreements do not cover purchases of Reoffered Bonds bearing interest in any Interest Mode other than the Weekly Mode. See “**LIQUIDITY FACILITIES**” herein.

All Bonds issued under the Indenture including the Reoffered Bonds, are payable solely from and secured solely by a pledge of and lien on the Net Revenues and certain other funds as provided in the Indenture. See “**SECURITY AND SOURCES OF PAYMENT FOR THE REOFFERED BONDS**” herein.

The scheduled payment of principal of and interest on the Reoffered Bonds when due will continue to be guaranteed under an insurance policy issued concurrently with the original delivery of the 2008 Series A Bonds by ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.). The insurance policy only insures payment of the principal of the Reoffered Bonds on the maturity date thereof and does not insure the payment of the Reoffered Bonds upon any redemption (including any redemption by Sinking Fund Installments as described herein) or purchase thereof.



THE REOFFERED BONDS AND ANY OTHER BONDS ISSUED UNDER THE INDENTURE DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY OR OF THE STATE OF ILLINOIS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY OR OF THE STATE OF ILLINOIS, OR GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY OR THE ILLINOIS GENERAL ASSEMBLY LEVY ANY TAXES OR APPROPRIATE ANY FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR THE INTEREST THEREON, OTHER THAN AS MAY BE AUTHORIZED UNDER THE TOLL HIGHWAY ACT OF THE STATE OF ILLINOIS.

Certain legal matters will be passed upon for the Authority by Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois and Burke Burns & Pinelli, Ltd., Chicago, Illinois, Co-Bond Counsel, by Thomas Bamonte, Esq., Assistant Attorney General and the Authority’s General Counsel, and by Perkins Coie LLP, special counsel to the Authority. Certain legal matters will be passed upon for the Remarketing Agents by their counsel, Ice Miller LLP, Chicago, Illinois. Certain documents to which the Authority is a party will be approved as to form and constitutionality by the Attorney General of Illinois. The Authority expects that the Reoffered Bonds will be available for delivery on or about February 7, 2011.

Citi

(As Remarketing Agent for 2008A-1a Bonds and 2008A-1b Bonds)

Dated: February 2, 2011

Barclays Capital

(As Remarketing Agent for 2008 A-2 Bonds)

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
2700 OGDEN AVENUE
DOWNERS GROVE, ILLINOIS 60515-1703
(630) 241-6800

DIRECTORS

Patrick J. Quinn
Governor of Illinois, *ex officio* director

Gary Hannig
Secretary of the Illinois Department of Transportation, *ex officio* director

Paula Wolff
Chair

James J. Banks
Thomas Canham
William Morris
Arthur George Pradel

James M. Roolf
Maria Saldaña
Carl O. Towns
Thomas Weisner

Lisa Madigan
Attorney General of Illinois and
ex officio Attorney for the Authority

Dan Rutherford
Treasurer of the State of Illinois and
ex officio Custodian of the Illinois State Toll Highway Authority Fund

EXECUTIVE STAFF

Kristi Lafleur
Executive Director

Doug Kucia
Chief of Staff

Michael J. Colsch
Chief of Finance

Paul Kovacs
Chief Engineer

Thomas Bamonte
Assistant Attorney
General
and General Counsel

FINANCIAL ADVISOR

Public Financial Management, Inc.

CONSULTING AND TRAFFIC ENGINEERS

AECOM USA, Inc.
Consulting Engineer

Wilbur Smith Associates, Inc.
Traffic Engineer

This Reoffering Circular, which includes the cover page and inside front cover page and appendices, is being used in connection with the remarketing of the Reoffered Bonds and may not be reproduced or be used, in whole or in part, for any other purpose. The information set forth herein is believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Remarketing Agents or the Financial Advisor. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Reoffering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information herein pertaining to the Authority and the Tollway System as of any time subsequent to the date of such information. No dealer, sales representative or any other person has been authorized by the Authority or the Remarketing Agents to give any information or to make any representation other than as contained in this Reoffering Circular in connection with the offering it describes and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Remarketing Agents. This Reoffering Circular does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

This Reoffering Circular should be considered in its entirety. No information or portion of information in this Reoffering Circular should be considered less important than any other by reason of its position in this Reoffering Circular. Where statutes, ordinances, reports or other documents are referred to herein, reference should be made to such statutes, ordinances, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matters thereof.

This Reoffering Circular describes only the terms and provisions applicable to Reoffered Bonds while in the Weekly Mode or Flexible Mode. If the Interest Mode applicable to any Reoffered Bonds is changed to the Term Rate Mode or Fixed Mode, it is expected that the Authority will supplement this Reoffering Circular or deliver a new Reoffering Circular or other disclosure document describing the provisions of such Reoffered Bonds in the applicable Interest Mode after the conversion date. Purchasers of the Bonds should not rely on this Reoffering Circular for information relating to Reoffered Bonds bearing interest in the Term Rate Mode or Fixed Mode.

Neither this Reoffering Circular nor any statement that may be made orally or in writing in connection therewith is to be construed as a contract with the registered or beneficial owners of the Reoffered Bonds.

If and when included in this Reoffering Circular, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of revenues received include, among others, changes in political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, seismic events, and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements include, but are not limited to, certain statements contained in

the information contained under the caption "**THE TOLLWAY SYSTEM**" and such statements speak only as of the date of this Reoffering Circular. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") makes no representation regarding the Reoffered Bonds or the advisability of investing in the Reoffered Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Reoffering Circular or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "2008 Bond Insurance" and "Exhibit D – Form of Bond Insurance Policy".

IN CONNECTION WITH THE OFFERING OF THE REOFFERED BONDS, THE REMARKETING AGENTS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE REOFFERED BONDS AT LEVELS ABOVE THE LEVELS THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS REOFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT	1
DESCRIPTION OF THE REOFFERED BONDS	4
General	4
Rights of the Bond Insurer and the Banks	5
Summary of Certain Interest Modes	5
Interest	6
Interest Rate	7
Rate Periods and Interest Modes	8
Failure to Determine Interest Rate	11
Tenders	11
Remarketing of Bank Bonds	16
Immediate Notice of a Special Liquidity Default under the Liquidity Facilities	16
Redemption	16
Bond Registration and Transfers	19
Mutilated, Lost, Stolen or Destroyed Reoffered Bonds	19
SECURITY AND SOURCES OF PAYMENT FOR THE REOFFERED BONDS	19
Pledge of Revenues and Funds	20
2008 Bond Insurance	20
Toll Covenant	20
Certain Amendments to the Indenture	21
Flow of Funds	22
Debt Reserve Account	23
Additional Indebtedness	24
Other Covenants	24
The Trustee	24
2008 BOND INSURANCE	25
Bond Insurance Policy	25
Bond Insurer	25
LIQUIDITY FACILITIES	27
General	27
JPMorgan Chase Liquidity Agreements	28
Purchase of Tendered Bonds by JPMorgan Chase Bank	28
Events of Default under the JPMorgan Chase Liquidity Agreement	29
Remedies under the JPMorgan Chase Liquidity Agreements	33
JPMorgan Chase Bank as a Liquidity Facility Provider	34
PNC Liquidity Agreement	35
Purchase of Tendered Bonds by PNC Bank	35
Events of Default under the PNC Liquidity Agreement	36
Remedies under the PNC Liquidity Agreement	40
PNC Bank as a Liquidity Facility Provider	42
Supervision and Regulation	43
Incorporation of Certain Documents by Reference	44
SUBSTITUTE LIQUIDITY FACILITY	46
General	46
Substitute Liquidity Facility	47

Liquidity Facility Not Required in Certain Circumstances	48
Substitute Liquidity Facilities for 2007 Series A Bonds	48
REMARKETING AGREEMENTS.....	49
Remarketing Agents.....	49
Remarketing Agreements.....	49
DISCLOSURE CONCERNING SALES OF REOFFERED BONDS BY	
REMARKETING AGENTS.....	50
Appointment of Remarketing Agents	50
Purchases by Remarketing Agents for their own Accounts.....	50
Effect of Purchases by Remarketing Agents	50
The Ability to Sell the Reoffered Bonds other than through Tender Process May	
Be Limited	51
Resignation or Removal of Remarketing Agents	51
SWAP AGREEMENTS.....	51
General.....	51
Swap Agreements for the 2008A Bonds.....	52
Swap Agreements for Other Existing Bonds.....	53
ANNUAL DEBT SERVICE REQUIREMENTS.....	55
THE AUTHORITY	56
Board of Directors.....	56
Principal Administrative Personnel	57
Organizational Structure	58
Labor Relations and Employee Benefits.....	59
Outstanding Indebtedness	61
THE TOLLWAY SYSTEM	62
Routes	62
Congestion-Relief Plan	63
Congestion-Relief Program Progress.....	65
Potential Additional Capital Projects.....	67
Other Limited Access Highways	70
Patron Service Areas.....	70
Condition and Maintenance	71
Renewal and Replacement Program and Improvement Program	72
Toll Collection and Internal Control Procedures	74
Toll Rates.....	76
Historical Trends in Toll Transactions and Toll Revenues	78
Historical Trends in Net Operating Revenues	80
Financial Information Discussion	82
Pro Forma Debt Service Coverage	86
LITIGATION.....	90
APPROVAL OF LEGAL PROCEEDINGS.....	90
REMARKETING	90
FINANCIAL ADVISOR	91
TRAFFIC AND CONSULTING ENGINEERS.....	91
FINANCIAL STATEMENTS.....	92
ACCOUNTING AND INVESTMENT PRACTICES	92

RATINGS	92
TAX MATTERS.....	93
Opinions of Initial Co-Bond Counsel	93
General.....	94
SECONDARY MARKET DISCLOSURE.....	94
LEGALITY FOR INVESTMENT	95
MISCELLANEOUS	95
AUTHORIZATION.....	95
 APPENDIX A – Financial Statements	 A-1
APPENDIX B – Summary of Certain Provisions of the Indenture	B-1
APPENDIX C – Book-Entry System	C-1
APPENDIX D – Form of Bond Insurance Policy	D-1
APPENDIX E-1 – Form of Opinion of Co-Bond Counsel.....	E-1
APPENDIX E-2 – Opinions of Initial Co-Bond Counsel.....	E-2
APPENDIX F – Consulting Engineer's Report	F-1
APPENDIX G – Traffic Engineer's Report	G-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

REOFFERING CIRCULAR

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A

consisting of

\$191,500,000
2008 Series A-1a

\$191,600,000
2008 Series A-1b

\$95,800,000
2008 Series A-2

INTRODUCTORY STATEMENT

This Reoffering Circular sets forth certain information concerning the remarketing by The Illinois State Toll Highway Authority (the "Authority") of \$478,900,000 aggregate principal amount of the Authority's Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A (the "Reoffered Bonds"). The Reoffered Bonds are being divided by the Authority into three Sub-series in order to identify each Sub-series with a particular Liquidity Facility pursuant to a resolution adopted by the Authority on November 18, 2010. The division of the Reoffered Bonds into three Sub-series will be effective on February 7, 2011 (the "Date of Reoffering"). The principal amount of each Sub-series is as follows:

\$191,500,000 2008 Series A-1a Bonds (the "2008A-1a Bonds"),
\$191,600,000 2008 Series A-1b Bonds (the "2008A-1b Bonds"), and
\$95,800,000 2008 Series A-2 Bonds (the "2008A-2 Bonds").

The Reoffered Bonds were issued pursuant to the Toll Highway Act, 605 ILCS 10/1 *et seq.*, as amended (the "Act"), creating the Authority, a resolution adopted by the Authority on May 31, 2007 and amended on December 20, 2007, and an Amended and Restated Trust Indenture effective as of March 31, 1999 amending and restating a Trust Indenture dated as of December 1, 1985 (the "Trust Indenture"), from the Authority to The Bank of New York Mellon Trust Company, N.A., as successor to J.P. Morgan Trust Company, N.A., and its predecessors, as Trustee (the "Trustee"), as previously supplemented and amended by the First through Fourteenth Supplemental Indentures and the 1996 Amendatory Supplemental Indenture dated as of September 1, 1996 (the "Amendatory Supplemental Indenture"), and the Amended and Restated Tenth Supplemental Indenture dated as of February 1, 2011 (the "Amended and Restated Tenth Supplemental Indenture") supplementing, amending and restating the Tenth Supplemental Indenture. The Trust Indenture, as supplemented and amended from time to time, including by the First through Fourteenth Supplemental Indentures and the Amended and Restated Tenth Supplemental Indenture, and, upon its effectiveness as described in this Reoffering Circular, the Amendatory Supplemental Indenture, is referred to herein as the "Indenture." As to amendments in the Amendatory Supplemental Indenture that are not yet effective, see **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures."** Purchasers of the Reoffered Bonds are deemed to have consented to certain additional amendments to the Indenture set forth in the Amended and Restated Tenth Supplemental Indenture. See **"SECURITY AND SOURCES OF PAYMENT FOR THE REOFFERED BONDS – Certain Amendments to the Indenture"** and

APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenants – *Sale, Lease or Encumbrance of Property.*" Certain capitalized terms used in this Reoffering Circular, unless otherwise defined herein, have the meanings set forth in **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions."**

The Reoffered Bonds were issued under the Indenture on February 7, 2008 in two Series: \$383,100,000 Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1 and \$383,100,000 Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2 (collectively, the "2008 Series A Bonds"). The Reoffered Bonds were issued to provide funds that have been used and will be used, together with other available funds to refund \$208,340,000 aggregate principal amount of the Authority's Toll Highway Senior Priority Revenue Bonds, 2006 Series A-1, as described below (the "Refunded 2006A-1 Bonds") and all \$500,000,000 aggregate principal of the Authority's outstanding Toll Highway Senior Priority Revenue Bonds, 2006 Series A-2 (the "Refunded 2006 A-2 Bonds" and together with the Refunded 2006A-1 Bonds, the "Refunded Bonds").

<u>Refunded 2006A-1 Bonds</u>		<u>Refunded 2006A-2 Bonds</u>	
<u>Due</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>
2025	\$108,340,000	2027	\$120,000,000
2026	100,000,000	2028	80,000,000
		2029	90,000,000
		2030	100,000,000
		2031	110,000,000

To provide for the advance refunding of the Refunded Bonds, a portion of the proceeds of the Reoffered Bonds, together with (i) certain funds held for the payment of the Refunded Bonds in the Debt Service Account established under the Indenture (the "Debt Service Funds") and (ii) certain funds on deposit in the Debt Reserve Account established under the Indenture (the "Debt Reserve Funds") in excess of the Debt Reserve Requirement as calculated giving effect to the issuance of the Reoffered Bonds and the refunding of the Refunded Bonds, were used to purchase direct obligations of the United States of America (the "United States Government Securities"), the principal of which, together with interest to be earned thereon and any initial cash balances, is sufficient to pay (i) the interest on the Refunded Bonds when due and (ii) the redemption price of the Refunded Bonds on July 1, 2016. The United States Government Securities will continue to be held by the Trustee in an escrow account established for the Refunded Bonds. The redemption price and interest on the Refunded Bonds have been and will continue to be payable from such escrow account and neither the maturing principal of the United States Government Securities purchased to refund the Refunded Bonds nor the interest earned thereon will serve as security for or be available for the payment of the principal of or interest on the Reoffered Bonds.

The Reoffered Bonds will continue to be secured on a parity with other Senior Bonds of the Authority. The Authority's outstanding Senior Bonds, in the aggregate principal amount of \$4,016,765,000, consist of the Reoffered Bonds, together with the following: (a) \$51,870,000 aggregate principal amount Toll Highway Priority Revenue Bonds, 1992 Series A (the "1992A

Bonds"), (b) \$191,935,000 aggregate principal amount Toll Highway Priority Refunding Revenue Bonds, 1998 Series A (the "1998A Bonds"), (c) \$123,100,000 aggregate principal amount Toll Highway Refunding Revenue Bonds, 1998 Series B (the "1998B Bonds"), (d) \$770,000,000 aggregate principal amount Toll Highway Senior Priority Revenue Bonds, 2005 Series A (the "2005 Bonds"), (e) \$291,660,000 aggregate principal amount Toll Highway Senior Priority Revenue Bonds, 2006 Series A-1 (the "2006 Bonds"), (f) \$350,000,000 aggregate principal amount Toll Highway Variable Rate Senior Priority Revenue Bonds, 2007 Series A-1 and \$350,000,000 aggregate principal amount Toll Highway Variable Rate Senior Priority Revenue Bonds, 2007 Series A-2 (collectively, the "2007 Bonds"), (g) \$350,000,000 aggregate principal amount Toll Highway Senior Priority Revenue Bonds, 2008 Series B (the "2008B Bonds"), (h) \$500,000,000 Toll Highway Senior Priority Revenue Bonds, Taxable 2009 Series A (Build America Bonds – Direct Payment) (the "2009A Bonds"), (i) \$280,000,000 Toll Highway Senior Priority Revenue Bonds, Taxable 2009 Series B (Build America Bonds – Direct Payment) (the "2009B Bonds"), and (j) \$279,300,000 Toll Highway Senior Refunding Revenue Bonds, 2010 Series A-1 (the "2010A-1 Bonds").

Scheduled payment of the principal of and interest on the Reoffered Bonds when due will continue to be guaranteed to the extent described under **"2008 BOND INSURANCE"** herein by a municipal bond insurance policy (the "Policy" or "Insurance Policy") issued originally with the delivery of the Reoffered Bonds by Financial Security Assurance Inc. (currently known as Assured Guaranty Municipal Corp.) (the "Bond Insurer"). A specimen form of the Policy appears as **APPENDIX D** to this Reoffering Circular. For a description of the general security and sources of payment for the Reoffered Bonds, see **"SECURITY AND SOURCES OF PAYMENT FOR THE REOFFERED BONDS."** The Policy only insures payment of the principal of the Reoffered Bonds on the maturity date thereof and does not insure the payment of the Reoffered Bonds upon any redemption (including any redemption by Sinking Fund Installments) or purchase thereof.

The Reoffered Bonds of a Sub-series may be tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof in accordance with the terms of the Indenture. On the Date of Reoffering, the Authority will have two separate liquidity facilities (the "JPMorgan Chase Liquidity Agreements") for the 2008A-1a Bonds and the 2008A-2 Bonds, both from JPMorgan Chase Bank, National Association ("JPMorgan Chase Bank"), and a liquidity facility (the "PNC Liquidity Agreement" and, together with the JPMorgan Chase Liquidity Agreements, the "Liquidity Agreements") for the 2008A-1b Bonds from PNC Bank, National Association ("PNC Bank" and, together with JPMorgan Chase Bank, the "Banks") in order to provide funds for the purchase of Reoffered Bonds of a Sub-series that are tendered or deemed tendered and are not remarketed by the applicable Remarketing Agent. The two JPMorgan Chase Liquidity Agreements operate independently of one another. The terms and conditions relating to each Series or Sub-series of Reoffered Bonds and the rights and remedies of the respective Banks are not identical among the Liquidity Agreements. The Liquidity Agreements do not cover purchases of Reoffered Bonds bearing interest in any Interest Mode other than the Weekly Mode.

The Liquidity Agreements are replacing an existing liquidity agreement from Dexia Credit Local, acting through its New York Branch (the "2008 Dexia Liquidity Agreement"). In connection with the replacement of the 2008 Dexia Liquidity Agreement, the Authority has

directed a mandatory tender of the 2008 Series A Bonds for purchase on the Date of Reoffering at a price of 100 percent of the principal amount thereof, plus accrued and unpaid interest thereon to but not including the Date of Reoffering, without premium, pursuant to the Tenth Supplemental Indenture.

All references herein to laws, agreements and documents are qualified in their entirety by reference to such laws, agreements and documents, and all references herein to the Reoffered Bonds and the Indenture are further qualified in their entirety by reference to the complete terms thereof and the information with respect thereto in the Indenture.

DESCRIPTION OF THE REOFFERED BONDS

General

The Reoffered Bonds will bear interest from the Interest Payment Date immediately preceding the Date of Reoffering and mature on January 1, 2031. Upon remarketing, until changed as described under the subcaption "**– Rate Periods and Interest Modes,**" the Reoffered Bonds will continue in a Weekly Mode and will continue to bear interest at the applicable Weekly Rate. The interest rate for each Sub-series of the Reoffered Bonds will be set by the applicable Remarketing Agent. The initial Rate Period for the Reoffered Bonds will end on the next occurring Rate Determination Date following the Date of Reoffering.

Thereafter, the Reoffered Bonds of each Sub-series may be converted to a Flexible Mode, a Term Rate Mode or a Fixed Mode. The Weekly Mode and Flexible Mode (collectively, the "Short Mode") are described below. If any Reoffered Bonds are converted to a Term Rate Mode or a Fixed Mode, it is expected that the Authority will supplement this Reoffering Circular or deliver a new Reoffering Circular or other disclosure document describing the new Interest Mode. For a description of the Term Rate Mode or the Fixed Mode, see the Amended and Restated Tenth Supplemental Indenture.

The Reoffered Bonds are fully registered bonds and are issuable in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof (each an "Authorized Denomination").

The Reoffered Bonds initially are registered through a book-entry only system operated by The Depository Trust Company, New York, New York ("DTC"). Details of payments of the Reoffered Bonds when in the book-entry form and the book-entry system are described in **APPENDIX C – "BOOK-ENTRY SYSTEM."** Except as described below, beneficial owners of the Bonds will not receive or have the right to receive physical delivery of the Reoffered Bonds, and will not be or be considered to be the Owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC "Participant" (as defined in **APPENDIX C**), the Participant who will act on behalf of such beneficial owner to receive notices and payments of principal and purchase price of, premium, if any, and interest on the Reoffered Bonds, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a Participant, such beneficial owner's Participant, to evidence its beneficial ownership of the Reoffered Bonds. So long as DTC or its nominee is the Registered Owner of the Reoffered Bonds, references herein to Bondholders or Owners of such

Reoffered Bonds mean DTC or its nominee and do not mean the beneficial owners of such Bonds.

Rights of the Bond Insurer and the Banks

The Amended and Restated Tenth Supplemental Indenture grants the Bond Insurer and each of the Banks certain approval, consent and waiver rights with respect to certain actions that the Authority is authorized to take under the Amended and Restated Tenth Supplemental Indenture.

Summary of Certain Interest Modes

For each Short Mode, the Interest Payment Date and Calculation Method, the Interest Payment Period, the Record Date, the dates of the Mode Adjustment Notice, the Optional Tender Notice, the Optional Tender Date, the date of delivery of the Bonds upon Optional Tender, the Rate Determination Date and the Rate Change Date and the Rate Period shall be determined in accordance with the Indenture, the pertinent provisions of which are summarized on the following chart:

	<u>WEEKLY MODE</u>	<u>FLEXIBLE MODE</u>
Interest Payment Date and Calculation Method	First Business Day of month, each Adjustment Date and date of maturity; on actual days elapsed over 365/366 day year	Rate Change Date on which next succeeding Flexible Period begins and Adjustment Date at end of Flexible Mode; on actual days elapsed over 365/366 day year
Interest Payment Period	First Business Day of month through day before first Business Day of following month	From each Interest Payment Date to and including the day immediately preceding the next succeeding Interest Payment Date
Record Date	Business Day preceding Interest Payment Date	Business Day preceding Interest Payment Date
Mode Adjustment Notice	Trustee to mail notice to owner not later than 15 days preceding Mode Adjustment Date	Trustee to mail notice to owner not later than 15 days preceding Mode Adjustment Date
Optional Tender Notice	Irrevocable written tender notice to Trustee's Agent; not later than 4:00 p.m., New York City time, on any Business Day	None

	<u>WEEKLY MODE</u>	<u>FLEXIBLE MODE</u>
Optional Tender Date	Business Day specified in Optional Tender Notice at least seven days after receipt of Optional Tender Notice	None
Rate Determination Date	By 4:00 p.m., New York City time, each Wednesday or, if Wednesday is not a Business Day, the immediately succeeding Business Day	By 12:00 noon, New York City time, on the Business Day commencing the relevant Rate Period
Rate Change Date and Rate Period	Thursday of each week; effective through the next Wednesday	The Business Day commencing the relevant Rate Period; effective for the relevant Rate Period

Interest

The Reoffered Bonds of each Sub-series will bear interest from the remarketing date and interest will continue to be payable on each Interest Payment Date. Interest on Reoffered Bonds in a Weekly Mode will be equal to the interest accrued thereon, at the Weekly Rate, for the period from the later of (i) the first Business Day of each calendar month or (ii) the Adjustment Date for such Weekly Mode to, but not including, the earlier of (a) the first Business Day of the next calendar month or (b) the Adjustment Date for the Mode which succeeds such Weekly Mode. Interest on Reoffered Bonds in a Flexible Mode which is payable on each Interest Payment Date therefor (i.e., the Rate Change Date for such Reoffered Bond) will be equal to the interest accrued thereon, at the Flexible Rate, from such Rate Change Date for such Reoffered Bonds to, but not including, the next succeeding Rate Change Date. The foregoing notwithstanding, no interest will accrue on any Reoffered Bond prior to its date of initial delivery or after the date of maturity thereof, or after the redemption or mandatory or optional purchase date for such Reoffered Bond (provided the redemption or purchase price is paid or provided for in accordance with the provisions of the Indenture), or after the date to which such Reoffered Bond is accelerated and paid.

Interest Payment Dates will be (a) for each Reoffered Bond, each Adjustment Date (including, without limitation, a proposed Fixed Rate Conversion Date) therefor, (b) for any Reoffered Bond in the Weekly Mode, the first Business Day of each calendar month, (c) for any Reoffered Bond in a Flexible Mode, each Rate Change Date therefor, (d) for any Bank Bond, the dates specified in the Liquidity Agreement, and (e) for each Reoffered Bond, the date of maturity thereof. The Amended and Restated Tenth Supplemental Indenture does not permit the occurrence of more than one Interest Payment Date in any calendar month, except in the case of (i) Reoffered Bonds in the Flexible Mode (without the approval of the Authority as described in the Amended and Restated Tenth Supplemental Indenture) or (ii) any Interest Payment Date with respect to remarketed Bank Bonds.

Interest Rate

The Reoffered Bonds will bear interest, when in the Weekly Mode, at the Weekly Rate, when in the Flexible Mode, at the Flexible Rate and when Bank Bonds at the Bank Rate. The determination of the interest rate on the Reoffered Bonds as described herein will be conclusive and binding on the Owner of the Reoffered Bonds, the Trustee and the Authority. At no time will the Reoffered Bonds bear interest at a rate higher than the least of (a) at any time the Reoffered Bonds are not Bank Bonds, (i) the Statutory Maximum Rate, (ii) while the Reoffered Bonds are in a Short Mode, and the Liquidity Facilities are in effect, the applicable Interest Coverage Rate and (iii) twelve percent (12%) per annum and (b) at any time the Reoffered Bonds are Bank Bonds, fifteen percent (15%) per annum (the "Maximum Interest Rate"). While the Reoffered Bonds are entitled to the benefit of the Liquidity Facilities, the Interest Coverage Rate will be twelve percent (12%) per annum.

Weekly Rate. No later than 4:00 p.m., New York City time, on Wednesday of each week, or such other day of the week designated as a Rate Determination Date by that Remarketing Agent as described below, or if such day is not a Business Day, then the immediately succeeding Business Day each Remarketing Agent will determine for the period commencing on the Thursday of such week and ending on the next succeeding Wednesday a fixed per annum interest rate to be borne by each Reoffered Bond of the applicable Sub-series bearing interest at the Weekly Rate. Such Weekly Rate will be equal to the lowest interest rate which, in the judgment of the Remarketing Agent, would enable each such Reoffered Bond to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the immediately succeeding Rate Change Date (i.e., Thursday, or such other day of the week designated as the Rate Change Date by such Remarketing Agent as described below) for such Rate Period. Except on an Adjustment Date, if the Weekly Rate is not determined by such Remarketing Agent on a Rate Determination Date, the rate of interest borne by such Reoffered Bonds bearing interest at the Weekly Rate shall be equal to the SIFMA Municipal Index until such Remarketing Agent next determines the Weekly Rate as required under the Indenture. See **"DESCRIPTION OF THE REOFFERED BONDS – Failure to Determine Interest Rate."** The Trustee will provide information regarding the Weekly Rate to any Bondholder on written request.

If at any time a Remarketing Agent with respect to a Sub-series of the Reoffered Bonds determines, in its judgment, that the scheduled Rate Determination Dates or Rate Change Dates during a Weekly Mode have become inappropriate (taking into account general market practice with respect to periodic adjustment of rates on instruments comparable to such Reoffered Bonds bearing interest at the Weekly Rate, whether based upon the time of compilation or reporting of any interest rate or financial index or indicator or otherwise), such Remarketing Agent may, after consultation with the Authority, designate new scheduled Rate Determination Dates and/or Rate Change Dates, to remain in effect until another redetermination of scheduled Rate Determination Dates or Rate Change Dates. The Remarketing Agent will give written notice of any change in scheduled Rate Determination Dates and/or Rate Change Dates during a Weekly Mode to the Authority, the Trustee, the Trustee's Agent, the applicable Bank, and the Bond Insurer, and such change will become effective on the first scheduled Rate Determination Date or Rate Change Date, as the case may be, so designated occurring not less than 14 days following the giving of such notice. Promptly upon receipt of such notice, the Trustee shall notify or cause such Remarketing Agent to notify each affected Bondholder of such change in writing.

Flexible Rate. No later than 12:00 noon, New York City time, on the Rate Determination Date for a Reoffered Bond bearing interest at the Flexible Rate, the Remarketing Agent with respect to a Sub-series of the Reoffered Bonds will determine (a) the duration of the Rate Period for such Reoffered Bond by specifying the succeeding Rate Change Date (which shall also be the succeeding Rate Determination Date) for such Reoffered Bond which Rate Change Date shall be no later than the Business Day prior to the Stated Termination Date, and shall not extend beyond the number of days of interest coverage provided by the then current Liquidity Facility for such Reoffered Bonds, if a Liquidity Facility is required to be in place for such Reoffered Bonds, and (b) the Flexible Rate applicable to such Reoffered Bonds bearing interest at the Flexible Rate during the Rate Period. The last day of such Rate Period must be a Business Day and the day next succeeding such Business Day must also be a Business Day. The Flexible Rate will be a fixed per annum interest rate equal to the lowest rate of interest which, in the judgment of such Remarketing Agent, would enable each such Reoffered Bond to be remarketed at the principal amount thereof on the Rate Change Date for such Rate Period. No Rate Period during any Flexible Mode shall extend beyond January 1 of any year unless Reoffered Bonds in an aggregate principal amount equal to the sinking fund redemption requirement on January 1 of such year shall remain Outstanding and callable for redemption or subject to purchase in lieu of redemption on such January 1. Except on an Adjustment Date, if the Flexible Rate for any Reoffered Bond is not determined by the applicable Remarketing Agent on any Rate Determination Date, such Reoffered Bond will bear interest at a Flexible Rate equal to the SIFMA Municipal Index for a Rate Period of the shortest possible duration until such Remarketing Agent next determines the Flexible Rate, as required under the Amended and Restated Tenth Supplemental Indenture. See **"DESCRIPTION OF THE REOFFERED BONDS – Failure to Determine Interest Rate."**

The Remarketing Agent with respect to a Sub-series of the Reoffered Bonds (a) taking into account economic, market and other financial factors that may affect or be relevant to the length of Rate Periods during a Flexible Mode and interest rates and other determinable fees and expenses to be borne by such Reoffered Bonds during such Rate Periods and (b) with the consent of an Authorized Officer, will determine the duration of Rate Periods during a Flexible Mode. Subject to the provisions of the previous sentence, such Remarketing Agent may establish different Rate Periods on the same Rate Change Date for such Reoffered Bonds in the Flexible Mode. Among the factors to be considered by the Remarketing Agent pursuant to clause (a) above, shall be the market for such Reoffered Bonds and other securities that bear interest at a variable rate or at fixed rates that, in the judgment of the Remarketing Agent, are otherwise comparable to such Reoffered Bonds, or any fact or circumstance relating to such Reoffered Bonds, affecting the market for such Reoffered Bonds or affecting such other comparable securities in a manner that, in the judgment of such Remarketing Agent, will affect the market for such Reoffered Bonds. Such Remarketing Agent's determination will be conclusive and binding upon all parties. The Trustee will provide information regarding the Flexible Rate and Rate Periods to any Bondholder on written request.

Rate Periods and Interest Modes

General. The available Interest Modes pursuant to the Amended and Restated Tenth Supplemental Indenture are the Weekly Mode, the Flexible Mode, the Term Rate Mode and the Fixed Mode. It is not necessary that all Reoffered Bonds of a Series or Sub-series operate in the

same Interest Mode at the same time; provided that, without the consent of the Bond Insurer, the Reoffered Bonds within each Sub-series shall operate in the same Interest Mode at the same time.

Conditions to Conversion to Short Mode. The Authority may designate a different Interest Mode with respect to any Reoffered Bond during a Flexible Mode on any Rate Change Date or during a Weekly Mode on any Business Day upon compliance with the provisions of the Amended and Restated Tenth Supplemental Indenture. The Authority may establish different Interest Modes and, within a Flexible Mode, each Remarketing Agent for a Sub-series of the Reoffered Bonds may establish different Rate Periods for such Reoffered Bonds (a) taking into account economic, market and other financial factors that may affect or be relevant to the Interest Modes selected or the length of the Rate Periods, respectively, and the interest rates and other determinable fees and expenses to be borne by such Reoffered Bonds during such Interest Modes or Rate Periods and (b) with the written consent of an Authorized Officer in the case of Rate Periods designated by such Remarketing Agent. Among the factors to be considered by the Authority and each Remarketing Agent for a Sub-series of the Reoffered Bonds pursuant to clause (a) above shall be the market for such Reoffered Bonds and other securities that bear interest at variable rates or at fixed rates that, in the judgment of such Remarketing Agent, are otherwise comparable to such Bonds, or any fact or circumstance relating to such Reoffered Bonds or affecting the market for such Reoffered Bonds, affecting such other comparable securities in a manner that, in the judgment of such Remarketing Agent, will affect the market for such Reoffered Bonds. Each Remarketing Agent, in its discretion, may consider such information and resources as it deems appropriate in making the determinations required by the Amended and Restated Tenth Supplemental Indenture, but such Remarketing Agent's determination will be based solely upon such Remarketing Agent's judgment, and each Remarketing Agent's determination will be conclusive and binding upon all parties.

The foregoing notwithstanding, the Authority may select any Interest Mode and, within a Flexible Mode or Term Rate Mode, each Remarketing Agent may designate any Rate Period which does not meet the foregoing standards, if the Bond Insurer has consented and such designation is accompanied by the written approval of the Authority or an Opinion of Bond Counsel to the effect that such approval is not required for the continued validity and enforceability of the applicable Sub-series of Reoffered Bonds in accordance with their terms.

The Authority will evidence each designation of a subsequent Interest Mode and Adjustment Date for the Reoffered Bonds of a Series (or Sub-series, if applicable) by giving written notice to the Trustee, the Trustee's Agent, the Remarketing Agent, the applicable Bank, the Bond Insurer and each Rating Agency then maintaining a rating on the Reoffered Bonds, specifying the Interest Mode or Interest Modes in which such Reoffered Bonds will operate during such Adjustment Period and the commencement date of such Adjustment Period and the identity of the provider of any Liquidity Agreement with respect to a Sub-series if other than the applicable Bank; provided, however, that (i) if such Adjustment Period is a Flexible Mode, the first day following each Rate Period therein must be a Business Day and (ii) not later than the 20th day prior to the Adjustment Date with respect to the new Adjustment Period, the Trustee must have received written evidence from each Rating Agency then maintaining a rating on such Reoffered Bonds that the then-current rating on such Reoffered Bonds will not be reduced or withdrawn due to the conversion of such Reoffered Bonds to a Flexible Mode. In addition, if a

Liquidity Facility is required for such Reoffered Bonds, such Liquidity Facility must provide enough days of interest coverage after the Adjustment Date as may be required by any Rating Agency then maintaining a rating on such Reoffered Bonds to continue such rating. Upon receipt of such notice from the Authority, the Trustee, at least 15 days prior to each succeeding Adjustment Date, will give immediate notice to each Owner of Reoffered Bonds thereby affected of the mandatory tender for purchase of the affected Reoffered Bonds on the Adjustment Date.

Term Rate or Fixed Rate Conversion. On any Rate Change Date during a Flexible Mode, on any Business Day during a Weekly Mode, the interest rate to be borne by all or any portion of the Reoffered Bonds in such Interest Mode may be converted to a Term Rate or a Fixed Rate, and such Reoffered Bonds so converted thereafter will bear interest at such Term Rate or Fixed Rate until payment of the principal or redemption price thereon shall have been made or provided for in accordance with the provisions of the Amended and Restated Tenth Supplemental Indenture, whether at maturity, upon redemption or otherwise. Such direction of conversion will be accompanied by, among other things, (i) a written direction from an Authorized Officer specifying a Term Rate Conversion Date or Fixed Rate Conversion Date, the principal amount of the Reoffered Bonds to be converted and the sinking fund requirements, (ii) a firm underwriting or purchase contract from a recognized firm of bond underwriters or recognized institutional investors to underwrite or purchase all Reoffered Bonds which are to be converted on such Term Rate Conversion Date or Fixed Rate Conversion Date at a price of 100 percent of the principal amount thereof, (iii) written consent of the Bond Insurer, if the Reoffered Bonds are to be converted to a Fixed Rate, and (iv) an Opinion of Bond Counsel to the effect that such conversion (A) is authorized or permitted by the Amended and Restated Tenth Supplemental Indenture, (B) will not adversely affect any exclusion from gross income for federal income tax purposes to which interest on the Reoffered Bonds would otherwise be entitled, and (C) will not have an adverse effect on the validity or enforceability of such Reoffered Bonds. The conversion of the interest rate borne by Reoffered Bonds to a Term Rate or Fixed Rate will not become effective unless, on the applicable Term Rate Conversion Date or Fixed Rate Conversion Date, the Trustee has received an Opinion of Bond Counsel, dated the applicable Term Rate Conversion Date or Fixed Rate Conversion Date, reaffirming the conclusions of the earlier opinion.

At least 15 days prior to the Term Rate Conversion Date or Fixed Rate Conversion Date, the Trustee will give or cause the applicable Remarketing Agent to give written notice of such election by the Authority to the Owners of all of the Reoffered Bonds (or all of a Sub-series, if applicable) to be converted bearing interest at a Flexible Rate or a Weekly Rate which notice will state (i) the Term Rate Conversion Date or Fixed Rate Conversion Date and (ii) that such Reoffered Bonds will be subject to mandatory purchase on such Term Rate Conversion Date or Fixed Rate Conversion Date.

If the conversion of the interest rate on any Reoffered Bond does not occur for any reason, including if any condition precedent to the conversion has not occurred, such Reoffered Bond will bear interest from and after the proposed Term Rate Conversion Date or Fixed Rate Conversion Date in the same Interest Mode as the Interest Mode applicable to such Reoffered Bond prior to the proposed Term Rate Conversion Date or Fixed Rate Conversion Date and at the interest rate as calculated in the manner set forth under the subcaptions "**Interest**" and "**Interest Rate**" above.

Failure to Determine Interest Rate

In the event the Remarketing Agent for a Sub-series of the Reoffered Bonds does not determine the interest rate applicable to the initial Rate Period during a new Interest Mode with respect to such Reoffered Bonds, the immediately succeeding Interest Mode with respect to such Reoffered Bonds in the Interest Mode then ending will be a Weekly Mode with a Weekly Rate established by such Remarketing Agent, or if such Remarketing Agent fails to set such Weekly Rate, such Weekly Rate shall be equal to the SIFMA Municipal Index.

Tenders

General. In certain circumstances, as described below under the heading **"SUBSTITUTE LIQUIDITY FACILITIES – Liquidity Facility Not Required in Certain Circumstances,"** the Authority is not required to maintain a Liquidity Facility for the purchase of Tendered Bonds prior to the Fixed Rate Conversion Date. In such circumstances, the Authority may terminate a Liquidity Facility or permit a Liquidity Facility to expire, and the registered owners of the Reoffered Bonds benefiting from such Liquidity Facility shall be entitled to have their Reoffered Bonds purchased from funds made available under such Liquidity Facility prior to such termination or expiration. If a Liquidity Facility is not provided for a Sub-series of the Reoffered Bonds, thereafter funds for the purchase of Tendered Bonds of that Sub-series must be provided by the Authority from other moneys in the Bond Purchase Fund. Funds drawn under the Liquidity Facilities may be used to pay the tender price of such Reoffered Bonds but may not be used to pay principal of or premium, if any, or interest on such Reoffered Bonds when due.

In addition, the current Liquidity Facilities only cover purchases of Tendered Bonds which are in the Weekly Mode. If the Interest Mode applicable to the Reoffered Bonds (or Sub-series of Reoffered Bonds), if applicable, is changed to the Flexible Mode, the Authority will be required to either amend the applicable Liquidity Agreement to allow for, or obtain a Substitute Liquidity Facility which would cover, the purchase of Tendered Bonds which are in the Flexible Mode.

The following information, including without limitation the manner of exercising mandatory and optional tender rights, is subject in its entirety to the provisions described in **APPENDIX C – "BOOK-ENTRY SYSTEM"** while the Reoffered Bonds are in the Book-Entry System.

Optional Tender. An Owner of any Reoffered Bond (other than Bank Bonds) during a Weekly Mode may demand that its Reoffered Bond be purchased, in whole (or in part in an Authorized Denomination), on any Demand Date therefor during the Weekly Mode at a purchase price equal to 100 percent of the principal amount thereof plus accrued interest, if any, to the Demand Date.

To effect such purchase, an Owner must deliver to the Trustee's Agent and the Remarketing Agent, irrevocable written notice (which may be given by telecopy), which notice must be received by the Trustee's Agent and the applicable Remarketing Agent not later than 4:00 p.m., New York City time, on a Business Day in order to be effective on that day. Any

notice received after 4:00 p.m., New York City time, on a Business Day shall be deemed given on the next succeeding Business Day. Such notice must specify (i) the principal amount and number of such Tendered Bond, the name and address of such Owner and the taxpayer identification number, if any, of such Owner and (ii) the Demand Date on which such Tendered Bond is to be purchased. Such Demand Date must be a Business Day not less than seven calendar days after the date such notice is received by the Trustee.

Reoffered Bonds in a Flexible Mode are not subject to optional tender.

Immediate Termination or Suspension of Obligation to Purchase Bonds Under the Liquidity Facilities in Certain Circumstances. While each Liquidity Agreement is in place, upon the occurrence and continuance of a Special Liquidity Default (as defined in the following paragraph), the obligation of each Bank to purchase Reoffered Bonds of the Sub-series covered by its Liquidity Agreement will terminate or be suspended immediately without prior notice to holders of such Sub-series of Reoffered Bonds. In such event, Owners of any such Sub-series of Reoffered Bonds tendered for purchase would not be entitled to have their Reoffered Bonds purchased by such Bank from funds made available under such Liquidity Agreement. See **"– Immediate Notice of a Special Liquidity Default under the Liquidity Facilities"** below, and **"LIQUIDITY FACILITIES – Events of Default under the JPMorgan Chase Liquidity Agreements"** and **"– Remedies under the JPMorgan Chase Liquidity Agreements"** for the Series 2008A-1a and Series 2008A-2 Bonds and **"LIQUIDITY FACILITIES – Events of Default under the PNC Liquidity Agreement"** and **"– Remedies under the PNC Liquidity Agreement"** for the Series 2008A-1b Bonds.

UPON THE OCCURRENCE AND CONTINUANCE OF AN "EVENT OF DEFAULT" UNDER THE APPLICABLE JPMORGAN CHASE LIQUIDITY AGREEMENT OF THE TYPE DESCRIBED IN PARAGRAPHS (A), (B), (C)(iii), (D), (M)(ii) AND (N) UNDER THE CAPTION **"LIQUIDITY FACILITIES – Events of Default under the JPMorgan Chase Liquidity Agreements,"** THE OBLIGATION OF JPMORGAN CHASE BANK TO PURCHASE A SUB-SERIES OF REOFFERED BONDS UNDER THE APPLICABLE JPMORGAN CHASE LIQUIDITY AGREEMENT WILL TERMINATE IMMEDIATELY WITHOUT NOTICE TO ANY PERSON. UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT UNDER THE APPLICABLE JPMORGAN LIQUIDITY AGREEMENT OF THE TYPE DESCRIBED IN PARAGRAPH (C) OR A DEFAULT (AS DEFINED IN SUCH LIQUIDITY AGREEMENT) AS DESCRIBED IN SUCH LIQUIDITY AGREEMENT UNDER PARAGRAPH (B) OR CLAUSE (iii) UNDER PARAGRAPH (D) UNDER SUCH CAPTION, THE CONDITIONS PRECEDENT TO THE OBLIGATION OF JPMORGAN CHASE BANK TO PURCHASE SUCH SUB-SERIES OF REOFFERED BONDS UNDER WILL BE SUSPENDED AND, IN EITHER CASE, WITHOUT PRIOR NOTICE TO HOLDERS OF SUCH SUB-SERIES OF REOFFERED BONDS. EACH SUCH EVENT IS DEFINED AS A **"SPECIAL LIQUIDITY DEFAULT"** UNDER THE AMENDED AND RESTATED TENTH SUPPLEMENTAL INDENTURE. IN SUCH A CASE, SUCH SUB-SERIES OF REOFFERED BONDS WILL NOT BE SUBJECT TO MANDATORY PURCHASE, AND ALL RIGHTS OF THE OWNERS OF SUCH SUB-SERIES OF REOFFERED BONDS TO OPTIONALLY TENDER SUCH REOFFERED BONDS FOR PURCHASE SHALL BE SUSPENDED, UNTIL SUCH TIME AS THE SPECIAL LIQUIDITY DEFAULT IS CURED. See **"LIQUIDITY FACILITIES – Remedies under the JPMorgan Chase Liquidity Agreements."**

UPON THE OCCURRENCE AND CONTINUANCE OF AN "EVENT OF DEFAULT" UNDER THE PNC LIQUIDITY AGREEMENT OF THE TYPE DESCRIBED IN PARAGRAPHS (L), (M), (O), (P), (Q)(i) AND (R) UNDER THE CAPTION "**LIQUIDITY FACILITIES – Events of Default under the PNC Liquidity Agreement,**" THE OBLIGATION OF PNC BANK TO PURCHASE A SUB-SERIES OF REOFFERED BONDS UNDER THE PNC LIQUIDITY AGREEMENT WILL TERMINATE IMMEDIATELY WITHOUT NOTICE TO ANY PERSON. UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT UNDER THE PNC LIQUIDITY AGREEMENT OF THE TYPE DESCRIBED IN PARAGRAPH (N) OR A DEFAULT (AS DEFINED IN SUCH LIQUIDITY AGREEMENT) AS DESCRIBED IN SUCH LIQUIDITY AGREEMENT UNDER PARAGRAPH (P) OR CLAUSE (iii) UNDER PARAGRAPH (L) UNDER SUCH CAPTION, THE OBLIGATION OF PNC BANK TO PURCHASE SUCH SUB-SERIES OF REOFFERED BONDS UNDER THE LIQUIDITY FACILITY WILL BE SUSPENDED AND, IN EITHER CASE, WITHOUT PRIOR NOTICE TO HOLDERS OF SUCH SUB-SERIES OF REOFFERED BONDS. EACH SUCH EVENT IS DEFINED AS A "*SPECIAL LIQUIDITY DEFAULT*" UNDER THE AMENDED AND RESTATED TENTH SUPPLEMENTAL INDENTURE. IN SUCH A CASE, SUCH SUB-SERIES OF REOFFERED BONDS WILL NOT BE SUBJECT TO MANDATORY PURCHASE, AND ALL RIGHTS OF THE OWNERS OF SUCH SUB-SERIES OF REOFFERED BONDS TO OPTIONALLY TENDER SUCH REOFFERED BONDS FOR PURCHASE SHALL BE SUSPENDED, UNTIL SUCH TIME AS THE SPECIAL LIQUIDITY DEFAULT IS CURED. See "**LIQUIDITY FACILITIES – Remedies under the PNC Liquidity Agreement.**"

Mandatory Tender. Reoffered Bonds (other than those described below) are subject to mandatory tender by the Owners thereof to the Trustee at its Principal Office on each date described below at a purchase price equal to 100 percent of the principal amount thereof plus accrued interest, if any, to the purchase date therefor (unless purchased on an Interest Payment Date) as follows:

- (i) with respect to any Reoffered Bond bearing interest at a Flexible Rate (other than a Bank Bond), on each Rate Change Date for such Reoffered Bond;
- (ii) on each Adjustment Date, including, without limitation, a proposed Fixed Rate Conversion Date, applicable to Reoffered Bonds (other than a Bank Bond), except that a Reoffered Bond which is to be purchased on an Adjustment Date which immediately follows the last day of a Flexible Mode shall be purchased as described in (i) above;
- (iii) while a Liquidity Facility is required for a Sub-series of Reoffered Bonds, any such Reoffered Bond (other than Bank Bonds) on a Business Day no more than 15 days after the date the Trustee gives immediate notice to the Owners of such Reoffered Bonds (and in no event later than the Business Day prior to the last day on which funds will be available under such Liquidity Facility) of the occurrence and continuation of a "Liquidity Agreement Default" or receipt by the Trustee of a "Notice of Termination of Commitment to Purchase" from the Bank issuing such Liquidity Facility;

(iv) any Reoffered Bond (other than Bank Bonds) (a) on the Business Day immediately preceding the Stated Termination Date of a Liquidity Facility covering such Reoffered Bond if (1) a Liquidity Facility is required to be in effect for such Reoffered Bonds, and (2) by the 20th day preceding a Stated Termination Date, a notice of extension of the current Liquidity Facility covering such Reoffered Bond or a commitment to deliver a Substitute Liquidity Facility covering such Reoffered Bond has not been delivered or (b) on the Liquidity Substitution Date if a Liquidity Facility is required to be in effect for such Reoffered Bond;

(v) any Reoffered Bond (other than Bank Bonds) on the Business Day prior to the Liquidity Facility Cancellation Date, if a Liquidity Facility covering such Reoffered Bonds is no longer required pursuant to the Amended and Restated Tenth Supplemental Indenture; and

(vi) any Reoffered Bond (other than Bank Bonds) on the Bond Insurance Substitution Date applicable to such Reoffered Bonds.

An Owner of a Reoffered Bond subject to mandatory tender may not elect to retain its Reoffered Bonds.

No notice will be given for a mandatory tender described in clause (i) above of Reoffered Bonds bearing interest at a Flexible Rate.

With respect to a mandatory tender described in clause (ii) above of Reoffered Bonds bearing interest at a Weekly Rate, not later than the 15th day next preceding the Adjustment Date with respect thereto, the Trustee is required to give immediate notice to the Owners of such Reoffered Bonds stating the last day of the Adjustment Period then ending and that such Reoffered Bonds are required to be purchased on such Adjustment Date.

With respect to a mandatory tender described in clause (iii) above, all Reoffered Bonds are required to be purchased on a Business Day designated in the immediate notice referred to in clause (iii), no more than 15 days after the date of such immediate notice and at least one Business Day prior to the last day on which funds will be available under the Liquidity Facility covering such Reoffered Bonds.

With respect to a mandatory tender described in clause (iv)(a) above, not later than the 15th day preceding the Stated Termination Date of a Liquidity Facility covering a Sub-series of the Reoffered Bonds, if no extension of such Liquidity Facility or no commitment to issue a Substitute Liquidity Facility has been delivered, the Trustee shall give immediate notice to the Owners of such Reoffered Bonds subject to such mandatory tender and the Bond Insurer stating (i) the Stated Termination Date, (ii) that no Substitute Liquidity Facility has been received as of the date of such notice and (iii) that such Reoffered Bonds are required to be purchased on the Business Day immediately preceding such Stated Termination Date. Such notice may state, at the option of the Authority, that the required purchase of such Reoffered Bonds is conditional on there being no extension of such Liquidity Facility or delivery of a Substitute Liquidity Facility by such Stated Terminate Date.

With respect to a mandatory tender described in clause (v) above, not later than the 15th day preceding the Liquidity Facility Cancellation Date, the Trustee shall give immediate notice to the Owners of Reoffered Bonds subject to such mandatory tender and the Bond Insurer stating (i) that the existing Liquidity Facility covering such Reoffered Bonds is to be canceled pursuant to the Indenture and (ii) such Reoffered Bonds are required to be purchased on the Business Day prior to such Liquidity Facility Cancellation Date.

With respect to a mandatory tender described in clause (iv)(b) or (vi) above, not later than the 15th day preceding the applicable Liquidity Substitution Date or a Bond Insurance Substitution Date, the Trustee shall give immediate notice to the Owners of such Reoffered Bonds subject to mandatory tender stating (i) such Liquidity Substitution Date or the Bond Insurance Substitution Date and (ii) such Reoffered Bonds are required to be purchased on the Bond Insurance Substitution Date or such Liquidity Substitution Date.

IF THE OBLIGATION OF A BANK TO PURCHASE REOFFERED BONDS UNDER ITS LIQUIDITY FACILITY HAS BEEN TERMINATED OR SUSPENDED PRIOR TO, OR THE CONDITIONS TO SUCH OBLIGATION ARE NOT SATISFIED AS OF, THE DATE ON WHICH THE PAYMENT OF THE PURCHASE PRICE OF SUCH REOFFERED BONDS IS REQUIRED, FUNDS TO PAY SUCH PURCHASE PRICE WILL NOT BE AVAILABLE UNDER SUCH LIQUIDITY FACILITY, EVEN IF SUCH TERMINATION OR SUSPENSION WERE TO OCCUR SUBSEQUENT TO, OR THE CIRCUMSTANCES GIVING RISE TO THE FAILURE TO SATISFY SUCH CONDITIONS WERE TO OCCUR SUBSEQUENT TO, THE DATE ON WHICH NOTICE OF MANDATORY TENDER IS GIVEN TO BONDHOLDERS.

Purchase of Tendered Bonds. Tendered Bonds will be purchased solely from the following sources in order of priority indicated and neither the Authority, the Trustee, the Trustee's Agent nor the applicable Remarketing Agent shall have an obligation to use funds from any other source:

(vii) proceeds from the remarketing of Tendered Bonds pursuant to the applicable Remarketing Agreement (other than Tendered Bonds sold to the Authority);

(viii) moneys received from the underwriter or purchaser (other than the Authority) of Tendered Bonds upon the conversion of the interest rate thereon to a Fixed Rate;

(ix) proceeds of the applicable Liquidity Facility, to the extent such Liquidity Facility is available; and

(x) moneys furnished by the Authority to the Trustee in accordance with the provisions of the Amended and Restated Tenth Supplemental Indenture.

The Trustee is required to pay the purchase price of each Tendered Bond to the registered Owner thereof by 2:30 p.m., New York City time, on the purchase date, provided that such Owner has delivered such Tendered Bond with any necessary endorsements to the Principal Office of the Trustee no later than 1:30 p.m., New York City time, on such date.

If funds shall not be available to purchase a Tendered Bond, the Bondholder shall continue to hold such Series 2008A Bond and it shall bear interest, commencing on the date on which such Series 2008A Bond was tendered for purchase, at an interest rate equal to the lesser of (i) the SIFMA Municipal Index for Series 2008A Bonds in the Weekly Mode or the Flexible Mode, as applicable, or (ii) the Maximum Interest Rate.

Undelivered Tendered Bonds. If sufficient moneys are on deposit with the Trustee or the Trustee's Agent to pay the applicable purchase price of any Tendered Bond, such Tendered Bond will be deemed to have been purchased whether or not delivered by the Owner thereof on the date such Tendered Bond is to be purchased. If any such purchased Tendered Bond is not so delivered, the Authority will execute and the Trustee will authenticate and deliver a replacement Reoffered Bond of like date, maturity and denomination as the Tendered Bond and bearing a number not contemporaneously outstanding.

Remarketing of Bank Bonds

Bank Bonds, when remarketed, shall be purchased at a price of par plus accrued interest, if any, thereon at the Bank Variable Rate. Purchasers of Bank Bonds will receive, on the next Interest Payment Date thereon following purchase, interest at the applicable rate thereon from the purchase thereof plus the accrued interest paid thereon at the date of purchase.

Immediate Notice of a Special Liquidity Default under the Liquidity Facilities

The Trustee is required to give immediate notice to the Owners of a Sub-series of Reoffered Bonds and the Remarketing Agent for such Sub-series of Reoffered Bonds (with a copy to the Bond Insurer) of the receipt of a written notice of the occurrence and continuation of a Special Liquidity Default under the Liquidity Agreement applicable to such Sub-series of Reoffered Bonds. Such notice shall state that (i) such Sub-series of Reoffered Bonds is not subject to mandatory tender as a result of the occurrence of such Special Liquidity Default, (ii) that such Sub-series of Reoffered Bonds no longer will be entitled to the benefits of such Liquidity Agreement, and (iii) all rights granted to the Owners of such Sub-series of Reoffered Bonds to tender such Sub-series of Reoffered Bonds for purchase pursuant to the Amended and Restated Tenth Supplemental Indenture are suspended until such time as the Trustee shall give notice to such Owners that the Special Liquidity Default is cured and the obligation of the applicable Bank to purchase such Sub-series of Reoffered Bonds pursuant to the applicable Liquidity Agreement has been reinstated or that a Substitute Liquidity Facility is in place. If immediate notice of a mandatory tender has been given due to receipt by the Trustee of written notice from the applicable Bank of the occurrence of a Liquidity Agreement Default, but a Special Liquidity Default occurs prior to the mandatory tender date, the Trustee will give immediate notice as provided above and such Sub-series of Reoffered Bonds shall not be subject to mandatory tender on such date.

Redemption

Optional Redemption during Weekly Mode. During any Weekly Mode, the Reoffered Bonds are subject to redemption prior to their maturity, at the election or direction of the Authority, pursuant to the Indenture, in whole or in part (and if in part, in an Authorized

Denomination) on any Business Day during such Weekly Mode at a redemption price equal to 100 percent of the principal amount thereof plus accrued interest, if any, to the redemption date.

Optional Redemption during Flexible Mode. During any Flexible Mode, the Reoffered Bonds are subject to optional redemption prior to their maturity, at the election or direction of the Authority, pursuant to the Indenture, in whole or in part (and if in part, in an Authorized Denomination) on any Rate Change Date therefor, at a redemption price of 100 percent of the principal amount thereof plus accrued interest, if any, to the redemption date.

Sinking Fund Redemption. The Reoffered Bonds (including Bank Bonds) are subject to sinking fund redemption pursuant to Sinking Fund Installments prior to their maturity at a redemption price equal to the principal amount thereof by application by the Trustee in accordance with the Indenture of funds on deposit to the credit of the Redemption Sub-Account. Subject to the availability of funds for transfer from the Debt Reserve Account and from the Debt Service Account under the Indenture, deposits to be applied to Sinking Fund Installments are to be made into the Redemption Sub-Account pursuant to the Indenture in amounts which will make possible the retirement of Reoffered Bonds of a Series by sinking fund redemption on January 1 in the respective years and in the principal amounts as follows and as adjusted under the Indenture:

<u>2008 SERIES A-1a BONDS</u>		<u>2008 SERIES A-1b BONDS</u>		<u>2008 SERIES A-2 BONDS</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2018	\$ 900,000	2018	\$ 1,000,000	2018	\$ 475,000
2019	1,000,000	2019	1,000,000	2019	500,000
2020	1,050,000	2020	1,050,000	2020	525,000
2021	1,100,000	2021	1,100,000	2021	550,000
2022	1,125,000	2022	1,125,000	2022	565,000
2023	1,175,000	2023	1,175,000	2023	590,000
2024	1,225,000	2024	1,225,000	2024	615,000
2025	30,025,000	2025	30,025,000	2025	15,015,000
2026	26,100,000	2026	26,100,000	2026	13,050,000
2027	30,925,000	2027	30,925,000	2027	15,465,000
2028	20,700,000	2028	20,700,000	2028	10,350,000
2029	23,075,000	2029	23,075,000	2029	11,540,000
2030	25,400,000	2030	25,400,000	2030	12,705,000
2031	27,700,000	2031	27,700,000	2031	13,855,000

Failure to retire the entire scheduled amount of Reoffered Bonds through the application of any Sinking Fund Installment on or prior to the next scheduled Sinking Fund Installment date is not an Event of Default under the Indenture. Any amount of Reoffered Bonds not so retired will be added to the amount to be retired on the next scheduled Sinking Fund Installment date for such Reoffered Bonds. See **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Flow of Funds – Debt Service Account."**

The Policy only insures payment of the principal of the Reoffered Bonds on the maturity date thereof and does not insure the payment of the Reoffered Bonds upon any redemption (including any redemption by Sinking Fund Installments as described above) thereof.

Redemption Procedures. Any redemption of less than all of the Reoffered Bonds Outstanding (or Sub-series, if applicable) will be made from such Reoffered Bonds as the Authority shall designate except as otherwise provided in the Amended and Restated Tenth Supplemental Indenture. No redemption of less than all of the Bonds Outstanding (or Sub-series, if applicable) will be made unless the aggregate principal amount of Reoffered Bonds to be redeemed is equal to an Authorized Denomination. Any redemption of less than all of the Reoffered Bonds Outstanding (or Sub-series, if applicable) will be made in such a manner that all Reoffered Bonds Outstanding after such redemption are in Authorized Denominations.

If less than all of the Reoffered Bonds of a Series or Sub-series are called for redemption under provisions of the Indenture permitting or requiring partial redemption, the particular Reoffered Bonds (or portions thereof), to be redeemed will be redeemed (including as among any Sub-series) by the Authority, in the principal amount designated by the Authority, which designation is required to include the Interest Mode and maturity (or sinking fund redemption) date of the particular Reoffered Bonds to be redeemed, or as otherwise required by the Amended and Restated Tenth Supplemental Indenture; provided, however, that redemptions first be made from Bank Bonds, and (i) in the case of the redemption of less than all of the Reoffered Bonds in the same Interest Mode which bear interest at the same rate for the same Rate Periods, such redemption will be by lot in such manner as the Trustee may determine among such Reoffered Bonds and (ii) subject to other applicable provisions of the Amended and Restated Tenth Supplemental Indenture, the portion of any Reoffered Bond to be redeemed will be in a principal amount equal to an Authorized Denomination. In selecting Reoffered Bonds for redemption, the Trustee will treat each Reoffered Bond as representing that number of Reoffered Bonds which is obtained by dividing the principal amount of such Reoffered Bond by the minimum Authorized Denomination. If it is determined that one or more, but not all, of the integral multiples of the Authorized Denomination of principal amount represented by any Reoffered Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the Owner of such Reoffered Bond is required to surrender such Reoffered Bond to the Trustee for payment to such Owner of the redemption price of the integral multiple of the Authorized Denomination of principal amount called for redemption; the Trustee will deliver to such Owner a new Reoffered Bond or Reoffered Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Reoffered Bond. New Reoffered Bonds representing the unredeemed balance of the principal amount of such Reoffered Bond will be issued to the registered Owner thereof without charge therefor.

Notice of Redemption. For a description of the giving of notices while the Reoffered Bonds are in the book-entry only system, see **APPENDIX C – "BOOK-ENTRY SYSTEM"** herein. Whenever Reoffered Bonds are to be redeemed, the Trustee will give notice of the redemption of such Reoffered Bonds, which notice shall specify, among other things, the Series of Reoffered Bonds to be redeemed, the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue on the Reoffered Bonds which are the subject of such notice. Notice of the redemption of Reoffered Bonds will be given by first class mail, postage prepaid, not less than 30 days or more than 45 days prior to the redemption date, to the applicable Bank, the Bond Insurer, the applicable Remarketing Agent and the Registered Owners of such Reoffered Bonds to be redeemed at their addresses as shown on the Bond Register. Prior to the date that the redemption notice is first given as aforesaid, funds shall be placed with the Trustee to pay such Reoffered Bonds, any

premium thereon, and accrued interest thereon to the redemption date, or (except in the case of a sinking fund redemption) such notice shall state that any redemption is conditional on such funds being deposited on the redemption date, and that failure to deposit such funds shall not constitute a breach under the Amended and Restated Tenth Supplemental Indenture. Additional redemption notices will be provided to Bondholders who fail to present their Reoffered Bonds in a timely manner as provided in the Amended and Restated Tenth Supplemental Indenture. Failure to give notice in the manner described above or a defect in the notice as to any Reoffered Bond will not affect the validity of any proceedings for redemption as to any Reoffered Bond for which notice is properly given. Interest will not accrue after the redemption date on any Reoffered Bond called for redemption if notice has been given and if sufficient moneys have been deposited with the Trustee to pay principal of, premium, if any, and interest on such Bonds to the redemption date.

Bond Registration and Transfers

For a description of the procedure to transfer ownership of a Reoffered Bond while in the book-entry only system, see **APPENDIX C – "BOOK-ENTRY SYSTEM"** herein. Subject to the limitations described below, the Bonds are transferable upon surrender thereof at the Principal Office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the Bondholder or such Bondholder's attorney duly authorized in writing. Any Reoffered Bond, upon surrender of such Reoffered Bond at the Principal Office of the Trustee, may, at the option of the Bondholder, be exchanged for an equal aggregate principal amount of Reoffered Bonds of any Authorized Denomination of the same Sub-series as the Reoffered Bond being surrendered. The Trustee may charge a fee sufficient to cover any tax, fee or other governmental charge in connection with any exchange or transfer of any Reoffered Bond.

Mutilated, Lost, Stolen or Destroyed Reoffered Bonds

If any Reoffered Bond is mutilated, lost, stolen or destroyed, the Authority shall execute and the Trustee shall authenticate a new Reoffered Bond of the same Sub-series and maturity; provided, however, that the Authority and the Trustee shall require satisfactory indemnification prior to authenticating a new Reoffered Bond and the Trustee shall require satisfactory evidence of the ownership and the loss, theft or destruction of the affected Reoffered Bond. The expense of issuing a substitute Reoffered Bond in place of a mutilated, lost, stolen or destroyed Reoffered Bond shall be borne by the Registered Owner.

SECURITY AND SOURCES OF PAYMENT FOR THE REOFFERED BONDS

The following is a summary of certain provisions of the Indenture relating to the Reoffered Bonds and other Bonds issued under the Indenture. A more detailed summary of such provisions is included in **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."**

Pledge of Revenues and Funds

All Bonds issued under the Indenture, including the Reoffered Bonds, are payable solely from and secured solely by a pledge of and lien on the Net Revenues of the Tollway System and certain other funds as provided in the Indenture.

The Reoffered Bonds and any other Bonds issued under the Indenture do not represent or constitute a debt of the Authority or of the State of Illinois within the meaning of any constitutional or statutory limitation or pledge of the faith and credit of the Authority or the State of Illinois, or grant any right to have the Authority or the Illinois General Assembly levy any taxes or appropriate any funds for the payment of the principal of, premium, if any, or interest with respect thereto, other than as authorized under the Act. The Act provides that neither the directors of the Authority nor any person executing the Reoffered Bonds shall be liable personally on the Reoffered Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

2008 Bond Insurance

In certain circumstances with respect to the Reoffered Bonds, payments may be made under the Policy. See **"2008 BOND INSURANCE."** The Policy only insures payment of the principal of the Reoffered Bonds on the maturity date thereof and does not insure the payment of the Reoffered Bonds upon any redemption (including any redemption by Sinking Fund Installments) or purchase thereof.

The Bond Insurer is deemed to be the sole Bondholder of any Reoffered Bonds for purposes of exercising all rights and remedies under the Indenture, except the giving of notice of default to Bondholders, upon the occurrence of an Event of Default for as long as the Bond Insurer has not failed to comply with its payment obligations under the Policy and there has not occurred a Bond Insurer Event of Default (other than a default based on the ratings of the Bond Insurer) or a Suspension Event (other than a default based on the ratings of the Bond Insurer). The written consent of the Bond Insurer is also required in connection with any amendments or supplements to the Indenture (other than certain supplemental indentures authorizing additional Senior Bonds or Junior Bonds) and in connection with the removal of the Trustee and the appointment of any successor Trustee.

Toll Covenant

The Authority covenants in the Indenture that in each Fiscal Year tolls will at all times be set so that Net Revenues will at least equal the Net Revenue Requirement for such Fiscal Year, comprised of the amount necessary to cure deficiencies, if any, in all debt service accounts and debt reserve accounts established under the Indenture, plus the greater of (i) the sum of Aggregate Debt Service (defined to include any debt service on Senior Bonds), the Junior Bond Revenue Requirement and the Renewal and Replacement Deposit for such period or (ii) 1.3 times the Aggregate Debt Service for such period. Under the Act, the Authority has the exclusive right to determine, fix, impose and collect tolls for the use of the Tollway System. Such tolls are required under the Act to be fixed at rates calculated to provide the lowest reasonable toll rates to provide funds that will be sufficient, together with other revenues of the Authority, to pay the costs of any authorized new construction and the reconstruction, major

repairs or improvements to the Tollway System and the costs of operating and maintaining the Tollway System and paying debt service on all outstanding bonds. There is no other State of Illinois executive, administrative or regulatory body or regional or local governmental or regulatory body with the authority to limit or restrict such rates and charges.

Certain Amendments to the Indenture

The Seventh Supplemental Indenture amends the Indenture, subject to receipt of consent of (i) the owners of the requisite principal amount of Bonds Outstanding on the date of such consent (as described below) and (ii) certain Providers, to permit the Authority to sell or otherwise transfer all or a portion of the Tollway System (a "Transfer") upon delivery to the Trustee of, among other items, (i) an opinion of bond counsel to the effect that the Transfer complies with the provisions of the Act and the Indenture and will not cause interest on any Senior Bonds or Junior Bonds Outstanding immediately prior the Transfer or on any Subordinated Indebtedness to become subject to Federal income taxation, (ii) evidence that the Transfer will not adversely affect the rating on any Bonds Outstanding immediately prior to the Transfer, (iii) a certificate of the Traffic Engineers estimating toll receipts for the portion of the Tollway System that has not been conveyed (the "Remaining Tollway System"), (iv) a certificate of the Consulting Engineers estimating Operating Expenses and Renewal and Replacement Deposits for the Remaining Tollway System, and (v) a certificate of the Authority based upon the certificates of the Traffic Engineers and the Consulting Engineers stating, among other things, that for the then current and each of the next ten Fiscal Years the Net Revenues allocable to the Remaining Tollway System will be not less than the greater of (A) one and one-half (1.5) times the Aggregate Debt Service and the Junior Bond Revenue Requirement (excluding, in each case, bond interest, the payment of which shall have been provided by payments or deposits from Bond proceeds) allocable to the Remaining Tollway System for each such Fiscal Year (the "Remaining Tollway System Debt Service") and (B) the sum of the Remaining Tollway System Debt Service and the Renewal and Replacement Deposit for each such Fiscal Year. See **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenants – Sale, Lease or Encumbrance of Property."**

The amendment described in the preceding paragraph (the "Transfer Amendment") and more fully described in **APPENDIX B** shall not become effective until such time as the Authority has obtained the consents of (i) any Providers with respect to the Priority Bonds and Refunding Bonds then outstanding, and (ii) the Holders of at least two-thirds in principal amount of the Priority Bonds and of at least two-thirds in principal amount of the Refunding Bonds then Outstanding, or, if such consent is sought at such time as no 1992 Series A Bonds remain Outstanding, the consents of the Holders of at least a majority in principal amount of the Senior Bonds and of at least a majority in principal amount of the Junior Bonds then Outstanding. See **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures."** The Authority has not issued any Junior Bonds. The Transfer Amendment is not yet effective. The Authority has the consent of the requisite bondholders and certain, but not all, of the Providers.

Each purchaser of the Reoffered Bonds shall be deemed to have consented to the Transfer Amendment by its purchase of the Reoffered Bonds.

Flow of Funds

The Authority covenants to deliver all Revenues (other than investment income, unless otherwise directed by the Indenture), within five Business Days after receipt, for deposit in the Revenue Fund. On or before the 20th day of each month the Treasurer of the State of Illinois, at the direction of the Authority, will transfer or apply the balance in the Revenue Fund not previously transferred or applied in the following order of priority:

First, to the Operating Sub-Account of the Maintenance and Operation Account;

Second, to the Operating Reserve Sub-Account of the Maintenance and Operation Account;

Third, to the Interest Sub-Account, Principal Sub-Account and Redemption Sub-Account of the Debt Service Account, in that order of priority, for deposits relating to the Senior Bonds;

Fourth, to the Provider Payment Sub-Account of the Debt Service Account to pay Costs of Credit Enhancement or Qualified Hedge Agreements for Senior Bonds or to reimburse Providers of Credit Enhancement or Qualified Hedge Agreements for Senior Bonds for payments of principal or interest made by such Providers and fees of such Providers and to make termination payments then due and owing with respect to any such Credit Enhancement or Qualified Hedge Agreements outstanding prior to the effective date of the Seventh Supplemental Indenture (June 22, 2005), which contained an amendment establishing the Termination Account (but no such deposit for any termination payment for a Qualified Hedge Agreement shall be made if there is any deficiency in the Debt Reserve Account);

Fifth, to the Debt Reserve Account;

Sixth, to any Junior Bond Debt Service Account or any Junior Bond Debt Reserve Account;

Seventh, to the Termination Payment Account to pay termination payments then due and owing with respect to Credit Enhancement and Qualified Hedge Agreements executed and delivered on or after the effective date of the amendment establishing the Termination Account (June 22, 2005);

Eighth, to the Renewal and Replacement Account;

Ninth, at the direction of the Authority, to the Improvement Account; and

Tenth, the balance of such amounts in the Revenue Fund, to the System Reserve Account.

The flow of funds is further described in **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Flow of Funds."**

Debt Reserve Account

The Indenture establishes one Debt Reserve Account for all outstanding Senior Bonds. Amounts on deposit in the Debt Reserve Account are required to be used by the Trustee to cure any deficiencies arising from time to time in the Debt Service Account with respect to payment of interest or principal (including sinking fund installments) on Senior Bonds.

Concurrently with the remarketing of the Reoffered Bonds, there will be on deposit in the Debt Reserve Account an amount sufficient to meet the Debt Reserve Requirement for the Senior Bonds. The Debt Reserve Requirement is the maximum annual Aggregate Debt Service for any Fiscal Year for all Outstanding Senior Bonds.

Under the Indenture, the Authority may deliver a surety bond, insurance policy, letter of credit or other credit facility meeting the requirements of the Indenture (a "Reserve Account Credit Facility") to the Trustee to meet all or a part of the Debt Reserve Requirement. For a description of the requirements of a Reserve Account Credit Facility, see **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Flow of Funds – Debt Reserve Account."**

In connection with the issuance of the 2008B Bonds, the Authority applied funds in the Debt Reserve Account to obtain a surety bond qualifying under the Indenture as a Reserve Account Credit Facility from Berkshire Hathaway Assurance Corporation ("BHAC") in the stated amount of \$100,000,000 (the "BHAC Surety") to satisfy a portion of the Debt Reserve Requirement. The BHAC Surety is guaranteed by Columbia Insurance Company ("Columbia"), which is an affiliate of BHAC. Moody's Investors Service and Standard & Poor's, a Division of The McGraw-Hill Companies, currently rate each of BHAC and Columbia as "Aa1" and "AA+", respectively. A.M. Best Company ("A.M. Best") currently rates Columbia with a Financial Strength Rating of "A++" and an Issuer Credit Rating of "aaa," both of which are the highest A.M. Best ratings for those categories. A.M. Best does not rate BHAC.

The applicable Debt Reserve Requirement as of the date of remarketing of the Reoffered Bonds is \$302,814,096 based upon the assumptions set forth herein under "ANNUAL DEBT SERVICE REQUIREMENTS." On the date of the remarketing of the Reoffered Bonds, the aggregate amount of cash and permitted investments on deposit in the Debt Reserve Account, together with any surety bonds or other instruments constituting a Reserve Account Credit Facility, will be not less than the Debt Reserve Requirement.

In the event the balance in the Debt Reserve Account is less than the Debt Reserve Requirement, the Treasurer, at the direction of the Authority, is required to transfer monthly to such Account from the Revenue Fund, subject to certain prior transfers as described above under "SECURITY AND SOURCES OF PAYMENT FOR THE REOFFERED BONDS – Flow of Funds," the amount necessary to maintain the balance in the Debt Reserve Account equal to the Debt Reserve Requirement. In the event the amount to the credit of the Debt Reserve Account, including the amount of any Reserve Account Credit Facility, and after making any required reimbursement to a Provider of a Reserve Account Credit Facility, exceeds the Debt Reserve Requirement, the excess may be transferred as provided in the Indenture and summarized under

APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Flow of Funds – Debt Reserve Account."

Additional Indebtedness

The Indenture permits the Authority to incur additional indebtedness, including Senior Bonds on a parity with the Reoffered Bonds and other Outstanding Senior Bonds, Junior Bonds and Subordinated Indebtedness. Additional Senior Bonds may be issued for the purposes of (a) paying Costs of Construction of Projects (which include modifications and enhancements to the existing Tollway System, as well as System Expansion Projects and Renewal and Replacements, (b) refunding or prepaying at or prior to maturity Senior Bonds or any other obligations of the Authority issued or entered into for purposes for which Senior Bonds may be issued, (c) making deposits to the Debt Reserve Account or acquiring a Reserve Account Credit Facility, (d) paying interest on any Bond, (e) paying any costs of issuing Senior Bonds, and (f) paying Costs of Credit Enhancement and Qualified Hedge Agreements for Additional Senior Bonds. The requirements relating to the incurrence of additional indebtedness are described in this Reoffering Circular in **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Indebtedness."**

The Authority is also authorized by the Indenture to issue one or more series of Junior Bonds or Subordinated Indebtedness for any purpose for which Senior Bonds may be issued without satisfying the Additional Senior Bonds test.

Other Covenants

The Authority covenants in the Indenture not to issue any bonds or other evidences of indebtedness other than Senior Bonds, Junior Bonds and Subordinated Indebtedness secured by a pledge of or lien on Net Revenues or the moneys, securities or funds set aside under the Indenture, or create any lien or charge thereon except as provided in the Indenture or to sell, lease or otherwise dispose of or encumber the Tollway System except as provided in the Indenture. **SEE APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenants – Sale, Lease or Encumbrance of Certain Property."** The Authority also covenants, among other things, to prepare an adequate annual budget, to operate the Tollway System in a sound and economical manner, to maintain the Tollway System, to maintain insurance and to keep proper books and records.

The Trustee

The Indenture contains provisions regarding the designation of a successor trustee by the Authority and the assumption by a successor without Authority action of the trusteeship resulting from the transfer of substantially all of the corporate trust business of the Trustee. **SEE APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Removal or Merger or Consolidation of Trustee."**

The Indenture grants to the Trustee the right to act on behalf of the owners of the Reoffered Bonds and other Outstanding Senior Bonds and any Outstanding Junior Bonds if an Event of Default occurs. The rights of owners of Bonds to bring direct action are limited as provided in the Indenture, but owners may bring direct action in the event of a default in the

payment of Debt Service. **SEE "APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default – Proceedings Brought By Trustee"**

2008 BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Reoffered Bonds, Financial Security Assurance Inc. (currently known as Assured Guaranty Municipal Corp. ("AGM")) issued its Municipal Bond Insurance Policy for the Reoffered Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Reoffered Bonds when due as set forth in the Specimen Bond Insurance Policy included as APPENDIX D to this Reoffering Circular. The Policy only insures payment of the principal of the Reoffered Bonds on the maturity date thereof and does not insure payment of the Reoffered Bonds upon any redemption (including any redemption by Sinking Fund Installments, as described herein) or purchase thereof.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Bond Insurer

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AA+" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the "Bond Insurance RFC") in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On October 25, 2010, S&P published a Research Update in which it downgraded AGM's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moody's.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, which was filed by AGL with the SEC on November 9, 2010.

Capitalization of AGM

At September 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$2,512,828,657 and its total net unearned premium reserve was approximately \$2,305,542,616, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Reoffering Circular and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010);

(iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010); and

(iv) The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 (which was filed by AGL with the SEC on November 9, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the reoffering of the Reoffered Bonds shall be deemed incorporated by reference into this Reoffering Circular and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "2008 BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Reoffering Circular, except as so modified or superseded.

AGM makes no representation regarding the Reoffered Bonds or the advisability of investing in the Reoffered Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Reoffering Circular or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "2008 BOND INSURANCE".

LIQUIDITY FACILITIES

General

The initial liquidity facility (the "2008 Dexia Liquidity Agreement") for the 2008 Series A Bonds was provided by Dexia Credit Local, acting through its New York Branch and expires on February 7, 2011. The Authority is replacing the 2008 Dexia Liquidity Agreement with three substitute liquidity facilities. The Reoffered Bonds consisting of the 2008A-1a Bonds and

2008A-2 Bonds will each have separate substitute liquidity facilities from JPMorgan Chase Bank (the "JPMorgan Chase Liquidity Agreements"). The Reoffered Bonds consisting of the 2008A-1b Bonds will have a substitute liquidity facility from PNC Bank (the "PNC Liquidity Agreement" and, together with the JPMorgan Chase Liquidity Agreements, the "Liquidity Agreements"). The terms and conditions relating to each Series or Sub-series of Reoffered Bonds and the rights and remedies of the respective Banks are not identical among the Liquidity Agreements.

The following descriptions summarize certain provisions of the JPMorgan Chase Liquidity Agreements and the PNC Liquidity Agreement. Such summaries do not purport to be complete descriptions or restatements of the material provisions of the applicable Liquidity Agreement. Investors should obtain and review a copy of the applicable Liquidity Agreement in order to understand all of the terms of that document.

JPMorgan Chase Liquidity Agreements

The JPMorgan Chase Liquidity Agreements provide that JPMorgan Chase Bank shall purchase those 2008A-1a Bonds or 2008A-2 Bonds, as applicable, tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof in accordance with the terms of the Amended and Restated Tenth Supplemental Indenture, in each case, to the extent such 2008A-1a Bonds or 2008A-2 Bonds, as applicable, are not remarketed by the Remarketing Agent. The JPMorgan Chase Liquidity Agreements operate independently of one another and will each expire on February 7, 2013 unless extended or terminated pursuant to their respective terms.

Under certain circumstances described below, the obligation of JPMorgan Chase Bank to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be suspended or terminated. In such event, sufficient funds may not be available to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the JPMorgan Chase Liquidity Agreements do not provide security for the payment of principal of or interest or premium, if any, on the 2008A-1a Bonds or 2008A-2 Bonds.

Purchase of Tendered Bonds by JPMorgan Chase Bank

JPMorgan Chase Bank will purchase from time to time during the period prior to the expiration or earlier termination of each JPMorgan Chase Liquidity Agreement, Eligible Bonds (as defined in that Liquidity Agreement), tendered or deemed tendered from time to time during the period from and including the Effective Date, as defined in the JPMorgan Chase Liquidity Agreement, to and including February 7, 2013 (unless earlier terminated pursuant to the terms of that Liquidity Agreement) pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the Amended and Restated Tenth Supplemental Indenture, in each case, to the extent such 2008A-1a Bonds or 2008A-2 Bonds, as applicable, are not remarketed in accordance with the terms and provisions of the Remarketing Agreement. The price to be paid by the Bank for 2008A-1a Bonds or 2008A-2 Bonds, as applicable, will be equal to the aggregate principal amount of each such 2008A-1a Bond or 2008A-2 Bonds, provided that

the aggregate principal amount of all 2008A-1a Bonds and 2008A-2 Bonds so purchased shall not exceed the Available Principal Commitment (as defined in the JPMorgan Chase Liquidity Agreement), plus the lesser of (i) the Available Interest Commitment (as defined in that Liquidity Agreement) and (ii) interest accrued thereon to but excluding the date of such purchase.

Events of Default under the JPMorgan Chase Liquidity Agreement

The following events, among others, constitute Events of Default under the JPMorgan Chase Liquidity Agreements. Reference is made to each Liquidity Agreement for a complete listing of all Events of Default.

(a) Any principal or interest due on any 2008A-1a Bond or 2008A-2 Bond, as applicable, is not paid by the Authority when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Bond Insurance Policy (including, without limitation, any principal or interest due on any Bank Bond at the Bank Rate); or

(b) The Bond Insurer defaults in any payment or payments of principal or interest payable by it when due under any bond insurance policy or policies (other than the Bond Insurance Policy) representing an obligation of the Bond Insurer on a parity with or senior to the Bond Insurer's obligations under the Bond Insurance Policy, and such default continues for a period of fifteen (15) days, unless the obligation of the Bond Insurer to pay is being contested by the Bond Insurer in good faith by appropriate proceedings; or

(c) (i) An executive officer of the Bond Insurer claims, in writing, that the Bond Insurance Policy, with respect to the payment of principal of or interest on the 2008A-1a Bonds or 2008A-2 Bonds, as applicable, (including, without limitation, Bank Bonds (as defined in the JPMorgan Chase Liquidity Agreement)), is not valid and binding on the Bond Insurer in accordance with its terms or the validity or enforceability of the Bond Insurance Policy with respect to payment of principal of or interest on the 2008A-1a Bonds or 2008A-2 Bonds, as applicable, (including, without limitation, Bank Bonds) is contested by the Bond Insurer, and the Bond Insurer shall repudiate its obligations under the Bond Insurance Policy with respect to payment of principal of and interest on the 2008A-1a Bonds or 2008A-2 Bonds, as applicable, (including, without limitation, Bank Bonds), (ii) any material provision relating to payment of principal or interest under the Bond Insurance Policy at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Bond Insurance Policy or is declared null and void by a court or other governmental agency of appropriate jurisdiction, or (iii) the validity or enforceability of the Bond Insurance Policy with respect to payment of principal of or interest on the 2008A-1a Bonds or 2008A-2 Bonds (including, without limitation, Bank Bonds) is determined to be invalid or unenforceable pursuant to a final, non-appealable decision of a governmental agency or authority with appropriate jurisdiction; or

(d) The occurrence and continuance of one or more of the following events: (i) the issuance of an order of rehabilitation, liquidation, supervision or dissolution of the Bond Insurer; (ii) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency, insurance or other similar law now or hereafter in effect, including without limitation the appointment of a trustee, receiver, liquidator, custodian, supervisor or other similar official for itself or any substantial part of its property; (iii) the consent of the Bond Insurer to any relief referred to in the preceding clause (ii) in an involuntary case or other proceeding commenced against it or the commencement against the Bond Insurer of an involuntary case or other proceeding seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency, insurance or other similar law now or hereafter in effect, including without limitation the appointment of a trustee, receiver, liquidator, custodian, supervisor or other similar official for itself or any substantial part of its property, if such case or proceeding shall continue undismissed or unstayed and in effect for a period of sixty (60) days or an order for relief shall be entered or a receiver, supervisor or similar official shall be appointed in any involuntary case against the Bond Insurer under any bankruptcy, insolvency, insurance or other similar law now or hereafter in effect; (iv) the making by the Bond Insurer of an assignment for the benefit of creditors; (v) the failure of the Bond Insurer to generally pay its debts as they become due; or (vi) the initiation by the Bond Insurer of any actions to authorize any of the foregoing; or

(e) Nonpayment of the Commitment Fee (as defined in the JPMorgan Chase Liquidity Agreements), together with interest thereon at a rate equal to the Default Rate (as defined in the JPMorgan Chase Liquidity Agreements) within ten (10) Business Days after the Authority and the Bond Insurer shall receive written notice from JPMorgan Chase Bank that the same was not paid when due; or

(f) Nonpayment of any other applicable amounts payable by the Authority to JPMorgan Chase Bank when and as due under the applicable JPMorgan Chase Liquidity Agreement; or

(g) Any representation or warranty made by the Authority in the applicable JPMorgan Chase Liquidity Agreement (or incorporated therein by reference) or in any of the other Related Documents (as defined in the JPMorgan Chase Liquidity Agreements) or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with that Liquidity Agreement or with any of the other Related Documents, shall prove to have been incorrect, incomplete or misleading in any material respect when made or deemed to have been made; or

(h) The Authority defaults in the due observance or performance of certain covenants set forth (or incorporated by reference) in the applicable JPMorgan Chase Liquidity Agreement; or

(i) The Authority defaults in the due observance or performance of any other term, covenant or agreement set forth (or incorporated by reference) in the applicable

JPMorgan Chase Liquidity Agreement and the continuance of such default for thirty (30) days after the occurrence thereof; or

(j) A proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Authority or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated within sixty (60) days of commencement or such court enters an order granting the relief sought in such proceeding, or the Authority shall institute or take any corporate action for the purpose of instituting any such proceeding, or a moratorium, debt restructuring, debt adjustment, or comparable extraordinary restriction with respect to the payment of principal or interest on the 2008A-1a Bonds or 2008A-2 Bonds, as applicable, or any other Parity Indebtedness (as defined in the JPMorgan Chase Liquidity Agreement) of the Authority is declared by any governmental authority of competent jurisdiction, or the Authority shall become insolvent or unable to pay its debts as they mature, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Authority or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or the Authority shall declare a moratorium, debt restructuring, debt adjustment, or comparable extraordinary restriction with respect to the payment of principal of or interest on the 2008A-1a Bonds or 2008A-2 Bonds, as applicable, or any other Parity Indebtedness of the Authority, or shall take any corporate action in furtherance of any of the foregoing; or

(k) (i) The applicable JPMorgan Chase Liquidity Agreement, the Indenture, the 2008A-1a Bonds or the 2008A-2 Bonds, as applicable, or any material provision hereof or thereof with respect to the payment of principal or interest on the 2008A-1a Bonds or 2008A-2 Bonds, as applicable, (including Bank Bonds) or with respect to the security therefor shall for any reason cease to be valid and binding on the Authority, or the Authority shall deny that the Authority has any or further liability under the JPMorgan Chase Liquidity Agreement, the Indenture or the Bonds or any material provision hereof or thereof with respect to the payment of principal or interest on the 2008A-1a Bonds or 2008A-2 Bonds, as applicable, (including Bank Bonds) or with respect to the security therefor, or (ii) the applicable JPMorgan Chase Liquidity Agreement, the Indenture, the 2008A-1a Bonds or the 2008A-2 Bonds, as applicable, or any material provision hereof or thereof with respect to the payment of principal or interest on the 2008A-1a Bonds or 2008A-2 Bonds, as applicable (including Bank Bonds), or with respect to the security therefore shall in a judicial proceeding or any other official action commenced by the Authority, be contested by the Authority in said proceeding or action, or (iii) any court shall have ruled pursuant to a final judgment or order, or any other governmental authority having jurisdiction shall find or rule, that the applicable JPMorgan Chase Liquidity Agreement, the Indenture, the 2008A-1a Bonds or

the 2008A-2 Bonds, as applicable, or any material provision thereof with respect to the payment of principal or interest on the 2008A-1a Bonds or 2008A-2 Bonds, as applicable, (including Bank Bonds) or with respect to the security therefor is null and void, invalid, unenforceable or not binding on the Authority; or

(l) The claims-paying ability rating assigned to the Bond Insurer is reduced below "A2" (or its equivalent) and AA- (or its equivalent) by Moody's and S&P, respectively, in either case, for a period of thirty (30) consecutive days.

(m) (a) Each of Moody's and S&P downgrades the rating of the financial strength or claims-paying ability of the Bond Insurer to below Investment Grade (as defined in the applicable JPMorgan Chase Liquidity Agreement or (b) each of Moody's and S&P shall suspend or withdraw such financial strength or claims paying ability rating for credit-related reasons; or

(n) The Bond Insurance Policy is surrendered, canceled or terminated, or amended or modified in any material respect, or the Bond Insurer is substituted as insurer of the 2008A-1a Bonds or 2008A-2 Bonds, as applicable, in each case, without the prior written consent of JPMorgan Chase Bank; or

(o) The occurrence of an "event of default" under any of the Related Documents which is not cured within any applicable cure period shall occur which, if not cured, would give rise to remedies available under the applicable JPMorgan Chase Liquidity Agreement; or

(p) The Authority shall (i) default in any payment of principal of, premium, if any, or interest on any Parity Indebtedness, other than indebtedness owed pursuant to the applicable JPMorgan Chase Liquidity Agreement; or (ii) default in the observance or performance of any other agreement or condition relating to any such Parity Indebtedness (other than by virtue of an Event of Default under the applicable JPMorgan Chase Liquidity Agreement) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Parity Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Parity Indebtedness to become due and payable; or

(q) A final, nonappealable judgment or order for the payment of money in an amount equal to \$10,000,000 or greater payable from the Trust Estate (as defined in the applicable JPMorgan Chase Liquidity Agreement) shall have been rendered against the Authority and such judgment or order shall not have been satisfied, stayed or bonded pending appeal within a period of sixty (60) days from the date on which it was first so rendered; or

(r) A default shall occur and be continuing under the applicable JPMorgan Chase Liquidity Agreement or any other agreement between the Authority and JPMorgan

Chase Bank or under any other obligation owed by the Authority to JPMorgan Chase Bank.

Remedies under the JPMorgan Chase Liquidity Agreements

The following are remedies available to JPMorgan Chase Bank under the JPMorgan Chase Liquidity Agreements upon the occurrence of certain events of default thereunder:

(i) In the case of an Immediate Termination Event (as defined in the applicable JPMorgan Chase Liquidity Agreement), the Available Commitment and the obligation of the Bank to purchase 2008A-1(a) Bonds or 2008A-2 Bonds, as applicable, shall immediately terminate without prior notice or demand, and thereafter the Bank shall be under no obligation to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable. Promptly after the Bank receives notice or otherwise becomes aware of the occurrence of an Immediate Termination Event, the Bank shall give written notice of the same to the Authority, the Trustee, the Bond Insurer and the applicable Remarketing Agent; *provided*, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to receive or give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of its obligation to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, pursuant to the applicable JPMorgan Chase Liquidity Agreement.

(ii) In the case of an Event of Default under clause (e) or (l) above, the Bank may terminate the Available Commitment by giving written notice (a "Notice of Termination") to the Authority, the applicable Remarketing Agent, the Bond Insurer and the Trustee, specifying the date on which the Available Commitment shall terminate (the "Termination Date"), which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee, and on and after the Termination Date JPMorgan Chase Bank shall be under no further obligation to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, under the applicable JPMorgan Chase Liquidity Agreement.

(iii) Upon the occurrence and during the continuance of a Potential Default (as defined in the applicable JPMorgan Chase Liquidity Agreement) under clause (b), (c)(i) or (l)(ii) above and upon the occurrence and during the continuance of a Default (as defined in the applicable JPMorgan Chase Liquidity Agreement) described under clause (d)(iii) above (each a "Suspension Event"), the obligation of JPMorgan Chase Bank under the applicable JPMorgan Chase Liquidity Agreement to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, shall be immediately and automatically suspended, without notice, and JPMorgan Chase Bank shall be under no further obligation to purchase Bonds unless and until the obligations of JPMorgan Chase Bank to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, is reinstated as described below. Promptly upon obtaining knowledge of any such Potential Default (whether from the Authority, the Trustee or otherwise), JPMorgan Chase Bank shall give the Authority, the Trustee, the Bond Insurer and the applicable Remarketing Agent written notice of such Potential Default; provided that JPMorgan Chase Bank shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment and of the obligation

of JPMorgan Chase Bank to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, pursuant to the JPMorgan Chase Liquidity Agreement. The Authority shall promptly direct the Trustee in writing to notify all owners of the 2008A-1a Bonds or 2008A-2 Bonds, as applicable, of any suspension of the obligation of JPMorgan Chase Bank to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, as a result of the occurrence of such Potential Default. If at any time prior to the earlier of (i) February 7, 2013 and (ii) the date that is three (3) years following the suspension of the obligation of JPMorgan Chase Bank to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, (x) the Potential Default which gave rise to such suspension is cured or ceased to be continuing and (y) the obligation of JPMorgan Chase Bank to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, under the applicable JPMorgan Chase Liquidity Agreement has not otherwise terminated, then, upon written notice from the Trustee to JPMorgan Chase Bank to such effect, the obligation of JPMorgan Chase Bank to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, under the applicable JPMorgan Chase Liquidity Agreement shall be automatically reinstated. If the Potential Default which gave rise to the suspension of the obligation of JPMorgan Chase Bank to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, under the applicable JPMorgan Chase Liquidity Agreement has not been cured or ceases to be continuing prior to the three (3) year anniversary of such occurrence and the obligation of JPMorgan Chase Bank to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, under the applicable JPMorgan Chase Liquidity Agreement has not otherwise terminated, then the obligation of JPMorgan Chase Bank to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, shall be terminated upon written notice from JPMorgan Chase Bank to the Authority, the Trustee and the Bond Insurer and thereafter JPMorgan Chase Bank shall have no further obligation to purchase any 2008A-1a Bonds or 2008A-2 Bonds, as applicable; provided that JPMorgan Chase Bank shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of the obligation of JPMorgan Chase Bank to purchase 2008A-1a Bonds or 2008A-2 Bonds, as applicable, pursuant to the applicable JPMorgan Chase Liquidity Agreement.

(iv) In addition to the rights and remedies set forth in clauses (a), (b) and (c), in the case of any Event of Default specified above, upon the election of JPMorgan Chase Bank, that JPMorgan Chase Bank shall have all the rights and remedies available to it under the applicable JPMorgan Chase Liquidity Agreement, the Related Documents, or otherwise pursuant to law or equity; provided, however, that JPMorgan Chase Bank shall not have the right to terminate its obligation to purchase Eligible Bonds, to declare any amount due under the applicable JPMorgan Chase Liquidity Agreement due and payable, or to accelerate the maturity date of any 2008A-1a Bonds or 2008A-2 Bonds, as applicable, except as provided in the applicable JPMorgan Chase Liquidity Agreement and in the Indenture. These remedies are cumulative and not exclusive of any remedies provided by law.

JPMorgan Chase Bank as a Liquidity Facility Provider

JPMorgan Chase Bank is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMorgan

Chase Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of September 30, 2010, JPMorgan Chase Bank had total assets of \$1,642.7 billion, total net loans of \$538.4 billion, total deposits of \$984.2 billion, and total stockholder's equity of \$132.3 billion. These figures are extracted from the JPMorgan Chase Bank's unaudited Consolidated Reports of Condition and Income (the "Call Report") as of September 30, 2010, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation. The Call Report, including any update to the above quarterly figures, can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2009, of JPMorgan Chase & Co., the 2009 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the "SEC") by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Reoffering Circular is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC's website at www.sec.gov.

The information contained above relates to and has been obtained from JPMorgan Chase Bank. The delivery of the Reoffering Circular shall not create any implication that there has been no change in the affairs of JPMorgan Chase Bank since the date hereof, or that the information contained or referred to above is correct as of any time subsequent to its date.

PNC Liquidity Agreement

The PNC Liquidity Agreement provides that PNC Bank shall purchase those 2008A-1b Bonds tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof in accordance with the terms of the Amended and Restated Tenth Supplemental Indenture, in each case, to the extent such 2008A-1b Bonds are not remarketed by the Remarketing Agent. The PNC Liquidity Agreement will expire on February 7, 2014 unless extended or terminated pursuant to its terms.

Under certain circumstances described below, the obligation of PNC Bank to purchase 2008A-1b Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be suspended or terminated. In such event, sufficient funds may not be available to purchase 2008A-1b Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the PNC Liquidity Agreement does not provide security for the payment of principal of or interest or premium, if any, on the 2008A-1b Bonds.

Purchase of Tendered Bonds by PNC Bank

PNC Bank will purchase from time to time during the period prior to the expiration or earlier termination of the PNC Liquidity Agreement, Eligible Bonds (as defined in the PNC

Liquidity Agreement), tendered or deemed tendered from time to time during the period from and including the Effective Date as defined in the Liquidity Agreement, to and including February 7, 2014 (unless earlier terminated pursuant to the terms of that Liquidity Agreement) pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the Amended and Restated Tenth Supplemental Indenture, in each case, to the extent such 2008A-1b Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreements. The price to be paid by the Bank for 2008A-1b Bonds will be equal to the aggregate principal amount of each such 2008A-1b Bond, provided that the aggregate principal amount of all 2008A-1b Bonds so purchased shall not exceed the Available Principal Commitment (as defined in the PNC Liquidity Agreement), plus the lesser of (i) the Available Interest Commitment (as defined in that Liquidity Agreement) and (ii) interest accrued thereon to but excluding the date of such purchase.

Events of Default under the PNC Liquidity Agreement

The following events, among others, constitute Events of Default under the PNC Liquidity Agreement. Reference is made to that Liquidity Agreement for a complete listing of all Events of Default.

(a) The Authority shall fail to pay when due any principal of, or interest on, any 2008A-1b Bond or Bank Bond (as defined in the PNC Liquidity Agreement) or certain other amounts owed to PNC Bank under the PNC Liquidity Agreement; or

(b) The Authority shall fail to pay certain amounts payable by it under the PNC Liquidity Agreement or the Fee Letter (as defined in the PNC Liquidity Agreement) and such failure to pay shall continue for five (5) days after the same shall have become due; or

(c) Any material representation or warranty made by or on behalf of the Authority to PNC Bank in the PNC Liquidity Agreement, a Related Document (as defined in the PNC Liquidity Agreement) or in any certificate or statement delivered thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(d) The Authority shall default in the due performance or observance of certain covenants set forth in the PNC Liquidity Agreement; or

(e) The Authority shall default in the due performance or observance of any other term, covenant or agreement contained or incorporated by reference in the PNC Liquidity Agreement (other than those referred to in paragraphs (a), (b), (c) and (d) above) and such default shall remain unremedied for a period of thirty (30) days or more; or

(f) The Authority shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Senior Bonds or any other Parity and Senior Debt (each as defined in the PNC Liquidity Agreement) or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract

or instrument providing for the creation of or concerning such Senior Bonds or other Parity and Senior Debt, or pursuant to the provisions of any such resolution, indenture, contract or instrument, the maturity of any such Senior Bonds or other Parity and Senior Debt, as a result of the occurrence of a default in the payment of principal or interest by the Authority on any Senior Bonds or other Parity and Senior Debt of any nature, may be accelerated, or may be required to be prepaid prior to the stated maturity thereof; or

(g) (i) The Authority shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debts (as defined in the PNC Liquidity Agreement), or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Authority shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the Authority, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Authority shall generally not, or shall be unable to, or so admit in writing its inability to, pay its Debts; or

(h) Any "Event of Default" under the General Indenture or Supplemental Indenture (each as defined in the PNC Liquidity Agreement) or any "Event of Default" which is not cured within any applicable cure period under any of the other Related Documents shall occur; or

(i) Any provision of the PNC Liquidity Agreement, the 2008A-1b Bonds, the General Indenture or the Amended and Restated Tenth Supplemental Indenture related to the payment of principal of or interest on 2008A-1b Bonds or Bank Bonds or the pledge of and lien on the Trust Estate (as defined in the PNC Liquidity Agreement) and all amounts held in any fund under the Indenture shall at any time for any reason cease to be valid and binding or fully enforceable on the Authority as determined by any court or Governmental Agency having appropriate jurisdiction in a final nonappealable judgment, or (ii)(a) the validity or enforceability of any provision of the PNC Liquidity Agreement, the 2008A-1b Bonds, the General Indenture or the Amended and Restated Tenth Supplemental Indenture related to the payment of principal of or interest on 2008A-1b Bonds or Bank Bonds or the pledge of and lien on the Trust Estate and all amounts held in any fund under the Indenture shall be contested by the Authority or (b) any Governmental Agency having appropriate jurisdiction over the Authority shall make a

finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which contests the validity or enforceability of any material provision of the PNC Liquidity Agreement, the 2008A-1b Bonds, the General Indenture or the Amended and Restated Tenth Supplemental Indenture related to the payment of principal of or interest on 2008A-1b Bonds or Bank Bonds or the pledge of and lien on the Trust Estate, or (c) the Authority shall deny that it has any or further liability or obligation under the PNC Liquidity Agreement, the 2008A-1b Bonds, the General Indenture or the Amended and Restated Tenth Supplemental Indenture or (iii) any material provision of the PNC Liquidity Agreement, the 2008A-1b Bonds, the General Indenture or the Amended and Restated Tenth Supplemental Indenture, other than a provision described in clause (i) and (ii) of above, shall at any time for any reason cease to be valid and binding on the Authority, or shall be declared in a final nonappealable judgment by any court having jurisdiction over the Authority to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Authority; or

(j) (i) A final, nonappealable judgment or order for the payment of money in excess of \$10,000,000 in the aggregate or (ii) two or more final, nonappealable judgments or orders for the payment of money in excess of \$25,000,000 in the aggregate, in either case, payable from the Trust Estate (as defined in the PNC Liquidity Agreement) which shall be rendered against the Authority with respect to which, in the opinion of the Bank, adequate cash reserves have not been established, or other means of satisfying or otherwise funding the judgment have not been undertaken, satisfactory to the Bank and such judgment or order shall continue unsatisfied and unstayed for a period of sixty (60) days; or

(k) (i) The long-term unenhanced rating by Moody's, Fitch or S&P on any Senior Bonds is reduced below "Baa2" (or its equivalent), "BBB" (or its equivalent) or "BBB" (or its equivalent), respectively or (ii) any of Moody's, Fitch or S&P shall suspend or withdraw their respective long-term unenhanced ratings for credit-related reasons;

(l) The occurrence and continuance of one or more of the following events: (i) the issuance of an order of rehabilitation, liquidation or dissolution of the Bond Insurer (as defined in the PNC Liquidity Agreement); (ii) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debts (as defined in the PNC Liquidity Agreement) under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (iii) the commencement against the Bond Insurer of any involuntary case or other proceeding seeking any relief referred to in the preceding clause (ii) and such case or proceeding shall not have been dismissed within sixty (60) days following the commencement thereof; (iv) the making by the Bond Insurer of an assignment for the benefit of creditors; (v) the failure of the Bond Insurer to generally pay its Debts (provided for purposes of this definition, "Debts" shall not include any obligation of the Bond Insurer under any insurance policy or surety bond) as they become due; (vi) the Bond Insurer becomes insolvent within the meaning of Section 101(32) of the United States Bankruptcy Code; (vii) the New York State Insurance Department declares a moratorium on the payment of

the Bond Insurer's Debt; or (viii) the initiation by the Bond Insurer of any actions to authorize any of the foregoing; or

(m) The Bond Insurer shall fail, wholly or partially, to make a payment of principal or interest on the 2008A-1b Bonds when, as and in the amounts required under the Insurance Policy (as defined in the PNC Liquidity Agreement), including without limitation principal of and interest on Bank Bonds (as defined in the PNC Liquidity Agreement) at the Bank Rate (as defined in the PNC Liquidity Agreement); or

(n) The President, General Counsel or other authorized officer of the Bond Insurer shall, in writing, (i) claim that the Insurance Policy with respect to the payment of principal of or interest on the 2008A-1b Bonds, including, without limitation, Bank Bonds, is not valid and binding on the Bond Insurer, (ii) repudiate or contest the obligations of the Bond Insurer under the Insurance Policy, with respect to payment of principal of and interest on the 2008A-1b Bonds, including, without limitation, Bank Bonds, or (iii) initiate any legal proceedings to seek an adjudication that the Insurance Policy, with respect to the payment of principal of or interest on the 2008A-1b Bonds, including, without limitation, Bank Bonds, is not valid and binding on the Bond Insurer; or

(o) The Insurance Policy ceases to be in full force and effect or a court of competent jurisdiction, the New York Department of Insurance or any other Governmental Authority with jurisdiction to rule on the validity of the Insurance Policy shall declare, find or rule or shall enter an order, judgment or decree that the such Insurance Policy is not valid and binding on the Bond Insurer or any provision relating to payment of principal or interest under the Insurance Policy ceases to be in full force and effect; or

(p) The Bond Insurer shall fail to make any payment required under any municipal bond insurance policy (other than the Insurance Policy) or surety bond issued by it insuring obligations rated by Moody's, Fitch or S&P when due and such failure shall continue for a period of fifteen (15) days (it being understood by PNC Bank that a failure to pay under such municipal bond insurance policy (other than the Insurance Policy) or surety bond for purposes of this paragraph (n) shall not mean a situation whereby the Bond Insurer contests in good faith its liability in appropriate legal proceedings under any such policy or policies in light of the claims made thereunder); or

(q) (i) The claims-paying ability rating assigned to the Bond Insurer is reduced below "Baa3" (or its equivalent) and BBB- (or its equivalent) by Moody's and S&P, respectively, or is suspended or withdrawn by each of Moody's and S&P for credit related reasons, or (ii) the claims-paying ability rating assigned to the Bond Insurer is reduced below "A2" (or its equivalent) and "AA-" (or its equivalent) by Moody's and S&P, respectively; or

(r) The Insurance Policy is cancelled, terminated, replaced, augmented, amended or modified in any material respect, or a bond insurer is substituted for the Bond Insurer, in each case, without the prior written consent of PNC Bank; or

(s) The Authority shall impose a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on any indebtedness of the Authority secured by or payable from Revenues that is senior to or on a parity with the 2008A-1b Bonds and Banks Bonds or (ii) any Governmental Agency (as defined in the PNC Liquidity Agreement) having appropriate jurisdiction over the Authority shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which results in a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on the 2008A-1b Bonds or Bank Bonds or on all indebtedness of the Authority.

Remedies under the PNC Liquidity Agreement

The following are remedies available to PNC Bank under the PNC Liquidity Agreement upon the occurrence of certain events of default thereunder:

(i) Upon the occurrence of an Event of Default as specified in paragraph (n) above or an event which, with the giving of notice or passage of time, or both, would constitute an Event of Default (a "Default") specified in paragraph (p) above, PNC Bank's obligations to purchase 2008A-1b Bonds under the PNC Liquidity Agreement shall immediately be suspended without notice or demand to any person and thereafter PNC Bank shall be under no obligation to purchase 2008A-1b Bonds until the Available Commitment (as defined in the PNC Liquidity Agreement) is reinstated as described below. Promptly upon the occurrence of such Event of Default or Default, PNC Bank shall notify the Authority, the Trustee and the applicable Remarketing Agent of such suspension in writing; *provided* that PNC Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment and of the obligation to purchase 2008A-1b Bonds pursuant to the PNC Liquidity Agreement. If the Default pursuant to paragraph (p) above shall mature into an Event of Default, or, pursuant to paragraph (n) above, a court with jurisdiction to rule on the validity of the Insurance Policy shall thereafter enter a final, nonappealable judgment that such Insurance Policy is not valid and binding on the Bond Insurer, then the Available Commitment and the obligation of PNC Bank to purchase the 2008A-1b Bonds shall immediately terminate without notice or demand and thereafter PNC Bank shall be under no obligation to purchase 2008A-1b Bonds. If the Default pursuant to paragraph (p) above shall not mature into an Event of Default, or, pursuant to paragraph (n) above, a court with jurisdiction to rule on the validity of the Insurance Policy shall find or rule that such Insurance Policy is valid and binding on the Bond Insurer, then the Available Commitment and the obligations of the Bank under the PNC Liquidity Agreement shall thereupon be reinstated (unless the Commitment Period (as defined in the PNC Liquidity Agreement) shall otherwise have expired or the Available Commitment shall otherwise have been terminated or suspended as provided in the PNC Liquidity Agreement). Notwithstanding the foregoing, if upon the earlier of (A) three (3) years after the effective date of suspension of PNC Bank's obligations pursuant to this clause (i) and (B) the Scheduled Termination Date (as defined in the PNC Liquidity Agreement), litigation is still pending and a judgment regarding the

validity of the Insurance Policy has not been obtained, then the Available Commitment and the obligation of PNC Bank to purchase the 2008A-1b Bonds shall, unless previously terminated pursuant to any other provision of the PNC Liquidity Agreement, at such time terminate without notice or demand and thereafter, PNC Bank shall be under no obligation to purchase 2008A-1b Bonds.

(ii) In the case of any Event of Default set forth in paragraphs (l), (m), (o), (p), (q)(i) or (r) above, the Available Commitment and the obligation of PNC Bank to purchase 2008A-1b Bonds shall immediately terminate without notice or demand to any person, and thereafter PNC Bank shall be under no obligation to purchase 2008A-1b Bonds. Promptly upon such Event of Default, PNC Bank shall give written notice of the same to the Authority, the Trustee and the Remarketing Agent; *provided* that PNC Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of PNC Bank's Available Commitment and of their obligation to purchase 2008A-1b Bonds pursuant to the PNC Liquidity Agreement. The Authority shall cause the Trustee to notify all 2008A-1b Bondholders (as defined in the PNC Liquidity Agreement) of the termination of the Available Commitment and the obligation of PNC Bank to purchase the 2008A-1b Bonds.

(iii) Upon the occurrence and during the continuance of a Default described in clause (iii) under paragraph (l) above, the obligation of PNC Bank to purchase 2008A-1b Bonds under the PNC Liquidity Agreement shall be immediately and automatically suspended, without notice, and PNC Bank shall be under no further obligation under the PNC Liquidity Agreement to purchase 2008A-1b Bonds, until the bankruptcy, insolvency or similar proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the obligation of PNC Bank under the PNC Liquidity Agreement shall be automatically reinstated and the terms of that Liquidity Agreement shall continue in full force and effect (unless the obligation of PNC Bank to purchase 2008A-1b Bonds under the PNC Liquidity Agreement shall otherwise have terminated or there has occurred a Bond Insurer Event of Default) as if there had been no such suspension.

(iv) In the case of an Event of Default under clause (b) (as it relates to the payment of commitment fees payable to PNC Bank) or clause (q)(ii) above, PNC Bank may give written notice of such Event of Default and termination of the PNC Liquidity Agreement (a "Notice of Termination of Commitment to Purchase") to the Trustee, the Authority, the Bond Insurer and the applicable Remarketing Agent requesting a Default Tender (as defined in the PNC Liquidity Agreement). The obligation of PNC Bank to purchase 2008A-1b Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination of Commitment to Purchase (as defined in the PNC Liquidity Agreement) is received by the Trustee and on such date the Available Commitment shall terminate and PNC Bank shall be under no obligation under the PNC Liquidity Agreement to purchase 2008A-1b Bonds.

(v) In addition to the rights and remedies set forth in paragraphs (i), (ii), (iii), and (iv) above, upon the occurrence of any Event of Default, PNC Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; *provided, however*, (a) PNC Bank agrees to purchase 2008A-1b Bonds on the terms and conditions of the PNC Liquidity Agreement notwithstanding the occurrence of an Event of Default which does not suspend or terminate its obligation to purchase 2008A-1b Bonds under paragraphs (i), (ii) or (iii) above and (b) notwithstanding anything in the PNC Liquidity Agreement to the contrary, PNC Bank shall not have the right to declare any amount due under the PNC Liquidity Agreement to be immediately due and payable or to accelerate the maturity date of any 2008A-1b Bonds except as permitted by the Indenture.

PNC Bank as a Liquidity Facility Provider

PNC Bank is a national banking association with its headquarters in Pittsburgh, Pennsylvania and its main office in Wilmington, Delaware. PNC Bank is a wholly-owned indirect subsidiary of PNC Financial. PNC Bank's origins as a national bank date to 1865. PNC Bank and its subsidiaries offer a wide range of commercial banking, retail banking, and trust and wealth management services to their customers. PNC Bank's business is subject to examination and regulation by federal banking authorities. Its primary federal bank regulator is the OCC and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC").

PNC Financial, the parent company of PNC Bank, is one of the largest diversified financial services companies in the United States and is headquartered in Pittsburgh, Pennsylvania. PNC Financial was incorporated under the laws of the Commonwealth of Pennsylvania in 1983 with the consolidation of Pittsburgh National Corporation and Provident National Corporation. Since 1983, PNC Financial has diversified its geographic presence, business mix and product capabilities through internal growth, strategic bank and non-bank acquisitions and equity investments, and the formation of various non-banking subsidiaries.

PNC Financial has businesses engaged in retail banking, corporate and institutional banking, asset management, and residential mortgage banking. PNC Financial provides many of its products and services nationally and others in PNC Financial's primary geographic markets located in Pennsylvania, Ohio, New Jersey, Michigan, Maryland, Illinois, Indiana, Kentucky, Florida, Virginia, Missouri, Delaware, Washington, D.C., and Wisconsin. PNC Financial also provides certain products and services internationally.

PNC Financial acquired National City Corporation ("National City") on December 31, 2008, nearly doubling PNC Financial's assets and expanding total consolidated deposits. PNC Financial's consolidated balance sheet includes the impact of the acquisition of National City beginning as of December 31, 2008. National City Bank, the former National City's bank subsidiary, merged into PNC Bank at the close of business on November 6, 2009. The consolidated reports of condition and income that PNC Bank submits quarterly to the OCC, its primary regulator, reflect this merger beginning with the December 31, 2009 report.

PNC Financial
in billions

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Total assets	\$264.3	\$269.9
Total deposits	\$183.4	\$186.9
Shareholders' equity	\$30.2	\$ 29.9

PNC Financial
in billions

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Total assets	\$251.3	\$260.3
Total loans (net of unearned income) and loans held for sale	\$153.5	\$160.2
Total deposits	\$185.1	\$193.0
Total equity capital	\$ 35.4	\$ 31.8

THE PNC LIQUIDITY AGREEMENT IS SOLELY AN OBLIGATION OF PNC BANK AND IS NEITHER AN OBLIGATION OF NOR GUARANTEED BY PNC FINANCIAL OR ANY OF ITS OTHER AFFILIATES.

Supervision and Regulation

PNC Financial, the parent company of PNC Bank, is a bank and financial holding company and is subject to numerous governmental regulations involving both its business and organization. Its businesses are subject to regulation by multiple bank regulatory bodies as well as multiple securities industry and other regulators. Applicable laws and regulations restrict PNC Financial's ability to repurchase stock or to receive dividends from subsidiaries that operate in the banking and securities businesses and impose capital adequacy requirements. They also restrict permissible activities and investments and require compliance with protections for loan, deposit, brokerage, fiduciary, mutual fund and other customers, and for the protection of customer information, among other things. A failure to have adequate procedures to comply with regulatory requirements could expose the company to damages, fines and regulatory penalties, which could be significant, and could also injure the company's reputation with customers and others with whom it does business. In addition, PNC Financial and PNC Bank are subject to comprehensive examination and supervision by banking and other regulatory bodies. Examination reports and ratings (which often are not publicly available) and other aspects of this supervisory framework can materially impact the conduct, growth, and profitability of the company's businesses.

Due to the current economic environment and issues facing the financial services industry, there have been significant legislative, administrative, and regulatory initiatives by the Federal government, including many focused specifically on banking and other financial services in which PNC Financial is engaged. These efforts, which will continue to evolve, include the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009, the Credit CARD Act of 2009, the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, changes to the regulations implementing the Real Estate Settlement Procedures Act, the Federal Truth in Lending Act, and the Electronic Fund Transfer Act, and the extensive reforms enacted in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Developments to date, as well as those that come in the future, have had and are likely to continue to have an impact on the conduct of the business of PNC Financial and PNC Bank. This impact could include rules and regulations that affect the nature and profitability of the company's business activities, how the company uses its capital, and other matters potentially having a negative effect on the company's overall business results and prospects.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law on July 21, 2010 and is now in the implementation stage, is extensive, complicated and comprehensive legislation that impacts practically all aspects of a banking organization. For example, the Act prohibits banks from engaging in some types of proprietary trading, restricts the ability of banks to sponsor or invest in private equity or hedge funds, and requires banks to move some derivatives business to separately capitalized subsidiaries of holding companies. The Federal Reserve will set debit card interchange fees. States will be allowed to impose consumer protection laws on national banks if the state laws are stricter than federal laws, although the Comptroller of the Currency may preempt state laws if they prevent or significantly interfere with the business of banking. Other provisions of the legislation will affect oversight, holding company capital requirements, risk retention for securitizations, and residential mortgage products. Much of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires the adoption of implementing regulations by a number of different regulatory bodies, including the newly-created Consumer Financial Protection Bureau and Financial Stability Oversight Council, and the precise nature, extent and timing of many of these reforms and the impact on PNC Financial and PNC Bank is still uncertain. While much of how the Dodd-Frank Wall Street Reform and Consumer Protection Act will operate depends on the specific regulatory changes adopted, it is clear that the reforms will have a significant effect on the entire financial services industry.

A general discussion of some of the elements of the regulatory framework affecting PNC Financial and its subsidiaries as well as a discussion of the key risk factors that affect PNC Financial is available in the following sections of PNC Financial's 2009 Annual Report on Form 10-K: the Supervision and Regulation section included in Item 1 -- Business; Item 1A -- Risk Factors; and Note 23 Regulatory Matters of the Notes To Consolidated Financial Statements included in Item 8 of that Report. Item 1A -- Risk Factors was updated in PNC Financial's second quarter and third quarter 2010 quarterly reports on Form 10-Q.

Incorporation of Certain Documents by Reference

PNC Bank submits certain unaudited reports called "Consolidated Reports of Condition and Income" ("Call Reports") to the OCC, its primary federal bank regulator, quarterly. Each Call Report consists of a balance sheet, income statement, changes in equity capital and other supporting schedules as of the end of or for the period to which the report relates. The Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. Because of the special supervisory, regulatory and economic policy needs served by the Call Reports, those regulatory instructions do not in all cases follow accounting principles generally accepted in the United States, including the opinions and statements of the Accounting Principles Board or the Financial Accounting Standards Board ("U.S. GAAP"). While the Call Reports are supervisory and regulatory documents, not primarily financial accounting documents, and do not provide a complete range of financial disclosure

about PNC Bank, the reports nevertheless provide important information concerning the financial condition and results of operations of PNC Bank.

The publicly available portions of the Call Reports are on file with, and publicly available on written request to, the FDIC, Public Information Center, 801 17th Street, NW, Room 100, Washington, D.C. 20434, or by calling the FDIC Public Information Center at 877-275-3342 or 202-416-6940. The Call Reports are also available by accessing the FDIC's website at <http://www.fdic.gov>.

PNC Financial, the parent company of PNC Bank, is subject to the informational requirements of the Securities Exchange Act of 1934 ("Exchange Act"). In accordance with the Exchange Act, PNC Financial files annual, quarterly and current reports, proxy statements, and other information with the SEC. PNC Financial's SEC File Number is 001-09718. You may read and copy this information at the SEC's Public Reference Room, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You can also obtain copies of this information by mail from the public reference section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates.

The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers, like PNC Financial, who file electronically with the SEC. The address of that website is <http://www.sec.gov>. You can also inspect reports, proxy statements and other information about PNC Financial at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

The web addresses of the FDIC and the SEC are included as inactive textual references only. Except as specifically incorporated by reference into this summary, information on those websites is not part hereof.

The publicly-available portions of PNC Bank's Call Reports for the years ended December 31, 2009, 2008, and 2007 and for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010, and of any amendments or supplements thereto, as filed by PNC Bank with the OCC, are incorporated herein by reference. The publicly-available portions of each other PNC Bank Call Report, and of any amendments or supplements thereto or to any of the PNC Bank Call Reports listed above, filed with the OCC after December 31, 2009 and prior to the termination of the PNC Liquidity Agreement are also incorporated herein by reference and will be deemed a part hereof from the date of filing of each such document. Subsequently filed reports, and amendments or supplements to reports, will automatically update and supersede prior information.

In addition to the Call Reports referred to above, PNC Bank incorporates herein by reference the following documents: PNC Financial's Annual Report on Form 10-K for the year ended December 31, 2009; PNC Financial's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010; PNC Financial's Current Reports on Form 8-K (by date filed) dated January 15, 2010 (two filings), February 3, 2010, February 8, 2010, March 2, 2010, May 3, 2010, May 5, 2010, May 19, 2010, June 11, 2010, August 11, 2010, September 7, 2010, November 12, 2010, and the second Current Report on

Form 8-K filed on January 20, 2011 (with respect to Exhibit 99.1 thereof); and any amendments or supplements to those reports.

Each other annual, quarterly and current report, and any amendments or supplements thereto or to any of the PNC Financial reports listed above, filed by PNC Financial with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act after December 31, 2009 and prior to the expiration of the Letter of Credit is incorporated herein by reference and will be deemed a part hereof from the date of filing of each such document. Subsequently filed reports, and amendments or supplements to reports, will automatically update and supersede prior information. The information incorporated by reference herein does not include any report, document or portion thereof that PNC Financial furnishes to, but does not file with, the SEC unless otherwise specifically provided above.

Neither the delivery of this document nor the sale of any 2008A-1b Bonds will imply that the information herein or in any document incorporated by reference is correct as of any time after its date. Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes hereof to the extent that a statement contained therein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part hereof.

Any of the above documents incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into such documents) are available upon request by holders of the 2008A-1b Bonds or by prospective investors in the Bonds without charge: (1) in the case of PNC Bank documents, by written request addressed to Ronald Lewis, Manager of Regulatory Reporting, at The PNC Financial Services Group, Inc., One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707; or (2) in the case of PNC Financial documents, (a) for copies without exhibits, by contacting Shareholder Services at 800-982-7652 or via the online contact form at www.computershare.com/contactus, and (b) for exhibits, by contacting Shareholder Relations at 800-843-2206 or via e-mail at investor.relations@pnc.com. The interactive data file (XBRL) exhibit is only available electronically.

SUBSTITUTE LIQUIDITY FACILITY

General

The Authority covenants in the Amended and Restated Tenth Supplemental Indenture that at all times while any Reoffered Bonds are outstanding which bear interest at a Weekly Rate or a Flexible Rate, it will maintain a Liquidity Facility in full force and effect with respect to all such Reoffered Bonds, except as otherwise provided in the Amended and Restated Tenth Supplemental Indenture.

Upon the receipt by the Trustee of a written request of the Authority stating that the amount available under a Liquidity Facility may be reduced in compliance with the Amended and Restated Tenth Supplemental Indenture, the Trustee is required to direct or send appropriate

notice to the applicable Bank requesting or directing that such amount be reduced and specifying the amount that shall thereafter be available under such Liquidity Facility, subject to any requirements of the applicable Liquidity Agreement. In no event shall such Liquidity Facility be reduced to an amount less than the principal amount of the Reoffered Bonds of the applicable Series or Sub-series Outstanding which bear interest at other than a Fixed Rate, plus an amount equal to interest thereon at the Interest Coverage Rate and for the number of days then required by any Rating Agency then rating such Reoffered Bonds, unless the Authority has deposited a Substitute Liquidity Facility with the Trustee in accordance with the terms of the Amended and Restated Tenth Supplemental Indenture, or unless the other requirements set forth in the Amended and Restated Tenth Supplemental Indenture are satisfied. In no event may any Substitute Liquidity Facility only partially replace any then-current Liquidity Facility. Notwithstanding the foregoing, immediately after payment in full has been made on any Reoffered Bond, either at its maturity, by optional or sinking fund redemption, or otherwise, the Trustee is required to direct or send appropriate notice to the applicable Bank requesting or directing that the amount available under such Liquidity Facility be reduced by an amount equal to such principal so paid plus the amount of interest therefore provided for under such Liquidity Facility on such principal amount.

Substitute Liquidity Facility

While any Reoffered Bonds bear interest at a Weekly Rate or a Flexible Rate, a Substitute Liquidity Facility relating to such Reoffered Bonds may become effective on any Business Day, which shall be a Liquidity Substitution Date. The Authority will cause a draft of any Substitute Liquidity Facility in substantially final form and a commitment letter with respect thereto, together with written evidence from each Rating Agency rating the Reoffered Bonds prior to the Liquidity Substitution Date of the rating on the Reoffered Bonds after the Liquidity Substitution Date, to be delivered to the Trustee, the Trustee's Agent, the applicable Remarketing Agent and the Bond Insurer, not less than 15 days prior to the proposed Liquidity Substitution Date; provided that not less than 30 days prior to the proposed Liquidity Substitution Date, the Authority will provide written notice to the Bond Insurer, the Bank providing the Liquidity Facility being substituted, and the Trustee, who shall promptly notify the Owners, of the identity of the provider of the Substitute Liquidity Facility. Any Bank providing a Substitute Liquidity Facility shall be subject to Bond Insurer Approval. On each Liquidity Substitution Date the Authority, the Bond Insurer, the applicable Remarketing Agent, the Trustee and the Trustee's Agent shall also receive: (i) an opinion of counsel for the Substitute Bank regarding the enforceability of the Substitute Liquidity Facility in substantially the form delivered to the Trustee upon execution and delivery of the Liquidity Facility then in effect, (ii) an Opinion of Bond Counsel to the effect that the substitution of the Liquidity Facility then in effect will not adversely affect the validity of such Reoffered Bonds or cause the interest on the Reoffered Bonds to be includible in gross income for federal income tax purposes, and (iii) an opinion of counsel (other than counsel for the Substitute Bank) to the effect that such Substitute Liquidity Facility qualifies as a Substitute Liquidity Facility under the Amended and Restated Tenth Supplemental Indenture, and (iv) a copy of the Substitute Liquidity Agreement. The Authority shall not execute and deliver a Substitute Liquidity Facility unless all obligations owing to the then current Bank under the Liquidity Agreement have been paid in full, including payment then due of all principal and interest on Outstanding Bank Bonds.

Liquidity Facility Not Required in Certain Circumstances

While any Series or Sub-series of Reoffered Bonds bear interest at a Weekly Rate or a Flexible Rate, such Reoffered Bonds are required to have the benefit of a Liquidity Facility with respect to 100 percent of the outstanding principal amount of such Reoffered Bonds unless, prior to the expiration or termination of the Liquidity Facility then in effect, there is delivered to the Authority, the applicable Remarketing Agent, the Bond Insurer, the Trustee and the Trustee's Agent: (i) an Opinion of Bond Counsel to the effect that the expiration or termination of the Liquidity Facility then in effect will not adversely affect the validity of such Reoffered Bonds or adversely affect any exclusion from gross income for federal income tax purposes to which interest on the Reoffered Bonds would otherwise be entitled, (ii) Bond Insurer Approval, and (iii) unless waived by the Bond Insurer, written evidence from each Rating Agency then maintaining a rating on such Reoffered Bonds that the ratings on such Reoffered Bonds (other than Reoffered Bonds in the Fixed Mode) following the expiration or termination of the Liquidity Facility will not be reduced or withdrawn from the short term ratings on such Reoffered Bonds immediately prior to such expiration or termination. Reoffered Bonds bearing interest at a Fixed Rate are not required to have the benefit of a Liquidity Facility.

Upon satisfaction of the requirements described in the paragraph above, (i) the Trustee, upon receipt of the written request of the Authority shall direct or send appropriate notice to the Bank requesting or directing the cancellation of its Liquidity Facility then in effect on the date (the "Liquidity Facility Cancellation Date") requested by the Authority in such written request, which date may not be fewer than 30 days, or such longer period as is required by its Liquidity Agreement for its termination at the request of the Authority, from the date the Trustee receives such written request and (ii) following the date of such cancellation, all Tendered Bonds may be remarketed by the applicable Remarketing Agent pursuant to the Remarketing Agreement without the benefit of a Liquidity Facility until such time, if any, as the Reoffered Bonds are thereafter entitled to the benefits of a Liquidity Facility pursuant to the provisions of the Amended and Restated Tenth Supplemental Indenture, but only if there is delivered to the Authority, the Bond Insurer, the Trustee, the Trustee's Agent and the applicable Remarketing Agent an Opinion of Bond Counsel to the effect that the execution and delivery of the Liquidity Facility will not adversely affect the validity of such Reoffered Bonds or adversely affect any exclusion from gross income for federal income tax purposes to which interest on the Reoffered Bonds would otherwise be entitled. In the event of a Liquidity Facility Cancellation Date, the Reoffered Bonds are subject to mandatory tender as described previously under the heading **"DESCRIPTION OF THE REOFFERED BONDS – Tenders."**

Substitute Liquidity Facilities for 2007 Series A Bonds

The Authority also expects to replace the Liquidity Facility for the Authority's 2007 Series A-1 Bonds and 2007 Series A-2 Bonds (collectively, the "2007 Series A Bonds") with one or more Substitute Liquidity Facilities on or about March 1, 2011, pursuant to the Indenture.

REMARKETING AGREEMENTS

Remarketing Agents

Citigroup Global Markets Inc. was appointed as the Remarketing Agent for the 2008A-1a Bonds and the 2008A-1b Bonds and Barclays Capital Markets Inc. was appointed as the Remarketing Agent for the 2008A-2 Bonds (each, a "Remarketing Agent," and collectively, the "Remarketing Agents").

Each Remarketing Agent is appointed as a Remarketing Agent under a separate but substantially similar Remarketing Agreement (each, a "Remarketing Agreement" and collectively, the "Remarketing Agreements"). Each Remarketing Agent agrees to perform all of the interest rate setting functions for the Sub-series of the Reoffered Bonds assigned to it in the Amended and Restated Tenth Supplemental Indenture and to use its best efforts to offer for sale and to sell the Reoffered Bonds tendered at a price of not less than 100 percent of the principal amount thereof plus accrued interest and unpaid interest thereon to but not including February 7, 2011, without premium.

Remarketing Agreements

A Remarketing Agent shall be under no obligation to remarket Tendered Bonds during the period when there is no Liquidity Facility in effect when such Liquidity Facility is required pursuant to the Amended and Restated Tenth Supplemental Indenture. Unless directed not to do so in writing by the Authority and the Bond Insurer, and in accordance with the Remarketing Agreement, the Remarketing Agent shall use all reasonable efforts to remarket the Tendered Bonds if there shall have occurred and be continuing a breach under the Amended and Restated Tenth Supplemental Indenture of which an authorized officer of the Remarketing Agent or an authorized officer of the Trustee has actual knowledge. In addition, the Remarketing Agent shall be under no obligation to remarket Series Reoffered Bonds upon the occurrence and continuance of a Special Liquidity Default or Liquidity Agreement Default.

Upon 30 days written notice, each Remarketing Agent may at any time resign or be removed and be discharged of the duties and obligations created by the Amended and Restated Tenth Supplemental Indenture and in the Remarketing Agreement. Otherwise, each Remarketing Agreement shall remain in effect until the earlier of payment in full of all the Reoffered Bonds, or the earlier conversion of such Reoffered Bonds to a Fixed Mode bearing a term which begins on the Fixed Rate Conversion Date and ends on the date of maturity, subject to the right of earlier suspension or termination as provided in the Remarketing Agreement and the Amended and Restated Tenth Supplemental Indenture.

It is the express intention of the Authority and the Remarketing Agents that no purchase, sale or transfer of the Reoffered Bonds pursuant to a Remarketing Agreement shall constitute or be construed to be the extinguishment of the Reoffered Bonds or the indebtedness represented thereby or the reissuance of the Reoffered Bonds or the refunding of any indebtedness represented thereby. Each Remarketing Agent, in its individual capacity, either as principal or agent, may in good faith buy, sell, own, hold and deal in any of the Reoffered Bonds, and may join in any action which any Owner of Reoffered Bonds may be entitled to take with like effect as if it did not act in any capacity under a Remarketing Agreement. Each Remarketing Agent, in

its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transactions with the Authority and may act as depository, trustee, or agency for any committee or body of Owners of Bonds or other obligations of the Authority as freely as if it did not act in capacity under a Remarketing Agreement.

DISCLOSURE CONCERNING SALES OF REOFFERED BONDS BY REMARKETING AGENTS

Appointment of Remarketing Agents

Each Remarketing Agent's responsibilities include determining the interest rate on the applicable Series of Reoffered Bonds from time to time and remarketing the applicable Series of Reoffered Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreements), all as further described in this Reoffering Circular. Each Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agents may differ from those of existing holders and potential purchasers of the Reoffered Bonds.

Purchases by Remarketing Agents for their own Accounts

Each Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. Each Remarketing Agent is permitted, but not obligated, to purchase tendered Reoffered Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Reoffered Bonds in order to achieve a successful remarketing of the Reoffered Bonds (i.e., because there otherwise are not enough buyers to purchase the Reoffered Bonds) or for other reasons. However, a Remarketing Agent is not obligated to purchase Reoffered Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Reoffered Bonds by routinely purchasing and selling Reoffered Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, a Remarketing Agent is not required to make a market in the Reoffered Bonds. Each Remarketing Agent may also sell any Reoffered Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Reoffered Bonds. The purchase of Reoffered Bonds by a Remarketing Agent may create the appearance that there is greater third party demand for the Reoffered Bonds in the market than is actually the case.

Effect of Purchases by Remarketing Agents

Pursuant to the Remarketing Agreements, each Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the applicable Series of Reoffered Bonds at such interest rate at par plus accrued interest, if any, on and as of the applicable effective date. The interest rate will reflect, among other factors, the level of market demand for such Reoffered Bonds (including whether the Remarketing Agent is willing to purchase such Reoffered Bonds for its own account). The purchase of Reoffered Bonds by a Remarketing Agent may cause the interest rate to be lower than it would be if the Remarketing Agent did not purchase Reoffered Bonds.

The Ability to Sell the Reoffered Bonds other than through Tender Process May Be Limited

A Remarketing Agent may buy and sell Reoffered Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Reoffered Bonds to do so through the Trustee with appropriate notice. Thus, investors who purchase the Reoffered Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Reoffered Bonds other than by tendering the Reoffered Bonds in accordance with the tender process.

Resignation or Removal of Remarketing Agents

Under certain circumstances a Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the applicable Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee may assume such duties as described in the Amended and Restated Tenth Supplemental Indenture.

SWAP AGREEMENTS

General

Significant terms of the Authority's existing swap agreements (each a "Swap Agreement" and collectively, the "Swap Agreements") are set forth in the following table. Estimated valuations of the Swap Agreements are shown as of December 31, 2010 and do not include accrued interest; however such valuations are only estimates and may change due to various factors, including changes in interest rates and differences in valuation methods.

Series	Current Notional Amount (000s)	Effective Date	Fixed Rate ⁽¹⁾	Termination Date	Counterparty (as of 12/31/10)	Estimated Valuation (000s) (as of 12/31/2010)
1998B	\$ 67,705	12/30/98	4.3250%	01/01/17	Goldman Sachs Mitsui Marine Derivative Products, L.P.	\$ (8,219)
1998B	55,395	12/30/98	4.3250	01/01/17	JPMorgan Chase Bank, National Association	(7,823)
2007A-1	175,000	11/01/07	3.9720	07/01/30	Citibank N.A., New York	(14,224)
2007A-1	175,000	11/01/07	3.9720	07/01/30	Goldman Sachs Bank USA ⁽²⁾	(14,224)
2007A-2	262,500	11/01/07	3.9925	07/01/30	Bank of America, N.A.	(22,026)
2007A-2	87,500	11/01/07	3.9925	07/01/30	Wells Fargo Bank, N.A.	(7,342)
2008A-1	191,550	02/07/08	3.7740	01/01/31	The Bank of New York	(11,682)
2008A-1	191,550	02/07/08	3.7740	01/01/31	Deutsche Bank AG	(11,682)
2008A-2	95,775	02/07/08	3.7640	01/01/31	Merrill Lynch Capital Services, Inc. ⁽³⁾	(5,719)

⁽¹⁾ Fixed rate paid by the Authority. The Authority receives a variable payment from each counterparty. For the 1998B Series, the variable payment is based upon the actual amount of interest paid bondholders (cost of funds) and for all other series it is based upon the SIFMA 7-day Municipal Swap Index.

⁽²⁾ Guaranteed by The Goldman Sachs Group, Inc.

⁽³⁾ Assets assumed by Bank of America in 2008.

Each of the above Swap Agreements is a Qualified Hedge Agreement. As a result, pursuant to the terms of the Indenture, the Authority is entitled to treat the Bonds related to a given Swap Agreement as bearing interest at the fixed rate of interest payable by the Authority to the counterparty under such Swap Agreement, for purposes of calculating the Net Revenue Requirement to be used in demonstrating compliance with certain financial tests and requirements under the Indenture, including tests for the issuance of Additional Senior Bonds. The aggregate notional amount of each Swap Agreement will at all times either equal or be less than the related Series or Sub-series of Bonds.

Arrangements made in respect of the Swap Agreements do not alter the Authority's obligation to pay the principal of, premium, if any, and interest on the Authority's Outstanding Bonds. Payments pursuant to the Swap Agreements do not constitute Revenues and therefore the Swap Agreements do not provide a source of security for the Authority's Outstanding Bonds.

There are certain risks related to each Qualified Hedge Agreement. For a discussion of certain of these risks, see **APPENDIX A – "FINANCIAL STATEMENTS – Note 6 – Revenue Bonds Payable – Interest Rate Exchange Agreements."**

Swap Agreements for the 2008A Bonds

The Authority entered into four separate Qualified Hedge Agreements with respect to the 2008A Bonds having an aggregate notional amount of \$766,200,000 (collectively, the "2008A Swap Agreements"). The 2008A Swap Agreements became effective on February 7, 2008, the date of issuance of the 2008A Bonds. On June 10, 2010 the Authority terminated one of the 2008A Swap Agreements in a notional amount of \$287,325,000, in connection with the refunding of \$287,300,000 par amount of Series 2008A-2 Bonds. Each of the 2008A Swap Agreements provides that on the first day of each calendar month following the effective date of such Agreement the Swap Provider will pay the Authority a variable rate of interest based on the USD-SIFMA Municipal Swap Index (as defined in the 2008A Swap Agreements), which may be different than the interest rate on the 2008A Bonds, and that the Authority will pay to the respective counterparty a fixed rate of interest. The 2008A Swap Agreements may be terminated at any time at the option of the Authority and may be terminated by either party, as applicable, following the occurrence of certain events of default or other termination events.

The monthly fixed interest payments made by the Authority under the 2008A Swap Agreements will be paid from amounts on deposit in the Interest Sub-Account of the Debt Service Account on a parity with the lien of the Net Revenues created with respect to the 2008A Bonds and any Senior Bonds issued on a parity therewith. Any termination payments with respect to the 2008A Swap Agreements may be paid from amounts on deposit in the Termination Payment Account. Payments from the Termination Payment Account are made after payment of debt service on Senior Bonds, after deposits to the Debt Reserve Account and after payment of any amounts required by Supplemental Indentures authorizing Junior Bonds. See **"SECURITY AND SOURCES OF PAYMENT FOR THE REOFFERED BONDS – Flow of Funds."** Based upon market conditions prevailing at the time of termination, the amount of any such termination payment(s) payable by the Authority to one or more of the providers of the 2008A Swap Agreements, or by one or more of the providers of the 2008A Swap Agreements to the Authority, may be substantial.

Swap Agreements for Other Existing Bonds

The Authority has entered into four separate Qualified Hedge Agreements with respect to the 2007 Bonds having an aggregate notional amount of \$700,000,000 (collectively, the "2007 Swap Agreements"). The 2007 Swap Agreements were initially entered into in anticipation of the issuance of Junior Bonds and amended in connection with the issuance of the 2007 Bonds. The aggregate notional amount of the 2007 Swap Agreements are expected to at all times match the outstanding principal amount of the 2007 Bonds. Each 2007 Swap Agreement provides that on the first day of each calendar month the Swap Provider will pay the Authority a variable rate of interest based on the USD-SIFMA Municipal Swap Index (as defined in the 2007 Swap Agreements) and that semi-annually on the first days of January and July of each year the Authority will pay to the respective counterparty a fixed rate of interest. The 2007 Swap Agreements may be terminated at any time at the option of the Authority and may be terminated by either party, as applicable, following the occurrence of certain events of default or other termination events.

The semi-annual fixed interest payments made by the Authority under the 2007 Swap Agreements will be paid from amounts on deposit in the Interest Sub-Account of the Debt Service Account on a parity with the lien of the Net Revenues created with respect to the 2007 Bonds and any Senior Bonds issued on a parity therewith. Any termination payments with respect to the 2007 Bond Swap Agreements may be paid from amounts on deposit in the Termination Payment Account. Payments from the Termination Payment Account are made after payment of debt service on Senior Bonds, after deposits to the Debt Reserve Account and after payment of any amounts required by Supplemental Indentures authorizing Junior Bonds. Based upon market conditions prevailing at the time of termination, the amount of any such termination payment(s) payable by the Authority to one or more of the providers of the 2007 Swap Agreements may be substantial.

The Authority entered into two separate Swap Agreements with respect to the 1998B Bonds having an aggregate notional amount of \$123,100,000 (collectively, the "1998 Swap Agreements"). The aggregate notional amount of the 1998 Swap Agreements are expected to at all times match the outstanding principal amount of the 1998B Bonds. Each of the 1998 Swap Agreements provides that on January 1 and July 1 of each year commencing July 1, 1999 and ending January 1, 2017, the 1998 Swap Providers will pay to the Authority an amount equal to the amount of interest accruing on the 1998 Bonds and the Authority will pay to the respective counterparty (collectively, the "1998 Swap Providers") a fixed rate of interest. The 1998 Swap Agreements provide further that, upon the occurrence of certain events, the amounts payable by the 1998 Swap Providers under the 1998 Swap Agreements shall equal the Alternative Floating Rate (as defined in the 1998 Swap Agreements), which may be different than the interest rate on the 1998B Bonds. The 1998 Swap Agreements may be terminated at any time at the option of the Authority and may be terminated by either party, as applicable, following the occurrence of certain events of default or other termination events. Based upon market conditions prevailing at the time of any termination, the amount of any such termination payments payable by the Authority to the 1998 Swap Providers, or by the 1998 Swap Providers to the Authority, may be substantial.

Unless otherwise provided for, the Authority is obligated to make payments to the 1998 Swap Providers, including Swap Termination Payments, if any, from the Net Revenues of the Tollway System, including amounts in and transferred to the Debt Service Account. The Authority's obligation to make such payments is on a parity with the lien on the Net Revenues created with respect to the Reoffered Bonds and is prior to payment of debt service on any Junior Bonds or Subordinated Indebtedness.

Under the Indenture, any termination payments with respect to the 1998 Swap Agreements are payable from the Provider Payment Sub-Account of the Debt Service Account. Payments from the Provider Payment Sub-Account are made after payment of debt service on the Senior Bonds but prior to deposits to the Debt Reserve Account (although no deposit may be made to the Provider Payment Sub-Account for making any termination payment if there is a deficiency in the Debt Reserve Account) and prior to payment of debt service on Junior Bonds. Termination payments, if any, with respect to Swap Agreements executed and delivered from and after the date of execution and delivery of the Seventh Supplemental Indenture, which include the 2007 Swap Agreements and the 2008A Swap Agreements, are payable from funds on deposit in the Termination Payment Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE REOFFERED BONDS – Flow of Funds." In addition, the Authority may determine to make termination payments from other lawfully available funds of the Authority.

ANNUAL DEBT SERVICE REQUIREMENTS

Set forth below is a schedule of the annual debt service associated with the Authority's Bonds Outstanding, all of which are Senior Bonds, for the years ended January 1, 2012 through January 1, 2035.

<u>Year Ending January 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 53,040,000	\$ 196,885,141	\$ 249,925,141
2013	56,365,000	193,558,831	249,923,831
2014	92,855,000	190,458,756	283,313,756
2015	97,795,000	185,518,681	283,313,681
2016	102,910,000	180,315,256	283,225,256
2017	107,850,000	175,472,581	283,322,581
2018	111,315,000	170,547,181	281,862,181
2019	137,785,000	165,029,096	302,814,096
2020	144,640,000	158,125,162	302,765,162
2021	150,695,000	151,777,415	302,472,415
2022	157,980,000	144,249,178	302,229,178
2023	165,615,000	136,352,409	301,967,409
2024	173,660,000	128,083,209	301,743,209
2025	173,605,000	118,411,020	292,016,020
2026	181,350,000	110,656,829	292,006,829
2027	196,565,000	103,107,412	299,672,412
2028	206,045,000	94,071,482	300,116,482
2029	215,850,000	85,683,766	301,533,766
2030	225,550,000	76,819,631	302,369,631
2031	235,295,000	67,501,548	302,796,548
2032	237,545,000	60,368,800	297,913,800
2033	249,790,000	46,843,972	296,633,972
2034	262,665,000	32,626,004	295,291,004
2035	<u>280,000,000</u>	<u>16,382,800</u>	<u>296,382,800</u>
Total	\$ 4,016,765,000	\$ 2,988,846,160	\$ 7,005,611,160

(1) Debt service for the Authority's variable rate bonds (Series 1998B, 2007A-1, 2007A-2, 2008A-1 and 2008A-2) assumes the following annual synthetic fixed interest rates, based on Swap Agreements entered into in connection with those variable rate bonds:

<u>Series</u>	<u>Synthetic Fixed Rate</u>	<u>Series</u>	<u>Synthetic Fixed Rate</u>
1998B	4.3250%	2008A-1	3.7740%
2007A-1	3.9720	2008A-2	3.7640
2007A-2	3.9925		

(2) The Authority's variable rate bonds have liquidity provided through standby bond purchase agreements with the liquidity providers set forth below and have bond insurance to the extent set forth below:

<u>Series</u>	<u>Insurer</u>	<u>Liquidity Provider and Expiration Date of Liquidity Facility</u>
1998B	Assured Guaranty Municipal Corp.	Landesbank Hessen-Thüringen Girozentrale, New York Branch (12/29/2012)
2007A-1	None	Dexia Credit Local, New York Branch (3/20/2011)
2007A-2	None	Dexia Credit Local, New York Branch (3/20/2011)
2008A-1	Assured Guaranty Municipal Corp.	Dexia Credit Local, New York Branch (2/7/2011)
2008A-2	Assured Guaranty Municipal Corp.	Dexia Credit Local, New York Branch (2/7/2011)

Please see "SUBSTITUTE LIQUIDITY FACILITY – Substitute Liquidity Facilities for 2007 Series A Bonds" for a description of the Liquidity Substitution plans for the 2007 Series A Bonds.

Debt service for the variable rate bonds does not include any liquidity fees or remarketing fees. As of the date hereof, no variable rate bonds were held by their respective liquidity providers.

(3) Debt service does not net out any subsidy payments received or anticipated to be received by the Authority in connection with the Series 2009A or 2009B Build America Bonds. Rows and columns may not add due to rounding.

THE AUTHORITY

The Authority was created under the Act as an instrumentality and administrative agency of the State of Illinois to provide for the construction, operation, regulation and maintenance of a system of toll highways within the State of Illinois. Under the Act, on April 1, 1968, the Authority assumed all the obligations, powers, duties, functions and assets of its predecessor agency, The Illinois State Toll Highway Commission. The Act authorizes the issuance of revenue bonds for the purposes, among others, of financing expansions of the Tollway System and reconstruction of and improvements to the Tollway System, and authorizes the issuance of refunding bonds for the purpose of refunding any bonds of the Authority then outstanding at maturity or on any redemption date.

The Authority is empowered to enter into contracts; to acquire, own, use, lease, operate and dispose of personal and real property, including rights-of-way, franchises and easements; to establish and amend resolutions, by-laws, rules, regulations and to fix and revise tolls; to acquire, construct, relocate, operate, regulate and maintain the Tollway System; to exercise the power of eminent domain; and to contract for services and supplies, including services and supplies for the various patron service areas on the Tollway System.

Board of Directors

The Authority is governed by an 11-member Board of Directors that includes the Governor of Illinois and the Secretary of the Illinois Department of Transportation, *ex officio*. Nine directors are appointed by the Governor, with the advice and consent of the Illinois Senate, from the State at large with a goal of maximizing representation from the areas served by the Tollway System. These nine directors are appointed for a term of four years, or in the case of an appointment to fill a vacancy, the unexpired term. No more than five directors may be from the same political party. Of the directors appointed by the Governor, one is appointed by the Governor as Chair of the Authority. The current Chair, Paula Wolff, was initially appointed as a Director and Chair of the Authority on August 13, 2009.

The present directors, their terms of office and occupations are listed below.

NAME	INITIAL APPOINTMENT	EXPIRATION OF CURRENT TERM ⁽¹⁾	OCCUPATION
Governor Patrick J. Quinn, <i>ex officio</i>	—	—	Governor of the State of Illinois
Secretary Gary Hannig, <i>ex officio</i>	—	—	Secretary, Illinois Department of Transportation
Paula Wolff, Chair	August 13, 2009	May 1, 2013	Senior Executive, Chicago Metropolis 2020
James J. Banks ⁽¹⁾	September 29, 1993	May 1, 2009	Attorney at Law
Thomas Canham	August 30, 2007	May 1, 2011	Partner and General Counsel, Sonnenschein Capital, LLC
William Morris	August 13, 2009	May 1, 2011	Retired, Former Senior Vice President, D.A. Davidson & Co.
Arthur George Pradel ⁽¹⁾	October 26, 2001	May 1, 2007	Mayor, City of Naperville

NAME	INITIAL APPOINTMENT	EXPIRATION OF CURRENT TERM ⁽¹⁾	OCCUPATION
James M. Roolf ⁽¹⁾	April 3, 2004	May 1, 2009	Banker, First Midwest of Joliet
Maria Saldaña	December 4, 2009	May 1, 2011	Banker, Duncan-Williams, Inc.
Carl O. Towns ⁽¹⁾	November 14, 2002	May 1, 2009	Retired, Former Head of Human Resources, Ingersoll Milling Machine Company
Thomas Weisner	August 13, 2009	May 1, 2011	Mayor, City of Aurora

⁽¹⁾ Directors whose terms have expired will serve until such director resigns, is reappointed or a successor is duly appointed and qualified.

Principal Administrative Personnel

The Board of Directors of the Authority appoints an Executive Director and employs certain other personnel to administer the Tollway System and implement its policies. The following individuals are the principal administrative personnel of the Authority:

Kristi Lafleur, Executive Director. Ms. Lafleur was appointed Executive Director of the Authority on April 2, 2010. Prior to joining the Authority, Ms. Lafleur served as the Deputy Chief for Economic Development and Recovery for Illinois Governor Pat Quinn where her duties included organizing and overseeing the State's inter-agency program alignment and the development and implementation of reporting systems, procedures and community outreach for programs and projects utilizing Illinois' American Recovery and Investment Act programs. She has also served as the Governor's liaison for the State's economic development and transportation agencies, including the Authority. In addition, she has been serving as the Chair and Illinois appointee to the Midwest High-Speed Rail Steering Committee, a multi-state group appointed by eight Midwest Governors and the Mayor of Chicago. Previously, she served as the Chief of Staff for the Illinois Department of Commerce and Economic Opportunity overseeing operations of the agency's \$1.5 billion annual budget. She also served as president of her own strategic consulting and management firm specializing in business development and urban health initiatives.

Michael J. Colsch, Chief of Finance. Mr. Colsch has been Chief of Finance of the Authority since April, 2003. Prior to joining the Authority, Mr. Colsch was interim Director of the Illinois Bureau of the Budget from October 1, 2002 through January 29, 2003, and was Deputy Director from 1994 through September 2002. Mr. Colsch has been involved in major capital program planning and financing for over twenty years. He has managed the State's general obligation, Build Illinois, Illinois First and civic center bonding programs. Additionally, he assisted with the development of the plan of finance for the expansion of McCormick Place in Chicago, Illinois in the early 1990s. Mr. Colsch has a M.A. Degree in Economics from Western Illinois University and a B.A. Degree in Economics from Loras College in Dubuque, Iowa.

Thomas Bamonte, Assistant Attorney General and General Counsel to the Authority. Mr. Bamonte was appointed General Counsel of the Authority by the Illinois Attorney General in February, 2004. Before joining the Authority, Mr. Bamonte spent seven years at the Chicago Transit Authority, first as Deputy General Counsel for Legal Policy and Appeals, and then as First Deputy General Counsel. He served in the Appeals Division of the Corporation Counsel's Office of the City of Chicago from 1996 to 1998. Mr. Bamonte received his undergraduate degree from the University of Chicago and his J.D. Degree from Northwestern University School

of Law. Following law school and a judicial clerkship with Judge James B. Moran in the U.S. District Court for the Northern District of Illinois, Mr. Bamonte spent 10 years in the private practice of law at the firm of Sachnoff & Weaver, Ltd. in Chicago, Illinois.

Paul Kovacs, P.E., Chief Engineer. Mr. Kovacs has been Chief Engineer since November, 2007. As Chief Engineer of the Authority, Mr. Kovacs is responsible for the organization of the Engineering Department, including policies, procedures, and performance, to ensure the integrity and safety of the Tollway infrastructure and the implementation of the Congestion-Relief Program. He oversees a staff of engineers and consultants and manages the Engineering Department's approximately 550 employees. Mr. Kovacs joined the Authority in 1999. As Deputy Chief and Deputy Program Manager, he successfully managed the high profile conversion to open road tolling under extremely tight deadlines. Mr. Kovacs has also overseen much of the Tri-State and I-88 rehabilitation under the Congestion-Relief Program. Mr. Kovacs received his B.S. Degree in Civil Engineering from the University of Illinois – Champaign/Urbana. He is a Registered Professional Engineer in the States of Illinois and Michigan.

Doug Kucia, Chief of Staff. Mr. Kucia began as Chief of Staff on April 26, 2010. Prior to joining the Authority, Mr. Kucia was the Chief Operations Officer for the Illinois Department of Central Management Services where his duties included managing the state procurement reform initiative, personnel, and the public information office. Previously, he served as Chief of Staff to Cook County Commissioner Forrest Claypool. He currently is an adjunct professor at Northwestern University's School of Public Policy and previously was an adjunct professor in DePaul University's Political Science Department. Mr. Kucia has a B.A. Degree in Political Science from DePaul University and an M.A. Degree in Public Administration from Arizona State University.

Organizational Structure

The Authority's organizational structure consists of 13 departments consisting of Administration, Audit, Business Systems, Communications, Directors and Executive, Engineering, Finance, Illinois State Police - District 15, Information Technology, Inspector General, Legal, Procurement and Toll Operations. The Executive Director manages the day-to-day operations of the Authority. Authority department chiefs report to the Executive Director. The Commander of District 15 of the State Police also reports to the Superintendent of the State Police, and the General Counsel to the Authority also reports to the Attorney General of the State of Illinois.

The Administration Department is responsible for the development and implementation of administrative policies and procedures and employee compliance therewith.

The Audit Department recommends policies and procedures to ensure that the Authority's Board members and employees, contractors and/or vendors adhere to all state and federal laws and internal rules and regulations.

The Business Systems Department is responsible for overseeing the design and development of the open road tolling system and collecting toll revenue from toll violators and

assessing fines and imposing sanctions. The Business Systems Department's responsibilities also include the customer service associated with electronic toll collection.

The Communications Department is responsible for all external and internal communications between the Authority and its constituents, including patrons, news media, elected and appointed officials, the general public and employees.

The Directors and the Executive Department manages Tollway affairs consistent with the Act.

The Engineering Department is responsible for the design, construction and maintenance of the roadway. It also coordinates with community groups, government agencies, and planning organizations on transportation and land-use policy. It also manages the Tollway's DBE (Disadvantaged Business Enterprise) Program.

The Finance Department is responsible for all general accounting, budgeting, treasury functions, financial reporting, accounts payable, payroll, risk management and debt management. In addition, the Finance Department manages certain investments.

Illinois State Police – District 15 is one of 21 districts of the Illinois State Police, responsible for providing comprehensive law enforcement services. The entire Tollway System comprises District 15. State police patrol the Tollway System to enforce speed limits and traffic laws, assist disabled motorists, and provide special details for operations, such as overweight vehicle enforcement.

The Information Technology Department is responsible for planning, directing, managing and controlling all information technologies and telecommunications throughout the Authority.

The Inspector General's Office is responsible for investigating allegations of waste, inefficiencies, fraud, corruption, misconduct and mismanagement in the day-to-day operations of the Authority.

The Legal Department is a Bureau of the Office of the Attorney General of the State of Illinois. The Attorney General is, by law, the legal advisor and attorney for the Authority.

Procurement is responsible for all purchasing and procurement issues, and is authorized to execute contracts and place orders for goods and services. Additionally, the procurement department is responsible for warehousing.

The Toll Operations Department is responsible for providing the necessary resources and services to maintain the Authority's toll operations and facilities, as well as managing the collection and counting of tolls.

Labor Relations and Employee Benefits

As of December 31, 2010, unions represent approximately 1,319 of the Authority's 1,526 employees. In April of 2010, the Authority entered into a one year extension agreement, through September 30, 2010, with the State and Municipal Teamsters, Chauffeurs, and Helpers Union

Local 700, representing approximately 433 highway maintenance personnel (the "Teamsters"). The Authority is currently bargaining with the Teamsters for a new contract. In addition, the Authority has entered into two separate collective bargaining agreements with the Metropolitan Alliance of Police ("MAP 135 & 336") representing 25 (19+6, respectively) employees. The MAP's Civilian Call Takers agreement was reached in 2008 and runs through October 31, 2011. The MAP's Telecommunicators contract runs from May 1, 2010 through April 30, 2013. The Authority also employs approximately 614 employees represented by the Service Employees International Union Local 73 ("SEIU"). The agreement reached in 2005 ran through December 31, 2008 and covers toll collectors; money room employees; and clerks, custodians, and warehouse workers. The Authority is currently bargaining with SEIU for a new contract and has just recently reached a tentative agreement that SEIU's membership recently ratified. The Authority's Board is expected to consider approval of the tentative agreement at its February 24, 2011 meeting and, upon approval, the agreement would go into effect. The final group of employees, approximately 253 professional and non-professional white collar employees, is represented by the American Federation of State, County and Municipal Employees, Council 31 ("AFSCME" Local 3883) and their contract runs from January 1, 2007 through December 31, 2010. The Authority is currently bargaining with AFSCME for a new contract.

All employees of the Authority employed by the State or its agencies for at least six months are covered by the State Employees' Retirement System (the "Retirement System"), a pension system maintained by the State of Illinois. The Authority and its employees contribute a percentage of each employee's annual salary to the Retirement System. The employer contribution rates set by the Retirement System averaged 18.8% for the Authority's fiscal year 2008, 24.7% for the Authority's fiscal year 2009, 29.3% for the Authority's fiscal year 2010, and is estimated to average 32.8% for the Authority's fiscal year 2011. For purposes of the projections included in TABLE SEVEN – PRO FORMA DEBT SERVICE COVERAGE, the employer contribution rate is assumed to be 35.3% in 2012 and beyond. The Authority's contributions in dollars were \$20.2 million in 2008, \$26.5 million in 2009, are estimated to be \$30.9 million in 2010, and are projected to be \$34.3 million in 2011. Benefits paid to retirees are based on a fixed benefit plan for vested participants and are computed as a percentage of their salary (calculated at a specified time or as an average during certain periods of their service, as appropriate) multiplied by the number of years of service of the employee. On April 14, 2010 the Governor of Illinois signed into law pension reform legislation effective January 1, 2011 which reduces benefits to retirees whose employment begins on January 1, 2011 and thereafter.

There are no other material pension plans or similar retirement programs covering Authority employees.

Under provisions of the Retirement System, the State of Illinois provides certain health, dental, and life insurance benefits (other post employment benefits, "OPEB") to annuitants, including former Authority employees. Substantially all Authority employees may become eligible for OPEB benefits if they eventually become annuitants. As of December 31, 2010, 862 Authority retirees meet the eligibility requirements. Life insurance benefits are limited to \$5,000 per annuitant age 60 or older. For the years ended December 31, 2009 and 2008, the Authority contributed \$3.7 million and \$3.9 million, respectively, towards the state's cost of these benefits. At its January 27, 2011 meeting, the Authority approved a contribution for the year ended December 31, 2010 of \$4.3 million. As with the pension plan described above, the OPEB are

obligations of the State, not of the Authority. The actuarially determined annual OPEB cost for providing these benefits and the related OPEB obligations are recorded in the financial statements of the state agencies responsible for paying these benefits: the Department of Healthcare and Family Services which administers the Health Insurance Reserve Fund (for payment of health benefits) and the Department of Central Management Services which administers the Group Life Insurance Funds (for payment of life insurance benefits).

Outstanding Indebtedness

Set forth below is a summary of the outstanding indebtedness of the Authority and the application of the proceeds thereof. All of the following are Senior Bonds under the Indenture.

Series	Final Maturity	Principal Outstanding	Type of Issue
1992 Series A	1/1/2012	\$ 51,870,000	Fixed
1998 Series A	1/1/2016	191,935,000	Fixed
1998 Series B	1/1/2017	123,100,000	Variable
2005 Series A	1/1/2023	770,000,000	Fixed
2006 Series A-1	1/1/2025	291,660,000	Fixed
2007 Series A-1	7/1/2030	350,000,000	Variable
2007 Series A-2	7/1/2030	350,000,000	Variable
2008 Series A-1	1/1/2031	383,100,000	Variable
2008 Series A-2	1/1/2031	95,800,000	Variable
2008 Series B	1/1/2033	350,000,000	Fixed
2009 Series A	1/1/2034	500,000,000	Fixed
2009 Series B	12/1/2034	280,000,000	Fixed
2010 Series A-1	1/1/2031	279,300,000	Fixed
Total Outstanding Debt		\$4,016,765,000	

The 2005 Series A, 2006 Series A-1, 2007 Series A-1, 2007 Series A-2, 2008 Series B, 2009 Series A and 2009 Series B Bonds were used to finance portions of the Congestion-Relief Program. The 2008 Series A-1 and 2008 Series A-2 Bonds were used to advance refund the Authority's 2006 Series A-2 Bonds and a portion of the 2006 Series A-1 Bonds, both of which were used to finance a portion of the Congestion-Relief Program. The 2010 Series A-1 Bonds were used to refund a portion of the Authority's 2008 Series A-2 Bonds.

There are floating-to-fixed interest rate Swap Agreements in place relating to each series of the Authority's variable rate bonds. See "**SWAP AGREEMENTS**" for additional information.

After the delivery of the Liquidity Agreements expected to occur for the Reoffered Bonds and the subsequent replacement of the existing liquidity facility for the 2007 Series A Bonds, the Authority may consider refunding or restructuring some portion of its variable rate bonds. Options the Authority may consider include, but are not limited to, interest rate mode conversion or refinancing into fixed interest rate bonds.

THE TOLLWAY SYSTEM

The Tollway System presently consists of approximately 286.5 miles of limited access highway in twelve counties in the northern part of Illinois and is an integral part of the expressway system in northern Illinois and the U.S. Interstate Highway System. The entire Tollway System has been designated a part of the U.S. Interstate Highway System.

Since beginning operations in 1958, the Tollway System has served an important role in the development of the northern Illinois economy. During its initial operation, the Tollway System permitted rapid interstate travel between northern Illinois, Indiana and Wisconsin. As the suburban areas surrounding Chicago expanded throughout the 1960's and 1970's, the Tollway System evolved into primarily a commuter travel system, serving suburban Chicago and Chicago O'Hare International Airport. At the present time, the four routes of the Tollway System described below serve, among other areas, suburban Cook County and the Chicago area "collar counties," which together represent one of the fastest growing areas in Illinois in terms of population and employment.

Routes

The Tollway System is currently made up of four Tollways: the Jane Addams Memorial, the Tri-State, the Veterans Memorial and the Ronald Reagan Memorial.

The Jane Addams Memorial Tollway, formerly the Northwest Tollway, constituting a portion of U.S. Interstate Highway 90, is a 76-mile roadway. The Jane Addams Memorial Tollway begins east of the intersection of the Kennedy Expressway from downtown Chicago and the Tri-State Tollway in the vicinity of O'Hare International Airport, and extends to the west, crossing the Fox River just north of Elgin, Illinois. From there it runs northwesterly to Rockford, Illinois, and then northerly to a point near the Illinois-Wisconsin border, where it feeds into the Wisconsin portion of U.S. Interstate Highway 90 leading to Madison, Wisconsin.

The Tri-State Tollway, constituting portions of U.S. Interstate Highways 80, 94 and 294 and including the 5-mile Edens Spur, is an 84-mile beltway around the Chicago metropolitan area. It extends from a point near the Indiana state line where it intersects with the Bishop Ford and the Kingery Expressways to a point near the Illinois-Wisconsin border, where it connects with U.S. Route 41 and U.S. Interstate Highway 94 from Milwaukee. The Tri-State also connects with the Ronald Reagan Memorial Tollway to the western suburbs, the Eisenhower Expressway to downtown Chicago, the Jane Addams Memorial Tollway to the northwest suburbs, the Kennedy Expressway to downtown Chicago, the north end of the Edens Expressway to the north shore suburbs and downtown Chicago, and the Stevenson Expressway to downtown Chicago. From its southern terminus the Tri-State Tollway has a direct connection to the Indiana Toll Road via the Kingery Expressway and U.S. Interstate Highway 80. The Tri-State Tollway is the most traveled Tollway in the Tollway System, accounting for approximately 44% of the volume of the Tollway System.

The Veterans Memorial Tollway (Interstate 355), formerly the North-South Tollway, is a 30-mile highway generally paralleling Illinois Route 53 in DuPage and Will Counties between approximately the intersection of Army Trail Road and the U.S. Interstate Highway 290 spur in

Addison on the north and U.S. Interstate Highway 80 (near Joliet) on the south. The Veterans Memorial Tollway, which opened in December 1989, is the newest addition to the Tollway System and consists of six through lanes along its entire length. The Veterans Memorial Tollway runs through or near the communities of Bolingbrook, Downers Grove, Naperville, Lombard, Glen Ellyn and Wheaton. As part of the Congestion-Relief Program described below, a 12.5-mile south extension of the Veterans Memorial Tollway through Will County from U.S. Interstate Highway 55 to U.S. Interstate Highway 80 (the "South Extension") opened on November 12, 2007, increasing the size of the Veterans Memorial Tollway to 30 miles. See **"THE TOLLWAY SYSTEM – Congestion-Relief Program Progress – Veterans Memorial Tollway (I-355)"** below.

The Ronald Reagan Memorial Tollway, formerly the East-West Tollway, constituting a portion of U.S. Interstate Highway 88, covers 96.5 miles and begins east of the junction of the Tri-State Tollway and the Eisenhower Expressway and runs southwest and west, providing service to Oak Brook, Naperville, Aurora, DeKalb and Dixon, Illinois, ending at U.S. Route 30 in the Sterling/Rock Falls area. From U.S. Route 30, U.S. Interstate Highway 88 is a toll-free facility connecting to U.S. Interstate Highway 80 and the Quad Cities.

Congestion-Relief Plan

On September 30, 2004, the Authority approved a ten-year \$5.3 billion capital improvement plan known as the Congestion-Relief Plan: Open Roads for a Faster Future (the "Congestion-Relief Plan"), and also approved an adjustment in toll rates. See **"THE TOLLWAY SYSTEM – Toll Rates"** below. The Congestion-Relief Plan is designed to reduce congestion and add capacity by rebuilding, restoring and expanding the Tollway System and utilizing open road tolling as described herein. The capital improvement projects described in the Congestion-Relief Plan, other than the O'Hare Bypass/Western Access capital improvement project, are referred to in the Indenture as the "Congestion-Relief Plan Project."

The Tollway redesignated the Congestion-Relief Plan as the Congestion-Relief Program (the "Program" or the "Congestion-Relief Program") once implementation of the Congestion-Relief Plan was underway. The Tollway reassessed the Congestion-Relief Program during the Spring of 2007. A number of projects were reevaluated and were modified or enhanced due to roadway conditions or to accommodate input from affected municipalities. Also, due to increased material and construction costs, the budgets for remaining projects were reevaluated and in some cases increased. Finally, significant additions were made to the Program to address additional portions of the system and to provide access improvements to the Tollway. Based upon these Program changes, the overall budget for the Program was increased by approximately \$1 billion to \$6.3 billion. Also the schedule was lengthened by two years, from 2014 to 2016. The revised Program was approved by the Authority at its September 7, 2007 Board meeting. Progress since the September 7, 2007 update has resulted in management reducing the total cost of the Program to \$6.1 billion in 2009 and another reduction to \$5.8 billion in 2010 which included elimination of the I-90 Kennedy Expressway to Elgin Toll Plaza Reconstruction Design. The goals of the Program remain to provide congestion relief by converting the entire mainline system to open road tolling (which has been completed); widening a significant portion of the roadway network; rebuilding or rehabilitating over 95% of the existing pavement;

extending I-355 south from I-55 to I-80 (which has been completed); and upgrading or adding interchanges systemwide to meet the needs of growing communities.

Proceeds of the 2005 Bonds, the 2006 Bonds, the 2007 Bonds, the 2008B Bonds, the 2009A Bonds and the 2009B Bonds were used to pay a portion of the costs of the capital projects in the Program. Proceeds of the Reoffered Bonds were used to refund a portion of the 2006 Bonds.

Prior to the implementation of the Program and the addition of the newly constructed South Extension, more than 65% of the Authority's existing roads and structures were more than 45 years old. As part of the Program, the Authority is rebuilding and refurbishing large sections of the Tollway System, including the widening and/or reconstruction of the Tri-State Tollway from I-394 to 95th Street and from Balmoral Avenue to the Wisconsin State line and the Ronald Reagan Memorial Tollway from I-290 to Orchard Road.

Under the Program, approximately 41% of the existing roadway will be reconstructed (including rubblization) and 54% will be rehabilitated by lane-mile. In addition, approximately 88 miles of the existing roadways will be widened. Upon completion of the Program, most (76 miles) of the Tri-State Tollway will have eight travel lanes and a majority of the eastern portion of the Ronald Reagan Memorial Tollway will have eight travel lanes. Construction activities for all mainline widenings have been or will be performed such that the number of existing mainline lanes will generally be provided throughout the construction period. This will generally be accomplished using shoulders and median crossovers.

The Program also includes conversion of the Tollway System to an open road toll collection system that is barrier-free and provides non-stop travel for all I-PASS users. Under this system, cash-paying customers generally exit the mainline to pay tolls at new plazas located at the sides of the roadway. This portion of the Program has been completed. All eight mainline toll plazas on the Tri-State Tollway, four mainline toll plazas on the Ronald Reagan Memorial Tollway, six mainline toll plazas on the Jane Addams Memorial Tollway and two mainline toll plazas on the Veterans Memorial Tollway have been converted to open road tolling. Additionally, two new mainline toll plazas have been constructed: one on the Jane Addams Memorial Tollway and one on the South Extension of the Veterans Memorial Tollway.

The Program also includes the 12.5 mile South Extension of the Veterans Memorial Tollway (I-355). This extension opened on November 12, 2007. It serves Will County and provides a regional connection that improves north-south mobility between I-55 and I-80.

Measured in lane-miles, the Tollway System will grow by approximately 15.9% as a result of the completion of the South Extension, the widening of existing routes and the construction of additional interchanges under the Program.

For additional detail on the projects included as part of the Congestion-Relief Plan and the progress to date on the Congestion-Relief Plan, see the Consulting Engineer's Report included herein as **APPENDIX F** and the Traffic Engineer's Report included herein as **APPENDIX G**.

Congestion-Relief Program Progress

Open Road Tolling. The projects that combine to form the open road tolling program are substantially complete. Additional expenditures are anticipated through 2011 for enhancements to the electronic tolling infrastructure which is an integral part of the Congestion Relief Program. The Authority has delivered open road tolling at the 22 mainline plazas systemwide and reconstructed or rehabilitated the existing plaza cash lanes and facilities. This included reconstruction of the pavement through the plazas to accommodate the new roadway geometry necessary to implement open road tolling. The first two phases of this project, which included delivering open road tolling at 21 mainline plazas, were completed in the Fall of 2006 and the 22nd mainline plaza was completed as part of the construction of the South Extension, which opened in 2007. The remainder of the work consisted of reconstructing the cash-side of the mainline plazas including adding new I-PASS only lanes and rebuilding or rehabilitating the existing toll collection booths and the toll plaza support buildings. This project is substantially complete, and its estimated total project cost is \$702 million.

Tri-State Tollway (I-294/I-94). Within the initial five years of the Program, the Authority has reconstructed and widened to 4 lanes in each direction 59 miles of the 78.5 mile I-294/I-94. By the end of 2008, all of the contracts required to complete this work had been awarded. The projects to reconstruct and widen from I-394 to 167th Street, phase I of the south Tri-State, were completed in 2006. Reconstruction and widening of 159th Street to 95th Street began in early 2007 with work on four retaining walls and bridge widening contracts. This work set up the corridor for the mainline reconstruction and widening contracts scheduled for 2008 and 2009. The five contracts to reconstruct and widen the southbound lanes from 159th Street to 95th Street were awarded by the end of 2007 and this work was completed in late 2008. Four remaining contracts to reconstruct and widen the northbound lanes from 159th Street to 95th Street were awarded in the fall of 2008 and were completed by the end of 2009.

Reconstruction and widening of the mainline central section of the Tri-State from Balmoral Avenue to Lake-Cook Road began in 2007 and all contracts were awarded by late 2008. Three contracts to reconstruct and widen the northbound lanes from Balmoral Avenue to Dempster Street were awarded in 2006 and this work was completed in late 2008. Three southbound contracts from Des Plaines River to Lake-Cook Road were awarded in late 2007 and completed in late 2008. The remainder of the construction projects were awarded in 2008 and completed in 2009, inclusive of the reconstruction and widening of two southbound projects from Balmoral Avenue to Des Plaines River Road and three northbound contracts from Dempster Street to Lake-Cook Road. Three crossroad bridges were reconstructed and widened in this corridor and completed by late 2008. Reconstruction and widening of the north section of the Tri-State from Half Day Road to IL 173 and reconstruction only from IL 173 to the Wisconsin State Line began in 2007 and all contracts were awarded by late 2008. Two southbound contracts between Stearns School Road and the Wisconsin State Line were awarded in early 2007 and completed in late 2007. Four southbound reconstruct and widen contracts from Half Day Road to Stearns School Road and two northbound reconstruct and widen contracts from Stearns School Road to the Wisconsin State Line were awarded in late 2007 and this work was completed at the end of 2008. The balance of the four northbound contracts to reconstruct and widen between Half Day Road and Stearns School Road were awarded in late

2008 and were completed by the end of 2009. In this section three bridge contracts over the mainline were awarded in 2008 and were completed by the end of 2009.

Construction continued in 2010 with the Bioswale Stormwater and Water Quality Improvements between Touhy Avenue and Sanders Road Overpass and Wetland Mitigation between Half Day Road and IL 137. A corridor wide miscellaneous improvement contract and a contract for resurfacing the Edens Spur were awarded in May 2010. The former will be completed in 2011, and the latter was substantially completed in 2010. Design for future construction projects is ongoing, including roadway and bridge improvements between 95th Street and Balmoral Avenue which are anticipated to be awarded in 2012, and resurfacing from the Edens Spur to Half Day Road, which is also anticipated to be awarded in 2012.

Ronald Reagan Memorial Tollway (I-88). Two retaining wall and bridge widening contracts and two eastbound reconstruction and widening contracts were completed during 2007 between Finley Road and Washington Street. Other significant work along I-88 that continued through 2009 included replacement of the east-west connector bridge connecting I-294 northbound with I-88 westbound, reconstruction and widening in both directions of the mainline between IL 83 and York Road, reconstruction of the westbound York Road toll plaza, two reconstruction and widening contracts in the westbound direction of the mainline between Finley Road and Washington Street, construction of a new mainline bridge over the Fox River and reconstruction and widening in the eastbound and westbound directions between IL 31 and the Aurora toll plaza. In 2009, construction work continued along I-88 between I-290 and west of the Fox River with all of the contracts required to complete this work having been awarded by early 2009. A majority of the construction on the Ronald Reagan Memorial Tollway was completed by the end of 2009. Design for future construction projects is ongoing and includes resurfacing from Deerpath Road to IL 251 with an anticipated award in early 2012 and reconstructing/ widening and resurfacing between IL56 and US30 with an anticipated award in early 2015.

Veterans Memorial Tollway (I-355). In 2005, the Authority began construction of the South Extension of the Veterans Memorial Tollway, a 12.5 mile extension of the existing Tollway from where it then ended at the Stevenson Expressway (I-55), through Will County, one of the fastest growing counties in Illinois, to I-80. The project included two major interchanges at I-55 and I-80 and four other local interchanges, one mainline and eight ramp toll plazas, a 6,600 foot bridge spanning the Des Plaines River Valley and numerous other bridges. The South Extension was dedicated on November 11, 2007 and opened to traffic on November 12, 2007. The South Extension has six lanes and runs through 13 Municipalities/Townships in three counties, including Bolingbrook, Downers Grove Township, DuPage Township, Homer Glen, Homer Township, Lemont, Lemont Township, Lockport, Lockport Township, New Lenox, New Lenox Township, Romeoville and Woodridge. This project is complete, with the exception of minor expenditures anticipated for landscaping and wetland mitigation activities.

In early 2008, a resurfacing and widening contract for a 4-mile section of the Veterans Memorial Tollway in both directions between 75th Street and I-88 was awarded. Work to resurface and construct a fourth northbound lane from 75th Street to Ogden Avenue began in April 2008 and was completed in the fall of 2008. Southbound resurfacing and widening work began in April 2009 and was completed in late 2009. The installation of noise walls and

retaining walls and the widening of three existing mainline bridges were included in this contract. Work to widen and resurface the mainline in the northbound direction between 75th Street and Boughton Road was awarded in early 2009 and completed in the fall of 2009. Two resurfacing mainline contracts from I-55 to Finley Road and from Finley Road to Army Trail Road were awarded in February 2010, construction began in April 2010 and both contracts were substantially completed in 2010.

Jane Addams Memorial Tollway (I-90). In 2007, an advance work contract to reconstruct the shoulders and construct mainline crossovers was completed between Cherry Valley and Rockton Road in preparation for the mainline reconstruction and widening projects scheduled for 2008-2009. In early 2008, work began on the reconstruction of the Cherry Valley Interchange followed by reconstruction and widening of the eastbound lanes for the section of I-90 between Newburg Road and Rockton Road. By the end of 2009, this 14.3 mile section of the corridor north of Rockford was widened from two to three lanes in each direction and the reconstruction of the Cherry Valley Interchange at I-90/I-39 was completed, allowing for more efficient traffic movements. By fall of 2009, all traffic was shifted to final configuration and this work was completed by late 2009. Design for future construction projects is ongoing, including resurfacing from the Kennedy Expressway to the Elgin Toll Plaza 9, the construction of which is scheduled for 2011-2015.

Overall Program. As of December 2010, contracts for approximately \$4.8 billion of project costs have been committed. As noted previously, the total cost of the Program increased in 2007 from \$5.3 billion to \$6.3 billion in order to accommodate modifications to schedule, scope and cost estimates made since the adoption of the Program in September of 2004, and in 2007 the length of the Program was increased by two years. Subsequently, the total cost of the Program was reduced to \$6.1 billion in 2009 and further reduced to \$5.8 billion in 2010. The most notable Program change in 2007 occurred with respect to the Jane Addams Memorial Tollway (I-90). A majority of the portion of I-90 originally proposed for widening and reconstruction was changed to rehabilitation and resurfacing. The 2007 Program changes also included a number of enhancements to the Program throughout the System, including (i) several additions of reconstruction or resurfacing, (ii) culvert repairs, (iii) sign fabrication, (iv) bridge repairs, (v) maintenance yard improvements, and (vi) the addition of the interchange at I-88 and Eola Road. Subsequent reductions to the cost of the Program have been related to a combination of Program savings, schedule changes, scope changes related to ongoing assessment of roadway conditions by the Consulting Engineer, and elimination of the I-90 design work for the reconstruction/widening that had been scheduled for 2015.

See the Consulting Engineer's Report in **APPENDIX F**, which provides a summary of the schedule, scope and cost estimates of the Congestion-Relief Plan projects.

Potential Additional Capital Projects

Description and Status of "Tomorrow's Transportation Today". On November 20, 2008, the Authority approved an additional \$1.8 billion capital program entitled Tomorrow's Transportation Today Plan ("TTT") and also known as the Congestion-Relief Program – Phase II. The goal of TTT was to continue congestion-relief efforts and improve mobility via managed toll lanes and interchange construction. Approximately 80 miles of the Tollway's heaviest used

segments were considered for managed toll lanes, including segments on all four of the Tollway's corridors. Two major interchange projects were also included in the TTT proposed program: (i) a new interchange connecting I-294 (Tri-State Tollway) and I-57; and (ii) a combination new and redesigned interchange connecting I-90 (Jane Addams Memorial Tollway) and I-290/IL Rte 53. Additional smaller interchange projects were also considered for TTT, but none were identified. The Authority's portion of the estimated cost of the identified projects of TTT was approximately \$1.4 billion. The Authority considered financing such costs of TTT with additional indebtedness of the Authority. To provide additional revenues for payment of any such future indebtedness, the Authority approved a 60% increase to commercial vehicle tolls to be phased-in beginning in 2015 as follows: a 40% increase above the current rates, effective on January 1, 2015, an additional 10% increase relative to the current rates, effective on January 1, 2016 and an additional 10% increase relative to the current rates, effective on January 1, 2017. The commercial vehicle increase also includes an annual inflator applied to commercial vehicle tolls commencing January 1, 2018 equal to the percentage change in the Consumer Price Index for all Urban Consumers (CPI-U), or its successor index, over the 12 month period ending on June 30 of the previous year. Any additional indebtedness would be subject to the requirements of the Indenture related to the incurrence of additional indebtedness. See **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Indebtedness."** Management had considered issuing indebtedness for TTT on a junior lien basis.

In 2009, the Authority placed TTT on hold, and reviewed various factors including but not limited to the following: (i) the Authority's funding priorities in light of its operational needs; (ii) increases in the estimated cost of TTT, especially the cost of the major interchanges; (iii) the current desirability of the TTT projects in light of the economic downturn; and (iv) the timing of TTT in relation to the timing of the approved toll increases in view of current credit market conditions. TTT remains on hold. Any new capital plan that may emerge in the future would likely differ significantly from TTT as described in the preceding paragraph. A projection of the additional revenues which would be generated by the commercial vehicle toll increase approved by the Board in connection with TTT has not been included in the Traffic Engineer's Report included in **APPENDIX G**. A projection of additional capital costs of TTT has not been included in the Consulting Engineer's Report included in **APPENDIX F**.

Among projects being considered by the Authority are: (a) projects that are described in **"THE TOLLWAY SYSTEM – Potential Additional Capital Projects – Potential System Expansion"**; (b) reconstruction and other improvements on portions of the existing Tollway System, including the Jane Addams Expressway from the Kennedy junction to Route 31 near the Elgin Toll Plaza and portions of the central Tri-State; (c) congestion pricing/managed lane projects; (d) the I-294/I-57 interchange project; (e) various system-wide improvements; and (f) participating in various toll road projects in the Chicago area with other transportation agencies such as the Illinois Department of Transportation and the Regional Transportation Authority. The Authority's Board received information during 2010 on many of the aforementioned projects, including projects described in **"THE TOLLWAY SYSTEM – Potential Additional Capital Projects – Potential System Expansion"**. The Authority would expect to seek approval from the incumbent governor before proceeding with any successor capital plan.

Statutory Approvals for New Toll Highways. The Act provides for certain approvals by the Governor and the Illinois General Assembly in connection with the Authority's issuance of bonds to finance costs related to new toll highways. Prior to commencing any engineering or traffic studies to determine the feasibility of constructing additional toll highways in the State, the Authority must submit the proposed route, together with an estimate of the cost of the proposed study or studies, to the Governor for his approval. If the Governor approves such studies, or fails to disapprove such studies and estimated cost within 30 days after receipt thereof, the Authority is permitted, but is not required, to proceed with such studies. Prior to the issuance of bonds other than refunding bonds, the Authority must first hold a public hearing relating to the proposed toll highway and then deliver to the Governor preliminary plans showing the proposed location of the route of the particular toll highway for which the bonds are to be issued, together with a preliminary estimate of the costs of construction. If the Governor approves the preliminary plans and the estimate of construction costs, the Authority may, but is not required to, proceed with the issuance of bonds. In addition, the Act provides that prior to the issuance of bonds for or the commencement of construction of any new toll highway, that particular toll highway shall be authorized by a joint resolution of the Illinois General Assembly. The Authority has obtained all necessary gubernatorial and legislative approvals for the projects under the Program.

Potential System Expansion. The Illinois General Assembly has passed joint resolutions authorizing, but not requiring, the Authority to construct four new toll highways described in the following table that would add approximately 81 miles to the Tollway System.

<u>Year of Joint Resolution</u>	<u>Potential Toll Highway</u>	<u>Additional Miles</u>
1993	Southward extension of the Veterans Memorial Tollway from U.S. Interstate Highway 80 to U.S. Interstate Highway 57 near Peotone.	20
1993	North Extension extending Illinois Route 53 from Lake-Cook Road to the Tri-State Tollway.	23
1993	Richmond Waukegan Toll Highway extending from Illinois Route 120 west to Richmond, Illinois at approximately Illinois Route 173.	26
1995	O'Hare Bypass with Extension along the western edge of O'Hare Airport with the Extension constructed in an east-west direction between U.S. Interstate Highway 290 at the west and the O'Hare Bypass at the east.	12

Pursuant to a Board Resolution passed on December 20, 2007, the Authority identified several projects in Northeastern Illinois not currently part of the Tollway System, known as the Illiana Expressway, the Crosstown Expressway, the Prairie Parkway, completion of the Elgin-O'Hare Expressway, and improvement of the Eisenhower Expressway, as additional potential future projects to be studied by Authority management. The Governor has approved the commencement of feasibility, traffic and engineering studies related to these projects. As a result of this process, the Governor and the Authority announced the additional capital program described above as TTT. Except with respect to TTT, the Authority has not completed

feasibility studies, held the public hearings required by the Act, or requested the Governor's approval of preliminary plans or estimates of costs of construction for any of the potential toll highways or projects described above. Before commencing construction on any new toll highway, the Authority must comply with all applicable legal requirements under the Act. In the future the Authority may embark on other system expansion and improvement projects, depending upon factors such as the availability of funding for highway projects in the region, changes in traffic congestion patterns, and agreements with other public entities in the region. On April 22, 2009, the Illinois House of Representatives passed a non-binding Joint Resolution authorizing the Authority to expand the Tollway System to include western access to O'Hare Airport (the O'Hare Bypass project). The Executive Director of the Authority is a Co-Chair of a committee to study options for the O'Hare Bypass Project. On March 19, 2010 Indiana Governor Mitch Daniels signed into law Senate Enrolled Act 382, which authorizes the Indiana Department of Transportation to enter into a public-private partnership to construct and operate a toll road connecting Interstate 69 in Indiana to an interstate highway in Illinois (the "Illiana Expressway"). Illinois Senate Bill 3659 ("SB3659"), which was signed into law by Illinois Governor Pat Quinn on June 9, 2010, authorizes the Illinois Department of Transportation to engage in public-private partnerships to develop, finance and operate transportation facilities, subject to various conditions and restrictions. SB3659 authorizes, subject to compliance with a number of requirements including approval of the Governor, the Illinois portion of the Illiana Expressway. Also on June 9, 2010, the Governors of Indiana and Illinois entered into a Memorandum of Understanding (the "MOU") for the purpose of initiating and conducting all studies, preliminary engineering, modeling, forecasting, planning and permitting necessary to deliver the proposed Illiana Expressway connecting Interstate 55 in Illinois to Interstate 65 in Indiana. The MOU also provided that a financing agency in each state is to investigate all options available to finance the Illiana Expressway as a public private partnership. It is impossible to predict (i) whether SB3659 and the MOU will result in the construction of the Illiana Expressway or (ii) the Authority's involvement, if any, in the development, financing or operation of the Illiana Expressway as a result of the bill or otherwise. The Authority cannot predict whether the Illiana Expressway, if completed, would become part of the Tollway System.

Other Limited Access Highways

There are no limited access freeways or other limited access highways under construction, and to the knowledge of the Authority, no Federal, state or other agency is now planning the construction, improvement or acquisition of any highway or other facility that may be materially competitive with the Tollway System.

Patron Service Areas

Seven patron service areas ("Oases") serve the existing Tollway System. These Oases are comprised of motor fuel stations and patron service buildings that house washroom facilities, restaurants and other traveler-related convenience services.

In 2002, the Authority entered into separate triple-net lease agreements with Wilton Partners Tollway LLC ("Wilton") and ExxonMobil Oil Corporation ("Exxon") for developing, operating, maintaining and managing the Oases facilities. Wilton was responsible for the restaurants, gift shops, and traveler-related convenience service operations and was required to

reconstruct six of the over the road Oases buildings and expand the on-grade Oasis building at DeKalb. Wilton completed work on all of the Oases sites. Exxon reconstructed all 13 fuel facilities at the seven Oases sites and constructed new car wash facilities at ten locations and is responsible for the on-going maintenance of the fuel service stations and related convenience stores and car wash facilities. The lease agreements extend until April 2027. Any improvements that are placed or constructed on or about an Oasis site by a lessee become the property of the Authority upon expiration or earlier termination of the lease term. Under the lease agreements, the lessee is required to provide snow plowing, lawn mowing, garbage pick-up, and other site related maintenance at the Oases sites and pay real estate taxes on the leasehold estate during the lease term.

On October 1, 2008, the Tollway served a notice of default on Wilton under its lease agreement seeking payment of approximately \$2.3 million in back rent and to cover the costs of repairs the Authority had made to Oases facilities on Wilton's behalf. Wilton failed to cure the default. On December 8, 2008, iStar FM Loans LLC, the leasehold mortgagee, sent the Authority a notice pursuant to the lease agreement that it was proceeding with due diligence with respect to possible foreclosure of the leasehold mortgage. As required by the lease agreement, the leasehold mortgagee represented that it would pay rent during the due diligence period and would cure any curable defaults under the lease agreement upon taking possession. On April 8, 2009, iStar filed a foreclosure action against Wilton in the Circuit Court of Cook County Illinois. The Authority is not a party to the action. On August 27, 2009, at iStar's behest, the Court appointed Cindy O'Drobniak as Receiver and authorized her to retain U.S. Equities Asset Management, LLC, an affiliate of the Receiver, to manage the Oases. On July 9, 2010, the Circuit Court entered a judgment of foreclosure and on September 30, 2010, it approved a foreclosure sale to SFI Chicago Tollway LLC, an iStar subsidiary.

The leases provide for rent that is approximately \$1,643,000 in years 4 through 10 and \$1,750,000 in years 11 through 25. Rental payments constitute part of "Concession and Other Revenues" in the financial statements of the Authority. Exxon is current in its rent payments. Wilton was in arrears on its rent payments and its failure to pay rent was included in the Authority's October 1, 2008 default notice. As a result of two payments totaling \$2,563,843.73 made by iStar to the Tollway, Wilton's defaults were cured and rents under the Wilton lease are current and being paid monthly.

In December 2009, Exxon requested that the Authority approve the assignment of its leasehold interest to a third party. The Authority denied that particular request on March 4, 2010. On December 30, 2010, the Authority conditionally approved Exxon's assignment of its leasehold interest to 7-Eleven, Inc., and anticipates that the assignment will occur sometime in the second quarter of 2011.

Condition and Maintenance

Providing Tollway patrons with a well-maintained highway is a task assigned to the Authority's maintenance crews. Personnel assigned to the eleven maintenance buildings, spaced at approximately 25-30 mile intervals along the road, are responsible for maintaining the Tollway System by keeping roads clean and safe in all weather conditions, particularly in winter when they clear the roadway of snow and ice.

In connection with properly maintaining the condition of the Tollway System, the Authority has employed AECOM TECHNICAL SERVICES, Inc. ("AECOM" or the "Consulting Engineer") since the Tollway's inception. For forty-nine years, the Consulting Engineer has performed an annual inspection of the Tollway's roadway and facilities and produced a report of this inspection. AECOM's most recent report, for the year 2009, was dated December 17, 2010 (the "AECOM Report"), and includes assessments of: roadway pavement, which includes a visual inspection, structural evaluation and pavement surface evaluations; roadway appurtenances (i.e., drainage structures, embankments, ditches, guardrail and median barriers, mile markers, pavement markers and right-of-way fencing); structures (i.e., bridges, large culverts, retaining walls, noise abatement walls, and sign structures); and buildings and facilities (i.e., maintenance facility sites (garages, offices, salt domes, gas pumping facilities, storage buildings, etc.), toll plazas, telecommunication buildings, and oases). The Indenture requires that the Authority employ a consulting engineer of nationwide and favorable reputation while any Bonds issued under the Indenture remain outstanding.

According to the AECOM Report, "the original system continues to be maintained at high levels; however, some infrastructure elements will require attention in the near future due to the effects of age and increasing traffic volumes." A major component of the Congestion-Relief Program is to address the System's infrastructure needs. Prior to the Program, the Authority's annual maintenance efforts focused on protecting the integrity of the roadway through projects such as emergency patching and intermittent pavement repairs. See **APPENDIX F** for additional information on the condition of the existing Tollway System and the projects being undertaken as part of the Program.

Work that cannot be completed by the Authority's maintenance crews is scheduled to be completed under the Renewal and Replacement program. The Authority's Renewal and Replacement program has been based upon the recommendations of the Consulting Engineer. See **"THE TOLLWAY SYSTEM – Renewal and Replacement Program and Improvement Program"** below.

Renewal and Replacement Program and Improvement Program

The Authority's Renewal and Replacement program consists of projects to maintain the integrity of the existing Tollway System. The Renewal and Replacement program includes the preservation, replacement, repairs, renewals and reconstruction or modification of the Tollway System, but does not include System Expansion Projects. The Authority and its Consulting Engineer perform periodic inspections of the Tollway System to determine work necessary to maintain the existing system.

For the period from 1999 through 2009, the Authority credited over \$1.4 billion to the Renewal and Replacement Account, for rehabilitation, repair and replacement projects as indicated in Table One. Deposits to the Renewal and Replacement account are made from Net Revenues after deposits are made pursuant to the Indenture into the Maintenance and Operation, Debt Service, Debt Reserve and Junior Bond Accounts. See **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Flow of Funds."**

TABLE ONE

RENEWAL AND REPLACEMENT PROGRAM
FOR THE YEARS ENDED DECEMBER 31, 1999 THROUGH 2009

RENEWAL AND REPLACEMENT ACCOUNT⁽¹⁾

<u>YEAR</u>	<u>TOTAL FUNDS CREDITED⁽²⁾</u>
1999	\$ 59,505,292
2000	87,517,692
2001	91,073,256
2002	121,375,438
2003	157,366,445
2004	157,375,682
2005	204,609,580
2006	186,545,035
2007	198,331,687
2008	1,907,175 ⁽³⁾
2009	161,463,238
2010	<u>198,088,052</u>
	<u>\$1,625,158,572</u>

⁽¹⁾ Prior to the effectiveness of certain amendments to the Indenture in 1999, these deposits were made to the Major Improvement Account, which is now designated as the Renewal and Replacement Account.

⁽²⁾ Includes earnings credited to the Renewal and Replacement Account.

⁽³⁾ As described below, deposits for 2008 were deferred.

Pursuant to the Indenture, on or before October 31 of each Fiscal Year the Authority is required to prepare a tentative budget for the ensuing Fiscal Year and to include in such budget the recommendations of the Consulting Engineer as to the Renewal and Replacement Deposit for the ensuing Fiscal Year. In accordance with the Indenture, Renewal and Replacement Expenses anticipated to be funded with proceeds of Bonds are not included in this Renewal and Replacement Deposit requirement. For current estimates of future Renewal and Replacement Deposits, see the Consulting Engineer's Report in **APPENDIX F**. For 2007, the budget required a minimum deposit of \$175 million be credited to the Renewal and Replacement Account. The actual amount credited in 2007 was \$198,331,687. For 2008, the budget required a minimum deposit of \$100 million to the Renewal and Replacement Account pursuant to the recommendation of the Consulting Engineer. The Consulting Engineer subsequently deferred this required deposit to 2009, based on projections showing a balance of \$74 million in the Renewal and Replacement Account at the end of 2008, which the Consulting Engineer deemed an adequate reserve for the unanticipated maintenance and rehabilitation needs of the System for 2009. The Authority deposited \$161,463,238 in 2009 (which included the amount deferred from 2008 to 2009). For 2010, the budget required a minimum deposit of \$150 million to the Renewal and Replacement Account pursuant to the recommendation of the Consulting Engineer. The Consulting Engineer subsequently reduced that recommendation to \$140 million. The

preliminary estimate of the amount credited in 2010 is \$198,088,052. Based upon the recommendation of the Consulting Engineer, the Authority estimates that a minimum deposit of \$160,000,000 will be made in 2011. A portion of the Renewal and Replacement Deposits will be used to fund certain costs of the Program.

The tentative budget prepared each year by the Authority may include the Authority's estimate of the amount, if any, that will in the ensuing Fiscal Year be available for credit to the Improvement Account established under the Indenture, which is used to fund the Authority's Improvement program. The Improvement program includes any System Expansion Project, or any acquisition, installation, construction, reconstruction, modification or enhancement of or to any real or personal property (other than Operating Expenses) for which a currently effective resolution of the Authority has been adopted authorizing the deposit of Revenues to the credit of the Improvement Account for such System Expansion Project or acquisition, installation, construction, reconstruction, modification or enhancement including, without limitation, the cost of related feasibility studies, plans, designs or other related expenditures. The Authority has authorized the deposit of Revenues from time to time to the credit of the Improvement Account held under the Indenture for the purpose of funding the cost of each capital improvement comprising the Congestion-Relief Plan Project that constitutes an "Improvement" under the Indenture. See **"THE TOLLWAY SYSTEM – Congestion-Relief Plan."**

Toll Collection and Internal Control Procedures

At present, the Authority utilizes a combination of a barrier system and an open road tolling system for toll collection along its 286.5 miles of limited access roadway. The system consists of 22 mainline and 51 ramp toll plazas. All mainline plazas and two of the ramp plazas have attendants for motorists requiring change or receipts. The remainder of the ramp plazas are unattended and automated and accept payment only in coins or through electronic toll collection as described below.

In addition to manned toll booths and automatic toll equipment, the Authority has installed an electronic toll collection system under the "I-PASS" service mark. I-PASS enables customers to pre-pay their tolls through an I-PASS account and have an electronic debit from their I-PASS account each time they go through a collection lane. The I-PASS customer's account is typically set up to replenish itself by a pre-determined amount from a credit card on file once it reaches a minimum balance. All toll collection lanes have I-PASS. In addition, special lanes dedicated to I-PASS users only are located throughout the Tollway System. The Authority currently operates 106 I-PASS open road tolling lanes that allow cars and trucks to travel through at the posted speed limit and 121 dedicated I-PASS Only lanes that allow vehicles to pass through toll plazas at reduced speeds (5-30 mph). There are currently 3.9 million I-PASS transponders outstanding, and approximately 82 percent of all toll transactions are I-PASS based.

The I-PASS system is designed to alleviate congestion and reduce travel times. I-PASS open road tolling lanes can process more than 2,000 vehicles per hour, compared to manual lanes at 350 vehicles per hour. Part of the Authority's Congestion-Relief Plan was to fully convert the Tollway System to an open road tolling system for I-PASS users. Nine mainline plazas were converted to open road tolling plazas in 2005 and the remaining mainline plazas were completed in 2006.

In September, 2005 the Authority became a member of the E-ZPass Interagency Group (IAG). As a result, motorists in states that have E-ZPass transponders are able to use them to electronically pay tolls on the Tollway System and motorists with I-PASS transponders are able to use them to electronically pay tolls on highways and bridges that are part of the E-ZPass system. E-ZPass is currently in use on the toll facilities in the following eleven states in addition to Illinois: Delaware, Indiana, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Virginia and West Virginia. In addition, the Chicago Skyway is part of the E-ZPass system, which means that I-PASSes are accepted.

In order to ensure that the vehicles pay the tolls that they accrue, the Authority has implemented new technologies to improve enforcement. The Authority maintains one of the most extensive violation enforcement systems (VES) in the nation. The VES program has resulted in booked revenue of approximately \$209 million from 2003 through 2009, and an estimated \$36 million for 2010 (see "**THE TOLLWAY SYSTEM – Financial Information Discussion – Toll Revenue Collection**"). VES employs in-ground technology which interfaces with the toll payment medium, either currency or electronically based, to determine whether the detected vehicle paid the proper toll. If the proper toll was not paid, a camera system snaps multiple digital photos of the vehicle plate. The plate is then cross-checked against the Illinois Secretary of State or appropriate out-of-state department of motor vehicles databases to identify the alleged violator. All non-gated toll lanes are fitted with VES cameras.

The Authority has statutory authority to fix, assess and collect civil fines against toll violators and to establish by rule a system of civil administrative adjudication to adjudicate alleged instances of toll violations, as detected by the Authority's violation enforcement system. The Authority has established fines for toll violations and an administrative adjudication process for adjudicating disputes relating to alleged toll violations. Under current practice, the Authority issues a Notice of Violation upon three unpaid tolls. The alleged violator can schedule an administrative hearing to challenge the violation. If the hearing officer, or the Circuit Court on administrative review, finds that a toll violation has occurred, or a judgment by default is entered, the amount of the unpaid toll plus a \$20 fine per violation is levied on the registered owner of the vehicle involved in the violation. Violators who do not pay the unpaid tolls and the \$20 fine per violation are subject to having their fine increased by \$50, to \$70 per violation. The Authority may refer violators who fail to pay their unpaid tolls and fines to the Office of the Secretary of State, which may revoke the violator's license plate registration and driving privileges.

The outside vendor which is responsible for most of the Authority's functions and services relating to electronic toll collection is Electronic Transaction Consultants Corp. ("ETCC"). ETCC's responsibilities include vehicle identification and classification technology; recording, storing and auditing toll transactions; electronic collection of toll revenue; and providing and managing the violation enforcement system and customer service system. ETCC's contract with the Authority began June 29, 2005 and was scheduled to expire on June 29, 2010. On May 27, 2010 the Authority exercised the first of five one-year renewal options which extended the ETC contract until June 29, 2011.

Toll Rates

The Authority has undertaken four major toll adjustments. The first major adjustment generally increased toll rates in 1963, the second generally decreased toll rates in 1970, and the third increased toll rates in September, 1983. The fourth adjustment was passed by the Authority's Board in September of 2004 in conjunction with the authorization of the Congestion-Relief Plan.

The current toll rate structure became effective on January 1, 2005. Toll rates are defined for four classes of vehicles instead of the prior ten classes of vehicles. A passenger car class is the same as the previous Class 1. This class includes all two-axle vehicles with four or fewer tires. The other three classes are for commercial vehicles and consist of the small, medium and large truck classes. A small truck class consists of what was previously a Class 2 vehicle, two-axle vehicles with six tires. A medium truck class encompasses what were previously Class 3, 4, 7 and 8 vehicles. This class is three and four-axle vehicles including two-axle vehicles towing one and two-axle trailers. The fourth class, the large truck class, consists of the previous 5, 6, 9 and 10 classes. This includes all vehicles with five or more axles, including two-axle vehicles towing three-axle trailers.

This last rate change includes certain rates based on the principle of "Congestion Pricing," which charges higher rates for commercial vehicles using the Tollway System during peak time periods of daily travel in order to help with congestion and expedite travel times. The daytime rates for the three commercial vehicle classes of large (Tier 4), medium (Tier 3) and small (Tier 2) are \$4.00, \$2.25 and \$1.50, respectively, at typical mainline plazas. See Table Two for additional detail on the commercial vehicle classifications. The daytime commercial vehicle rates apply from 6:00 a.m. to 10:00 p.m. on weekdays and weekends. The corresponding overnight (10:00 p.m. to 6:00 a.m.) rates are discounted to \$3.00, \$1.75 and \$1.00. In addition, prior to January 1, 2009, commercial vehicles using I-PASS received the discounted overnight toll rate during the off-peak hours of 9:00 a.m. to 3:30 p.m. and 6:30 p.m. to 10:00 p.m. on weekdays and 6:00 a.m. to 10:00 p.m. on the weekends. This off-peak discount expired at the end of 2008. Passenger car I-PASS users pay a discounted rate (\$0.40 at most toll plazas), while passenger car users paying with cash pay double the I-PASS rate.

As described under **"THE TOLLWAY SYSTEM – Potential Additional Capital Projects,"** the Authority approved a Commercial Vehicle toll increase beginning on January 1, 2015 in connection with a new capital program entitled Tomorrow's Transportation Today Plan ("TTT") and also known as the Congestion-Relief Program – Phase II. This toll increase is not included in the information in this section or in any of the projections in this Reoffering Circular, due to the fact that the TTT capital program was placed on hold and is unlikely to proceed in its current form.

Table Two sets forth the toll rates paid by various classes of motor vehicles at a typical mainline toll plaza for the periods shown.

TABLE TWO

ILLINOIS TOLLWAY

HISTORICAL TOLL RATES BY VEHICLE CLASS

FOR THE YEARS 1959 TO PRESENT

Vehicle Class		Description	Period				2005-Present ⁽¹⁾⁽²⁾	
New Classification	Old Classification		1959-1963	1964-1970	1971-1983	1983-2004	Non-Discounted	Discounted
1	1	Automobile, motorcycle, taxi, station wagon, ambulance, single unit truck or tractor, two axles, four or less tires	\$0.30	\$0.35	\$0.30	\$0.40	\$0.80 ⁽³⁾	\$0.40 ⁽³⁾
2	2	Single unit truck or tractor, buses, two axles, six tires	\$0.40	\$0.45	\$0.30	\$0.50	\$1.50	\$1.00
3	3	Three axle trucks and buses	\$0.50	\$0.50	\$0.45	\$0.75	\$2.25	\$1.75
3	4	Trucks with four axles	\$0.50	\$0.60	\$0.60	\$1.00	\$2.25	\$1.75
3	7	Class 1 vehicle with one axle trailer	\$0.50	\$0.50	\$0.45	\$0.60	\$2.25	\$1.75
3	8	Class 1 vehicle with two axle trailer	\$0.50	\$0.60	\$0.60	\$0.80	\$2.25	\$1.75
4	5	Truck with five axles	\$0.50	\$0.75	\$0.75	\$1.25	\$4.00	\$3.00
4	6	Truck with six axles	\$0.50	\$0.90	\$0.90	\$1.50	\$4.00	\$3.00
4	9	Miscellaneous passenger car, special or unusual vehicles not classified above	\$0.50	\$0.90	\$1.00	\$1.40 ⁽⁴⁾	\$4.00	\$3.00
4	10	Miscellaneous commercial vehicle, special or unusual vehicles not classified above	--	--	--	\$1.75 ⁽⁴⁾	\$4.00	\$3.00

- (1) Class 1 vehicles making payment via I-PASS are tolled at the Discounted rate and the Non-Discounted rate applies to all those using cash as a form of payment.
- (2) Commercial vehicles (Classes 2-4) are tolled at a discounted rate during the overnight period of 10pm-6am whether paying by I-PASS or cash (the "Overnight Discount Rate"). Prior to January 1, 2009, commercial vehicles paying by I-PASS were tolled at the same discounted rate for certain off-peak time periods (the "I-PASS Off-Peak Discount Rate"). This I-PASS Off-Peak Discount Rate expired on 12/31/2008. The Overnight Discount Rate continues.
- (3) The toll rate for Class 1 on I-355 is \$0.50 (I-PASS) and \$1.00 (Cash); I-355 Extension is \$1.00 (I-Pass) and \$2.00 (Cash).
- (4) Class 9 rate was \$0.20 per axle for automobiles and Class 10 rate was \$0.25 per axle for trucks. Class 10 existed only from 1983-2004.

Under the Act, the Authority has the exclusive right to fix, adjust, revise and collect tolls for the use of the Tollway System. Such tolls are required to be fixed at rates calculated to provide the lowest reasonable toll rates to provide funds that will be sufficient, together with other revenues of the Authority, to pay the costs of any authorized new construction, operating and maintaining the Tollway System and paying debt service on Outstanding Bonds. The Authority may increase tolls by vote of a majority of its Board of Directors, after conducting a public hearing in each county in which the proposed increase is to take place. No other State of Illinois executive, administrative or regulatory body or regional or local governmental or regulatory body has the authority to limit or restrict such rates and charges.

Historical Trends in Toll Transactions and Toll Revenues

Table Three sets forth annual toll transactions for passenger and commercial vehicles for selected years since 1964.

TABLE THREE

ANNUAL TOLL TRANSACTIONS – PASSENGER AND COMMERCIAL VEHICLES⁽¹⁾

1964-2009 (SELECTED YEARS) (TRANSACTIONS IN THOUSANDS)

YEAR	PASSENGER	COMMERCIAL	TOTAL	% PASSENGER
1964	72,721	7,005	79,726	91.21
1969	146,476	14,488	160,964	91.00
1974	204,360	28,446	232,806	87.78
1979	268,051	42,606	310,657	86.29
1984	308,104	42,890	350,994	87.78
1989	428,745	57,193	485,938	88.23
1994	565,601	66,693	632,294	89.45
1999	648,269	71,835	720,104	90.02
2004	714,120	109,025	823,145	86.76
2005	695,378	85,068	780,446	89.10
2006	678,535	85,590	764,125	88.80
2007	696,055	92,237	788,292	88.30
2008	688,516	89,366	777,882	88.51
2009	694,837	80,516	775,353	89.62
2010	730,793	86,286	817,079	89.44

Source: Authority's Comprehensive Annual Financial Report for the Year Ended December 31, 2009; 2010 figures are preliminary.

⁽¹⁾ In 2003, a new Integrated Toll Collection System was completed which classified vehicles by axle counts in relation to the toll paid by each vehicle. In 2004, commercial vehicle counts were inflated by the new classification system due to passenger vehicle overpayments at ramp plazas. Due to the toll increase in January 2005, the classification system has more accurately recorded passenger and commercial vehicle counts for 2005 and beyond. The Tollway estimates that about 50% of the decline in commercial vehicle transactions between 2004 and 2005 can be attributed to the over count of commercial vehicles and the corresponding under count of passenger vehicles in 2004.

In 2006, the Tollway permanently converted from bidirectional to one-way tolling at the Belvidere and Marengo Mainline Toll Plazas on the Jane Addams Memorial Tollway in conjunction with a doubling of the fares at those plazas. Due to this reconfiguration, total transactions were reduced by 14.6 million in 2006 with no localized revenue impact.

Table Four sets forth annual toll revenues generated by passenger and commercial vehicles for selected years since 1964.

TABLE FOUR
ANNUAL TOLL REVENUES – PASSENGER AND COMMERCIAL VEHICLES⁽¹⁾

1964-2009 (SELECTED YEARS)
(Dollars in Thousands)

<u>YEAR</u>	<u>PASSENGER</u>	<u>COMMERCIAL</u>	<u>TOTAL</u>	<u>% PASSENGER</u>
1964	\$ 26,284	\$ 4,888	\$ 31,172	84.32
1969	46,872	8,803	55,675	84.19
1974	55,419	14,891	70,310	78.82
1979	73,048	24,068	97,116	75.22
1984	114,233	43,094	157,327	72.61
1989	155,394	57,387	212,781	73.03
1994	215,221	66,922	282,143	76.28
1999	259,448	73,178	332,626	78.00
2004	287,218	104,368	391,586	73.35
2005 ⁽²⁾	341,352	239,090	580,442	58.81
2006	324,556	242,944	567,500	57.19
2007	321,008	251,085	572,093	56.11
2008	335,653	247,994	583,647	57.51
2009	334,520	257,544	592,064	56.50

Source: Authority's Comprehensive Annual Financial Report for the Year Ended December 31, 2009.

⁽¹⁾ See the footnote to Table 3 regarding change in traffic counts resulting from completion of the Integrated Toll Collection System.

⁽²⁾ Due to the changed rate structure implemented in 2005, the percentage of revenues from commercial vehicles increased in 2005.

Historical Trends in Net Operating Revenues

From 1964 through 2009, operating revenues and net operating revenues of the Authority grew at average annual rates of 6.6% and 7.0%, respectively.

Table Five sets forth operating revenues, maintenance and operating expenses, and net operating revenues for selected years since 1964.

TABLE FIVE
OPERATING REVENUES, MAINTENANCE AND OPERATING
EXPENSES AND NET OPERATING REVENUES⁽¹⁾

1964-2009 (SELECTED YEARS)
(Dollars in thousands)

<u>YEAR</u>	<u>OPERATING REVENUES</u>	<u>MAINTENANCE AND OPERATING EXPENSES</u>	<u>NET OPERATING REVENUES</u>
1964	\$ 32,135	\$ 6,832	\$ 25,303
1969	57,395	13,015	44,380
1974	72,737	23,715	49,022
1979	100,436	39,733	60,703
1984	162,108	56,639	105,469
1989	254,734	85,065	169,669
1994	309,949	116,996	192,953
1999	366,092	146,881	219,211
2004	423,427	198,302	225,125
2005	613,034	205,575	407,459
2006	606,954	213,510	393,444
2007	637,794	222,295	415,499
2008	691,113	244,275	446,838 ⁽²⁾
2009	658,052	255,185	402,867 ⁽²⁾

Source: Authority's Comprehensive Annual Financial Report for the Year Ended December 31, 2009.

⁽¹⁾ Determined according to the Series 1955 Bond Resolution through December 26, 1985, and in accordance with the Indenture subsequent to December 26, 1985. See Table Six for items included in Operating Revenues.

⁽²⁾ For a discussion of changes from 2008 to 2009, see "THE TOLLWAY SYSTEM – Financial Information Discussion" herein.

Table Six presents a more detailed review of operating revenues, maintenance and operating expenses, net operating revenues and debt service coverage for 2005 through 2009. Estimated net operating revenues and debt service coverage for 2010 are set forth as part of Table Seven.

TABLE SIX

**SUMMARY OF OPERATING REVENUES, MAINTENANCE AND OPERATING EXPENSES, NET OPERATING REVENUES⁽¹⁾ AND DEBT SERVICE COVERAGE FOR THE YEARS ENDED DECEMBER 31, 2005 – DECEMBER 31, 2009
(DOLLARS IN THOUSANDS)**

	2005	2006	2007	2008	2009
Operating Revenues:					
Toll Revenue	\$580,442	\$567,500	\$572,093	\$583,647	\$592,063
Toll Evasion Recovery ⁽²⁾	13,257	195	10,080	77,654	54,829
Concession & Other Revenue	8,014	5,900	5,775	6,832	7,960
Investment Income ⁽³⁾	11,321	33,359	49,846	22,980	3,200
Total Operating Revenue	<u>\$613,034</u>	<u>\$606,954</u>	<u>\$637,794</u>	<u>\$691,113</u>	<u>\$658,052</u>
Maintenance and Operating Expenses:					
General Administration ⁽⁴⁾	\$ 27,698	\$ 23,279	\$ 24,262	\$ 18,382	\$ 20,605
Engineering & Maintenance	31,644	35,559	44,834	43,899	47,895
Toll Services	86,089	85,887	79,538	100,464	91,541
Police, Safety and Communication	18,034	19,145	21,247	21,895	22,650
Insurance and Employee Benefits	42,110	49,640	52,414	59,635	72,494
Total Expenses	<u>\$205,575</u>	<u>\$213,510</u>	<u>\$222,295</u>	<u>\$244,275</u>	<u>\$255,185</u>
Net Operating Revenues	<u>\$407,459</u>	<u>\$393,444</u>	<u>\$415,499</u>	<u>\$446,838</u>	<u>\$402,867</u>
Total Debt Service ⁽⁵⁾	\$99,366	\$145,633	\$172,284	\$198,429	\$173,319
Net Revenues After Debt Service ⁽⁵⁾	\$308,093	\$247,811	\$243,215	\$248,409	\$229,548
Debt Service Coverage ⁽⁵⁾	4.10	2.70	2.41	2.25	2.32

Source: Financial reporting required by the Indenture and included in the Comprehensive Annual Financial Report for the year ended December 31, 2009.

(1) Determined in accordance with the Indenture, which differs from financial statements prepared in accordance with generally accepted accounting principles. Operating Expenses exclude Depreciation and Amortization. The Authority's Indenture-based financial reporting is unaudited. See "—Financial Results – Preliminary and Unaudited, Trust Indenture Basis – 2010" below.

(2) The amounts shown reflect the dollar amount (tolls plus fines) of violation notices issued in a given fiscal year less estimated bad debt expense for that fiscal year. Toll evasion recovery in FY06 declined for two reasons: (i) violation notice issuances stopped in July as the Tollway began conversion to a new violation enforcement system; and (ii) a large entry for bad debt expense, relating to prior year receivables, was made in the fourth quarter of FY06.

(3) Excludes investment income on construction funds.

(4) Includes payments to the State of Illinois for services provided by the State, including an administrative chargeback that began in 2003 and averaged roughly \$10 million through 2006. There was no such chargeback in 2007, 2008 or 2009.

(5) Amounts are net of any applicable capitalized or pre-paid interest. Debt service in 2009 does not include \$44.4 million of Series 1993B Bonds redeemed early in January 2009 from funds on hand.

Historically, Net Revenues after Debt Service have been used primarily to fund deposits to the Renewal and Replacement Account and the Improvement Account in amounts budgeted by the Authority. The Authority anticipates that Net Revenues after Debt Service will continue to be so applied.

Financial Information Discussion

General

Management of the Authority is responsible for establishing and maintaining an internal financial control structure designed to ensure that (i) the assets of the Authority are protected from loss, theft, or misuse and (ii) adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Authority's internal financial control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived from it; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

The Authority issues audited financial statements (see **APPENDIX A**) annually, which are prepared in accordance with generally accepted accounting principles for public agencies. The Authority's accounting system is organized and operated on an "enterprise fund basis." The accounting practices of the Authority are more fully described in Note 1 to the audited financial statements. The notes provided in the audited financial statements included in **APPENDIX A** are an integral and essential part of adequate disclosures and fair presentation of the audited financial report. The notes include a summary of significant accounting policies for the Authority and other necessary disclosures of pertinent matters relating to the financial position of the Authority. The notes provide additional informative disclosures not reflected on the face of the financial statements. The audited financial statements should be read only in connection with the accompanying notes.

Financial Results – Audited, GAAP Basis – 2009 and 2008

The following summarizes and discusses the audited financial results of the Authority as presented in the audited financial statements included in **APPENDIX A**.

Operating revenues declined 1.5% during 2009, from \$667.8 million in 2008 to \$658.0 million in 2009. Toll revenue increased 1.4% in 2009 over 2008, from \$584 million to \$592 million. The improvement in toll revenues is attributable to a combination of reduced construction obstacles on the system, the benefit of which was tempered by the impact of the recessionary economy. Concession revenue, earned from leases to service stations and other retail operators at the System's oases, remained flat at \$2.3 million. Miscellaneous operating revenues increased substantially over the prior year, reaching nearly \$9 million in 2009, up from \$4 million in 2008, resulting primarily from newly initiated agreements for external party use of the Tollway's fiber optic network, as well as the reversal of allowances for uncollectibility taken earlier against certain amounts due to the Tollway. Net revenue from evasion recovery declined from \$78 million in 2008 to \$55 million in 2009. Evasion recovery is the amount of violation notices issued, less notices dismissed, less an estimate of bad debt expenses related to

outstanding notices. This decline was expected given that the evasion recovery figure for 2008 was amplified by unusually large notice volume related to the period in 2006-2007 during which notice issuance was suspended during a systems conversion.

Total operating expenses increased 8% from \$539.7 million in 2008 to \$580.5 million in 2009. Approximately half of this increase was the result of increased depreciation expense which increased from \$278.6 million in 2008 to \$297.4 million in 2009, as Congestion-Relief Program projects were completed and placed in service, beginning their depreciation, mostly over 20-40 year periods. Another contributor to increased operating expenses was higher outlays for insurance and employee benefit costs, which increased by \$13 million from \$59.6 million to \$72.5 million. These increased payments were made for employee health care and workers' compensation costs and for the Tollway's employer contribution to retirement plans.

The resulting change in operating income was a decline from \$128.1 million in 2008 to \$77.5 million in 2009.

Net non-operating expense increased from a \$106.1 million net expense in 2008 to a \$165.2 million net expense in 2009. Primary contributors to this change were an increase in interest expense related to bonds issued in support of the Congestion-Relief Program, combined with a decline in investment income due to significant declines in rates of return of investment options available to the Authority. The 2009 operating income and 2009 net non-operating expense combined to reduce Net Assets in 2009 from \$2.11 billion to \$2.02 billion.

Financial Results – Preliminary and Unaudited, Trust Indenture Basis - 2010

In order to demonstrate compliance with the requirements of the Indenture, the Authority prepares separate schedules (the "*Trust Indenture Schedules*") in conformance with accounting principles specified in the Indenture, which is an accounting basis that differs from GAAP. The Trust Indenture Schedules are the basis for the financial information included in Table Six, and the Indenture basis of accounting is the basis for the projections in Table Seven. Some of the primary differences in the Indenture basis information in Tables Six and Seven versus the GAAP basis information in the Appendix A financial statements are that in the Trust Indenture Schedules there is no depreciation/amortization included in operating expenses and there are no earnings on construction fund bond proceeds included in investment earnings. The following overview of preliminary, unaudited 2010 results is based on preliminary estimates of the Authority's Indenture basis of accounting. Such estimates may change prior to the finalization of the Authority's year-end 2010 Trust Indenture Schedules.

Preliminary and unaudited 2010 Operating Revenues increased \$15.7 million, or 2.4%, from \$658.1 million in 2009 to \$673.8 million in 2010 (determined on the Indenture basis). Toll revenues net of evaded tolls, but prior to evasion recovery, increased \$36.7 million, or 6.2%, from \$592.1 million in 2009 to \$628.8 million in 2010. That increase was partially offset by a decline in Evasion Recovery Revenues of \$18.3 million, or 33.4%, from \$54.8 million in 2009 to \$36.5 million in 2010. Toll and Evasion Recovery Revenues combined totaled \$665.3 million in 2010, an increase of \$18.4 million, or 2.8%, versus \$646.9 million in 2009. The decline in Evasion Recovery Revenues, which was expected, was caused by elevated Evasion Recovery Revenues in 2009 as the Tollway continued to work through a backlog created by a suspension

in the issuance of violation notices from June 2006 through August 2007. Operating expenses are expected to be at or below the \$258.3 revised budget for 2010. Based on the preceding, net revenues available for debt service increased 3% from \$403 million in 2009 to \$415 million in 2010. All 2010 results are estimated, preliminary and unaudited and presented on an Indenture basis. 2010 estimates are subject to change prior to the finalization of the Authority's year-end 2010 Trust Indenture Schedules.

The Authority's GAAP-based financial statements for 2010 are not expected to be completed until the summer of 2011. The Authority expects that its 2010 GAAP-based Operating Revenues will be substantially similar to its estimate of Indenture-based Operating Revenues. The Authority expects an increase in GAAP-based Operating Expenses due primarily to an increase in depreciation expense related to additional Congestion-Relief Program projects being placed in service in 2010. Increased depreciation and interest expense contributed to a decline in Net Assets in 2009. An additional decline in Net Assets is expected in 2010, albeit Net Assets at the end of 2010 are expected to remain well above the Authority's Net Assets prior to the start of the Congestion-Relief Program.

Budgetary Controls

The Authority is required by the Indenture to prepare a tentative budget of Operating Expenses for the ensuing Fiscal Year on or before October 31 of each Fiscal Year and to adopt the annual budget for such Fiscal Year on or before January 31 of such Fiscal Year. The adopted annual budget does not require the approval of the Illinois General Assembly. The Board of the Authority adopted the tentative annual budget for Fiscal Year 2011 on October 21, 2010 and the final annual budget for Fiscal Year 2011 on December 16, 2010.

Toll Revenue Collection

The Authority experiences a difference between expected and actual toll revenue collected for a variety of reasons, such as non-payments (including toll evasion and non-payment as a result of improper transponder use), underpayments, insufficient funds in I-PASS accounts, and collection or VES equipment failures. The Authority has implemented systems and procedures to facilitate maximum realization of toll revenue. (See "**THE TOLLWAY SYSTEM – Toll Collection and Internal Control Procedures.**")

Expected revenue represents revenue that would be collected if every vehicle paid the exact published toll based on vehicle class, time of day and payment type. The expected revenue does not account for overpayments, underpayments, exemptions or revenue lost due to toll avoidance. Amounts of revenue reported in the Authority's quarterly statements and annual financial reports reflects these adjustments. The toll revenue estimates in the Traffic Engineer's Report represent expected revenue and therefore do not account for tolls and fines collected from violations through the violation enforcement process.

The Authority estimates that prior to 2005, the difference between expected revenue and revenue reported in financial statements, also known as "evaded tolls", approximated 3% of expected revenues. In 2005, this difference increased to approximately 3.7% of expected revenues, due in part to the dramatic increase in I-PASS usage as a result of the toll rate change.

From July 2006 through August 2007, the Tollway suspended the issuance of violation notices as it transitioned to a new system which integrated toll collection and violation enforcement. In addition to the system change there was also a change in the systems integrator. While these developments have improved the Authority's ability to enforce its toll collection and violation enforcement in the long term, the temporary suspension of violation notices accompanying the transition resulted in a short-term increase in evaded tolls. Evaded tolls as a percentage of expected toll revenues increased from 3.7% in 2005 to 5.4% in 2006 and to 9.3% in 2007. Evidence pertaining to violations which occurred during the temporary suspension period, including photos, was captured and maintained. Issuance of violation notices resumed in September of 2007 and increased significantly in March 2008. As a result of the resumption of the issuance of violation notices, evaded tolls declined to 7.0% in 2008, 6.3% in 2009 and are preliminarily estimated to decline further to 6.0% in 2010. For the long-term projection contained in Table Seven, Tollway management has assumed that evaded tolls will remain at 6% of expected toll revenues.

Also as a result of the resumption of the issuance of violation notices, evasion recovery revenues increased sharply from \$10.1 million in 2007 to \$77.7 million in 2008 and \$54.8 million in 2009. Evasion recovery revenues normalized in 2010, as most of the evasion recovery revenue related to the suspension of notices was recognized in 2008 and 2009. Evasion recovery revenues in 2010 are preliminarily estimated to be \$36 million, and have been budgeted at \$34 million in 2011. Thereafter evasion recovery is assumed to be at a level which produces 1% net leakage when combined with the assumed evaded tolls. For the long-term projection contained in Table Seven, Tollway management has assumed that evasion recovery revenues will equal 5% of expected toll revenues.

The Authority implemented a video tolling (V-Tolling) program beginning in 2005 to further improve revenue collection from I-PASS customers. Using the VES camera arrays to capture license plate images of users that utilize the system and do not pay the proper toll, the V-Tolling program automatically deducts tolls from I-PASS customer accounts when transponders do not demonstrate valid reads. V-Tolling matches license plates to I-PASS account holders to allow tolls to be collected from these motorists.

Recent Legislation

On July 1, 2010 the Governor of Illinois signed into law Senate Bill 3660 ("SB 3660"), also known as the "Emergency Budget Act of Fiscal Year 2011", which, among other things, gives the Governor certain powers to transfer monies out of "special funds" of the State to meet cash flow deficits and to maintain liquidity in the General Revenue Fund and the Common School Fund of the State. The provisions of SB 3660 do not authorize or permit the Governor to transfer monies out of the Funds, Accounts and Sub-Accounts pledged under the Indenture to the payment of the principal and redemption price of, and interest on, the Bonds. See **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Pledge and Lien."**

Pro Forma Debt Service Coverage

Table Seven below sets forth the estimated Pro Forma Debt Service Coverage for the years 2010 through 2021, based upon the assumptions set forth herein. In Table Seven, Projected Revenues for the years 2010 through 2021 are based upon the report of the Traffic Engineer as to toll revenue (see **APPENDIX G**) and Projected Operating Expenses for the years 2010 through 2021 are based upon the report of the Consulting Engineer (see **APPENDIX F**). Selected portions of each report are summarized in the paragraphs that follow in this section and reference is made to **APPENDICES F** and **G** for the reports.

As previously noted, the toll revenue estimates in the Traffic Engineer's Report represent expected revenue. Expected revenue represents the revenue that would be collected if every vehicle paid the exact published toll based on vehicle class, time of day and payment type. The expected revenue does not account for overpayments, underpayments, exemptions or toll avoidance nor does it account for tolls and fines collected through the violation enforcement system. In addition, estimates of toll revenues by the Traffic Engineer are based on various assumptions, including the assumption that the present toll schedule will remain in effect through 2034. Critical revenue assumptions are stated in the report of the Traffic Engineer. See **APPENDIX G**.

Future Senior Bonds may be issued on a parity with Outstanding Senior Bonds provided that the Authority certifies, based upon certificates of Traffic Engineers and Consulting Engineers and in addition to certain other required certifications, that (1) Net Revenues as reflected in the books of the Authority for a period of 12 consecutive months out of the 18 months next preceding each issuance (as adjusted to reflect certain adjustments of toll rates, if applicable) exceeded the Net Revenue Requirement for such 12-month period, and (2) estimated Net Revenues for the current and each future Fiscal Year through at least the fifth full Fiscal Year after the date of issuance of such Additional Bonds, shall be at least equal to the estimated Net Revenue Requirement for such Fiscal Year. Other tests apply for Senior Bonds issued for the purposes of completing a Project or for refunding purposes. The Net Revenue Requirement means, with respect to any period of time, an amount necessary to cure deficiencies, if any, in the Debt Service Account, the Debt Reserve Account, any Junior Bond Debt Service Account and any Junior Bond Debt Reserve Account plus the greater of (i) the sum of Aggregate Debt Service (defined as the sum of the amounts of Debt Service with respect to all series of Senior Lien Bonds), the Junior Bond Revenue Requirement and the Renewal and Replacement Deposit for such period or (ii) 1.3 times the Aggregate Debt Service for such period. See **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Indebtedness."**

Pursuant to the Indenture, the Traffic Engineer is required to certify as a condition to the issuance of any Senior Bonds whether, to the best of its knowledge, any Federal, state or other agency is currently projecting or planning the construction, improvement or acquisition of any highway or other facility that, in its opinion, may be materially competitive with any part of the Tollway System. See **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Indebtedness."**

Under the Indenture, the Authority is required to adopt an annual budget of its operating expenses for each Fiscal Year, which budget shall include the recommendations of the Consulting Engineers as to the Renewal and Replacement Deposit for such Fiscal Year. Estimates of Renewal and Replacement Deposits are based upon the Consulting Engineer's assessment of the Tollway System and the costs associated with necessary major replacement, repair, and rehabilitation projects. The Consulting Engineer's Report also contains estimates of the Renewal and Replacement Deposit for the years 2010 through 2021.

The following table sets forth Pro Forma Debt Service Coverage for the years 2010 through 2021, based upon the assumptions set forth in the footnotes thereto. This table should be considered in conjunction with the entire Consulting Engineer's Report and the entire Traffic Engineer's Report to understand the assumptions on which Projected Revenues, Projected Operating Expenses and Projected Renewal and Replacement Deposits are based. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

TABLE SEVEN

**PRO FORMA DEBT SERVICE COVERAGE
(DOLLARS IN THOUSANDS)**

	2010 ⁽⁷⁾	2011	2012	2013	2014	2015
PROJECTED OPERATING REVENUES						
Toll Revenues ⁽¹⁾	\$669,510	\$687,734	\$708,366	\$733,159	\$758,819	\$782,096
Revenue Adjustment for 2011 Budget	--	(10,110)	--	--	--	--
Evaded Tolls ⁽²⁾	(40,755)	(41,624)	(42,502)	(43,990)	(45,529)	(46,926)
Evasion Recovery ⁽³⁾	36,500	34,000	35,418	36,658	37,941	39,105
Concession and Miscellaneous Revenues	6,900	8,000	8,000	8,000	8,000	8,000
Investment Income	1,600	2,000	6,000	12,000	18,000	18,000
TOTAL	\$673,755	\$680,000	\$715,282	\$745,827	\$777,231	\$800,275
PROJECTED OPERATING EXPENSES⁽⁴⁾	\$258,306	\$254,994	\$264,600	\$270,800	\$277,300	\$285,800
PROJECTED NET REVENUES	\$415,449	\$425,006	\$450,682	\$475,027	\$499,931	\$514,475
DEBT SERVICE INCLUDING BONDS^{(5)*}	\$237,883	\$249,925	\$249,924	\$283,314	\$283,314	\$283,226
PRO FORMA DEBT SERVICE COVERAGE*	1.7	1.7	1.8	1.7	1.8	1.8
PROJECTED NET CASH FLOW^{(6)*}	\$177,566	\$175,081	\$200,758	\$191,713	\$216,617	\$231,249

⁽¹⁾ Based upon estimated (preliminary, unaudited) results for 2010 and the report of the Traffic Engineer for the years 2011 – 2021. See **APPENDIX G**.

⁽²⁾ Assumes revenue leakage of 6% of Toll Revenues. See **"THE TOLLWAY SYSTEM – Toll Collection and Internal Control Procedures"** for a discussion of Evaded Tolls.

⁽³⁾ Evasion Recovery is estimated (preliminary, unaudited) results for 2010 and is estimated at amounts that result in 1% net leakage for 2011 and thereafter. See **"THE TOLLWAY SYSTEM – Financial Information Discussion – Toll Revenue Collection"** for additional information on Evasion Recovery.

⁽⁴⁾ Based upon estimated (preliminary, unaudited) results for 2010 and the report of the Consulting Engineer for the years 2011 – 2021. See **APPENDIX F**.

⁽⁵⁾ See **"ANNUAL DEBT SERVICE REQUIREMENTS"** for certain assumptions relating to debt service on the outstanding Senior Bonds. This table does not take into account, either as a revenue or as a credit against debt service, the estimated 35% Direct Payment Subsidies expected in connection with the 2009A Bonds and 2009B Bonds; nor does it take into account any authorized toll rate increases. Debt Service in fiscal year 2010 is net of \$12 million of capitalized interest on the 2009B Bonds funded by a deposit of Authority funds.

⁽⁶⁾ In each year, the projected net cash flow exceeds the projected Renewal and Replacement Deposit for such year set forth in the Consulting Engineer's Report.

⁽⁷⁾ Numbers for 2010 are preliminary and unaudited.

* Preliminary, subject to change.

Columns may not add due to rounding.

TABLE SEVEN (continued)

	2016	2017	2018	2019	2020	2021
PROJECTED OPERATING REVENUES						
Toll Revenues ⁽¹⁾	805,637	829,806	854,701	880,342	906,751	917,411
Evaded Tolls ⁽²⁾	(48,338)	(49,788)	(51,282)	(52,821)	(54,405)	(55,045)
Evasion Recovery ⁽³⁾	40,282	41,490	42,735	44,017	45,338	45,871
Concession and Miscellaneous Revenues	8,000	9,000	9,000	9,000	9,000	10,000
Investment Income	18,000	18,000	18,000	18,000	18,000	18,000
TOTAL	823,581	848,508	873,154	898,539	924,683	936,237
PROJECTED OPERATING EXPENSES⁽⁴⁾						
PROJECTED NET REVENUES	\$294,500	\$301,400	\$310,600	\$320,100	\$329,900	\$339,900
DEBT SERVICE INCLUDING BONDS^{(5)*}	\$529,081	\$547,108	\$562,554	\$578,439	\$594,783	\$596,337
PRO FORMA DEBT SERVICE COVERAGE*	\$283,323	\$281,862	\$302,814	\$302,765	\$302,473	\$302,229
	1.9	1.9	1.9	1.9	2.0	2.0
PROJECTED NET CASH FLOW^{(6)*}	\$245,758	\$265,246	\$259,740	\$275,674	\$292,310	\$294,108

⁽¹⁾ Based upon estimated (preliminary, unaudited) results for 2010 and the report of the Traffic Engineer for the years 2011 – 2021. See **APPENDIX G**.

⁽²⁾ Assumes revenue leakage of 6% of Toll Revenues. See **"THE TOLLWAY SYSTEM –Toll Collection and Internal Control Procedures"** for a discussion of Evaded Tolls.

⁽³⁾ Evasion Recovery is estimated (preliminary, unaudited) results for 2010 and is estimated at amounts that result in 1% net leakage for 2011 and thereafter. See **"THE TOLLWAY SYSTEM – Financial Information Discussion – Toll Revenue Collection"** for additional information on Evasion Recovery.

⁽⁴⁾ Based upon estimated (preliminary, unaudited) results for 2010 and the report of the Consulting Engineer for the years 2011 – 2021. See **APPENDIX F**.

⁽⁵⁾ See **"ANNUAL DEBT SERVICE REQUIREMENTS"** for certain assumptions relating to debt service on the outstanding Senior Bonds. This table does not take into account, either as a revenue or as a credit against debt service, the estimated 35% Direct Payment Subsidies expected in connection with the 2009A Bonds and 2009B Bonds; nor does it take into account any authorized toll rate increases. Debt Service in fiscal year 2010 is net of \$12 million of capitalized interest on the 2009B Bonds funded by a deposit of Authority funds.

⁽⁶⁾ In each year, the projected net cash flow exceeds the projected Renewal and Replacement Deposit for such year set forth in the Consulting Engineer's Report.

⁽⁷⁾ Numbers for 2010 are preliminary and unaudited.

* Preliminary, subject to change.

Columns may not add due to rounding.

LITIGATION

There is no litigation pending or, to the knowledge of the Authority, threatened in any court, (i) questioning the existence or organization of the Authority, the title of any of the present officers thereof to their respective offices, or the validity of the Reoffered Bonds or any other Authority bonds, or seeking to restrain or enjoin the issuance or delivery of the Reoffered Bonds or any other Authority bonds, or questioning the power of the Authority to pledge Net Revenues in accordance with the terms of the Indenture or (ii) questioning the power of the Authority to collect tolls, fees, charges and rents or receive other Revenues or questioning the Authority's other powers that in either case would have a material adverse effect on the financial condition of the Authority or the issuance of the Reoffered Bonds.

Lawsuits have been filed and are currently pending against the Authority, including claims for breach of contract, wrongful discharge, worker's compensation and personal injury to employees and non-employees. The Authority, after taking into consideration legal counsel's evaluation of such actions, is of the opinion that the outcome of these matters will have no material adverse effect on the financial condition of the Authority. The Authority has insurance coverage for certain risks, including commercial general liability and property damage. Each of these insurance coverages is subject to a self-insured retention and deductibles. These self-insured retentions and deductibles range from \$10,000 to \$500,000, depending on the type of coverage.

APPROVAL OF LEGAL PROCEEDINGS

The approving legal opinions of Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois, Co-Bond Counsel, with respect to the Reoffered Bonds are delivered concurrently with the remarketing of the Reoffered Bonds. The Opinions of Co-Bond Counsel for the Reoffered Bonds will be in substantially the form included herein as **APPENDIX E**.

Certain legal matters in connection with the Reoffered Bonds are passed upon for the Authority by the Authority's General Counsel, for the Remarketing Agents by their Counsel, Ice Miller LLP, Chicago, Illinois, for the PNC Bank by its counsel Chapman and Cutler LLP, Chicago, Illinois and for the JPMorgan Chase Bank by its counsel Winston & Strawn LLP. Certain documents to which the Authority is a party will be approved as to form and constitutionality by the Attorney General of Illinois as *ex officio* attorney for the Authority.

REMARKETING

In connection with the substitution of the liquidity facilities, the 2008 Series A Bonds are subject to a mandatory tender by the owners thereof for purchase on February 7, 2011 at a purchase price equal to 100 percent of the principal amount thereof plus accrued interest and unpaid interest thereon to, but not including, February 7, 2011, without premium. Each Remarketing Agent will remarket the Reoffered Bonds for which it is the Remarketing Agent to investors effective February 7, 2011 pursuant to the respective Remarketing Agreements.

FINANCIAL ADVISOR

The Authority has engaged Public Financial Management, Inc., as Financial Advisors (the "Financial Advisors") in connection with the Authority's procurement of Substitute Liquidity Facilities for the Authority's variable rate bonds, including the JPMorgan Chase Liquidity Agreement and the PNC Liquidity Agreement. Under the terms of their engagements, the Financial Advisors are not obligated to undertake any independent verification of or assume any responsibility for the accuracy, completeness, or fairness of the information contained in this Reoffering Circular.

TRAFFIC AND CONSULTING ENGINEERS

The sections of this Reoffering Circular entitled "THE TOLLWAY SYSTEM – Routes; Congestion-Relief Plan; Potential Additional Capital Projects; Condition and Maintenance; and Renewal and Replacement Program and Improvement Program" were prepared, in part, on the basis of information supplied by AECOM TECHNICAL SERVICES, Inc., Chicago, Illinois, the Consulting Engineer. APPENDIX F of this Reoffering Circular was prepared by AECOM TECHNICAL SERVICES, Inc. and contains information on the condition of the existing Tollway System, the history of the major improvement programs, projects in the Congestion-Relief Program, and the projected needs of the Tollway System in terms of renewal and replacement deposits and future maintenance and operating costs for 2011 and through 2021. Such projections are based upon certain assumptions made by AECOM TECHNICAL SERVICES, Inc. as set forth in their report. The report in APPENDIX F reflects changes since 2007 in the scope, cost and schedule of completion of the sub-projects that make up the Congestion-Relief Plan Project, as developed by the Authority's Program Management Office (the "PMO"), which costs vary in detail based upon the stage of implementation of each sub-project as more fully described therein. The report provides the Consulting Engineer's opinion on the reasonableness of the overall estimate of the cost of construction (\$5.8 billion) as developed by the PMO, but not on individual cost estimates. As stated in the report, market conditions and unforeseen events may affect the implementation and cost of the Congestion-Relief Plan Project and, on an annual basis, the Consulting Engineer's recommendations for Renewal and Replacement Deposits will reflect consideration of any adjustments to the Congestion-Relief Plan Project by the Authority.

The sections of this Reoffering Circular entitled "THE TOLLWAY SYSTEM – Congestion-Relief Plan; Potential Additional Capital Projects; Toll Rates; Historical Trends in Toll Transactions and Toll Revenues; and Historical Trends in Net Operating Revenues" were prepared, in part, on the basis of information supplied by Wilbur Smith Associates, Inc., Lisle, Illinois, the Traffic Engineer. Such information includes historical information regarding traffic and revenues of the Tollway System. APPENDIX G of this Reoffering Circular was prepared by Wilbur Smith Associates, Inc. and contains information regarding traffic and revenues and forecasts of future traffic and revenues of the Tollway System. Such forecasts are updates of those prepared June, 2010. The forecasts in APPENDIX G are based on assumptions made by Wilbur Smith Associates, Inc. concerning future events and circumstances it believes are significant to the forecasts.

The achievement of any activity estimates, forecasts or projections of the Consulting Engineer and the Traffic Engineer may be affected by fluctuating economic and other market conditions and other factors, including, without limitation, impact of economic conditions on travel in general, including the cost of fuel, competition for and price increases for labor and materials and other matters contained in the assumptions in such reports, and depends upon the occurrence of other future events that cannot be assured. Therefore, actual results may vary from the forecasts, estimates and projections, and such variations could be material.

FINANCIAL STATEMENTS

The financial statements of the Authority at December 31, 2009 and 2008 and for the years then ended, included in **APPENDIX A** of this Reoffering Circular, have been audited by McGladrey & Pullen, LLP, independent auditors as set forth in their report thereon relating to such respective years appearing in **APPENDIX A** to this Reoffering Circular.

The Authority has not requested nor did the Authority obtain any consent from the auditors to include the audited financial statements as an appendix to this Reoffering Circular. In addition, the auditors have not performed any post-audit review of the financial condition or operations of the Authority. The auditors have not reviewed this Reoffering Circular.

ACCOUNTING AND INVESTMENT PRACTICES

Audited financial statements of the Authority conforming to generally accepted accounting principles at December 31, 2009 and 2008 and for the years then ended are included herein in **APPENDIX A**.

The Authority's permitted investments are governed by the provisions of the Indenture and the Illinois Public Funds Investment Act. See **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions – Investment Securities."** See also Note 2 to Notes to Financial Statements included in **APPENDIX A** to this Reoffering Circular for a description of the Authority's investments at December 31, 2009.

RATINGS

On the Date of Reoffering, the 2008A-1a Bonds and 2008A-2 Bonds are expected to be rated "Aa3/VMIG1" by Moody's Investors Service and "AA+/A-1+" by Standard & Poor's, a Division of the McGraw-Hill Companies, in each case contingent on the issuance of the Policy by the Bond Insurer and the Liquidity Facility by JPMorgan Chase Bank. On the Date of Reoffering, the 2008A-1b Bonds are expected to be rated "Aa3/VMIG1" by Moody's Investors Service and "AA+/A-1" by Standard & Poor's, a Division of the McGraw-Hill Companies, in each case contingent on the issuance of the Policy by the Bond Insurer and the Liquidity Facility by PNC Bank. The Reoffered Bonds will also have underlying ratings of "Aa3" by Moody's Investors Service, "AA-" by Standard & Poor's, a Division of The McGraw-Hill Companies, and "AA-" by Fitch Ratings. Each such rating reflects only the views of such rating agency. Any explanation of the significance of such ratings may be obtained only from the respective rating agencies. Certain information and materials concerning the Reoffered Bonds, the Authority and the Tollway System, some of which have not been included in this Reoffering Circular, were furnished to the rating agencies by the Authority and others. There is no assurance that any such

rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely. Any downward revision or withdrawal of any such rating may have an adverse effect on the prices at which the Reoffered Bonds may be resold.

TAX MATTERS

Opinions of Initial Co-Bond Counsel

On February 7, 2008, Perkins Coie LLP and Burke Burns & Pinelli, Ltd., Initial Co-Bond Counsel ("Initial Co-Bond Counsel") issued approving opinions with respect to the 2008 Series A Bonds. Copies of the approving opinions issued by Initial Co-Bond Counsel are set forth in APPENDIX E-2. Each such approving opinion spoke only as of its date. Initial Co-Bond Counsel has not been engaged to advise on the correctness of such opinions as of any date other than the date thereof, or to revise or supplement such opinions to reflect any facts or circumstances that may have come to its attention since the date thereof or any change in law that may have occurred since the date thereof. The inclusion of such opinions in this Reoffering Circular shall not constitute any reissuance or republication of such opinions. Initial Co-Bond Counsel is not rendering any opinion on the current tax status of the Reoffered Bonds. Initial Co-Bond Counsel addressed the following tax considerations in rendering such opinions on February 7, 2008.

Initial Co-Bond Counsel expressed their opinions that that (i) subject to compliance with certain covenants made by the Authority to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended, under then-existing law, interest on the 2008 Series A Bonds was excludable from gross income of the owners thereof for federal income tax purposes, (ii) interest on the 2008 Series A Bonds would not be included as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the 2008 Series A Bonds would be taken into account in computing the corporate alternative minimum tax for certain corporations and (iv) interest on the 2008 Series A Bonds was not exempt from income taxes imposed by the State of Illinois.

In rendering their opinions, Initial Co-Bond Counsel relied upon certifications of the Authority and certain other parties with respect to certain material facts solely within their knowledge relating to the facilities to be financed or refinanced with the 2008 Series A Bonds, the application of the proceeds of the 2008 Series A Bonds and certain other matters pertinent to the tax exemption of the 2008 Series A Bonds. Additionally, in rendering their opinions, Initial Co-Bond Counsel relied upon the mathematical computation of the yield on the 2008 Series A Bonds and on certain obligations acquired with the proceeds thereof by Samuel Klein and Company, independent certified public accountants.

Initial Co-Bond Counsel advised that ownership of the 2008 Series A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, (i) corporations subject to the branch profits tax, (ii) financial institutions, (iii) certain insurance companies, (iv) certain Subchapter S corporations, (v) individual recipients of Social Security or Railroad Retirement benefits, and (vi) taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations and cautioned that

prospective purchasers of the 2008 Series A Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Initial Co-Bond Counsel's opinions were based on then-existing law, which has been subject to change. Such opinions were further based on factual representations made to Initial Co-Bond Counsel as of the date thereof. Initial Co-Bond Counsel assumed no duty to update or supplement their opinions to reflect any facts or circumstances that may have come to their attention after the date of issuance of the 2008 Series A Bonds, or to reflect any changes in law that may have occurred or become effective thereafter. Initial Co-Bond Counsel's opinions were not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represented Initial Co-Bond Counsel's professional judgment based on their review of then-existing law, and in reliance on the representations and covenants that Initial Co-Bond Counsel deemed relevant to such opinions.

General

In the opinion of Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Co-Bond Counsel, the replacement of the 2008 Dexia Liquidity Agreement with the JPMorgan Chase Liquidity Agreements and the PNC Liquidity Agreement and the execution and delivery of the Amended and Restated Supplemental Indenture, in and of themselves, will not cause the interest on the Reoffered Bonds to become includable in the gross income of the owners thereof for federal income tax purposes.

The opinion set forth above is limited to the matters expressly described above. Co-Bond Counsel have assumed the correctness of the Initial Co-Bond Counsel Opinions and, except as stated above, Co-Bond Counsel have not been requested, nor have they undertaken, to review any matter relating to the matters described or the validity or the tax-exempt status of the interest on the Bonds. The opinions of Co-Bond Counsel are for the sole benefit of the addressees thereof and no other person may rely upon such opinions without the prior written consent of Co-Bond Counsel.

Co-Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Co-Bond Counsel as of the date thereof. Co-Bond Counsel assume no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to their attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Co-Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Co-Bond Counsel's professional judgment based on their review of existing law, and in reliance on the representations and covenants that Co-Bond Counsel deem relevant to such opinions.

SECONDARY MARKET DISCLOSURE

Rule 15c2-12 (the "Rule") under the Exchange Act generally requires that "obligated persons," such as the Authority and certain other parties, provide (i) continuing disclosure on an annual basis of financial information and operating data and (ii) notices of certain specified events that could effect the credit underlying the payment obligations of municipal securities.

Offerings of municipal securities that are issued in minimum denominations of \$100,000 and are subject to purchase by the issuer on the demand of the holder, such as will be the case with respect to the Reoffered Bonds while bearing interest in the Weekly Mode or Flexible Mode are exempt from these requirements. If the Reoffered Bonds are remarketed in a mode other than the Weekly Mode or Flexible Mode, the Authority and any other "obligated persons" may in the future become subject to these continuing disclosure obligations of the Rule.

LEGALITY FOR INVESTMENT

Under the Act, the Reoffered Bonds are eligible in the State of Illinois for investment of sinking funds, moneys or other funds belonging to or within the control of banks, bankers, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, insurance associations, executors, administrators, guardians, trustees and other fiduciaries, municipal corporations, political subdivisions, public bodies, and public officers thereof.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the Authority's records, audited financial statements and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized.

The summaries or descriptions of provisions of the Act, the Indenture, the Reoffered Bonds and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof, are qualified in their entirety by reference to the complete documents relating to such matters and are subject to the full texts thereof.

The authorization, agreements and covenants of the Authority are set forth in the Indenture, and neither this Reoffering Circular nor any advertisement of the Reoffered Bonds is to be construed as a contract with the owners of the Reoffered Bonds.

Any statements made in this Reoffering Circular involving matters of opinion or of estimates, whether or not expressly so identified, are intended merely as such and not as representations of fact.

AUTHORIZATION

The Authority has duly authorized the use and distribution of this Reoffering Circular and the execution and delivery of this Reoffering Circular by its Chairman.

THE ILLINOIS STATE TOLL HIGHWAY
AUTHORITY

By: /s/ Paula Wolff
Chairman

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

FINANCIAL STATEMENTS

Audited Financial Statements for 2009 and 2008

[THIS PAGE INTENTIONALLY LEFT BLANK]

McGladrey & Pullen

Certified Public Accountants

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the Illinois State Toll Highway Authority, a component unit of the State of Illinois, as of and for the year ended December 31, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Illinois State Toll Highway Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Tollway's financial statements include partial prior year comparative information. Such information does not include notes to the financial statements which are required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Tollway's financial statements for the year ended December 31, 2008, from which such partial information was derived.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois State Toll Highway Authority, as of December 31, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Schaumburg, Illinois
August 16, 2010

**Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis
December 31, 2009**

This section offers readers a discussion and analysis of the financial performance of the Illinois State Toll Highway Authority (the Tollway), provides an overview of its financial activities, and identifies changes in the Tollway's financial position for the year ended December 31, 2009. Readers should use this section of this report in conjunction with the Tollway's basic financial statements.

2009 FINANCIAL HIGHLIGHTS

- Design and construction work on the Tollway's \$6.1 billion Congestion-Relief Program, initiated in 2004, continued throughout 2009. By year-end nearly 80% of the work planned for this program was completed.
- The ninth and tenth series of toll revenue bonds (2009 Series A and B, each issued as Build America Bonds) in support of the Congestion-Relief Program resulted in total par amount of \$780 million and average interest rates of 6.09% and 5.85%, for Series 2009 A and 2009 B, respectively; principal retirements are scheduled to begin in 2019 and continue through 2034. Proceeds of these issues were used to fund the projects in the Congestion-Relief Program.
- Concomitant with the issuance of the 2009 bonds, the Tollway's senior lien underlying credit ratings continued to be as follows: by Fitch Ratings – AA-; by Moody's Investor Services – Aa3; and by Standard & Poor's – AA-.
- Amounts on deposit on behalf of I-PASS account holders increased by 6% at year-end 2009 to \$132 million; the percentage of Tollway users paying by I-PASS was 82% in 2009 (versus 81% in 2008).

BASIC FINANCIAL STATEMENTS

The Tollway accounts for its operations and financial transactions in a manner similar to that used by private business enterprises: the accrual basis of accounting. In these statements revenue is recognized in the period in which it is earned, and an expense is recognized in the period in which it is incurred, regardless of the timing of its related cash flow.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Tollway's basic financial statements. For each fiscal year the Tollway's basic financial statements are comprised of the following:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows
- Notes to the financial statements.

The Statement of Net Assets presents information on all of the Tollway's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets, over time, may serve as a useful indicator of whether the financial position of the Tollway is improving or deteriorating.

**Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis
December 31, 2009**

The Statement of Revenues, Expenses and Changes in Net Assets presents revenue and expense information and how the Tollway's net assets changed during the measurement period as a result of these transactions.

The Statement of Cash Flows presents sources and uses of cash for the fiscal year, displayed in the following categories: cash flows from operating activities, cash flows from non-capital financing activities, cash flows from capital financing activities and cash flows from investing activities.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. They are an integral part of the basic financial statements.

FINANCIAL ANALYSIS

2009 RESULTS COMPARED TO 2008

OPERATING REVENUE:

Total operating revenue of \$658 million in 2009 was marginally less than the previous year's \$668 million, a drop of 1.5% or \$10 million, though the Tollway's primary revenue source, tolls, resulted in a modest, 1.4%--\$8 million, increase. We believe this growth in toll revenue resulted from a combination of decreasing construction obstacles on the system, countered perhaps by a lesser amount of economic activity in the current recession and thus less traffic.

Concession revenue, earned from leases to service station and other retail operators at the oases on the Tollway system, remained steady year-over-year at \$2.3 million this year; such concession revenues equal 0.4% of total operating receipts. Miscellaneous operating revenues increased substantially over the year earlier, reaching nearly \$9 million in 2009 (from \$4 million in 2008) as a result of income from newly initiated agreements for external party use of the Tollway's fiber optic network as well as the reversal of allowances for uncollectibility taken earlier against certain amounts due to the Tollway.

Net revenue from evasion recovery for the year at \$55 million declined from \$78 million posted in 2008 (by 29%--\$23 million). Net evasion recovery revenue equals the amount of violation notices issued less dismissed notices and less an estimate of related bad debt expense for outstanding notices. This decline was, however, expected, given that 2008 evasion recovery revenues were amplified by the catch-up that year for notices deferred from 2007 during a systems conversion.

OPERATING EXPENSES:

Total (cash plus non-cash) operating expenses increased notably over the previous year, up by 8%--\$41 million to a total \$580 million. About half of this increase was the result of increased depreciation expense for the year, up 7%--\$19 million, as projects in the Congestion-Relief Program were completed and placed in service for accounting purposes, thus triggering their depreciation over 20- to 40-year periods. The second major component of increased operating expenses came from higher outlays for insurance and employee benefit costs which grew by 22%--\$13 million; these increased payments were made for employee health care and workers' compensation costs and for the Tollway's employer contribution to retirement plans.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis
December 31, 2009

With operating revenue close to flat and operating expense up 8%, the resultant operating income for the year was down 40% at \$78 million (versus \$128 million last year).

NON-OPERATING REVENUE AND EXPENSE:

Net non-operating expense continued to increase (this year by 56%--\$59 million) to \$165 million for 2009. The single largest component of this category was a \$59 million (45%) increase in interest and other financing costs, all attributable to the revenue bonds issued in support of the Congestion-Relief Program. Notably this year, and separately accounted for, the Tollway earned a \$6.4 million interest rebate from the federal treasury relating to 2009 bonds which were issued as Build America Bonds, which qualify for such a rebate.

Other notable items in this category of revenue and expense include a steep drop in investment income (86%--\$20 million) as a result of both lower interest rates earned in a lower-rate market and smaller invested balances, as Tollway and construction fund cash were used to fund Congestion-Relief Program projects. Also, miscellaneous non-operating revenue totaled \$13 million (up from about \$500,000 last year), largely as the result of the reversal of a previous year's \$10.5 million expense for allocation of state overhead assessed to the Tollway.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis
December 31, 2009

Illinois State Toll Highway Authority
Changes in Net Assets
For the Years Ended December 31, 2009 and 2008

	2009	2008
Revenues		
Operating Revenues:		
Toll Revenue	\$ 592,063,529	\$ 583,646,592
Toll Evasion Recovery	54,828,660	77,653,862
Concessions	2,338,841	2,236,551
Miscellaneous	8,759,200	4,273,563
Nonoperating Revenues:		
Investment income	3,199,960	22,979,654
Intergovernmental contributions	6,570,819	1,071,429
Revenues under intergovernmental agreements	97,983,825	81,091,003
Bond Interest Subsidy (Build America Bonds)	6,422,870	-
Miscellaneous	13,424,947	542,517
Total Revenues	\$ 785,592,651	\$ 773,495,171
Expenses		
Operating Expenses:		
Engineering and Maintenance of Roadway and Structures	\$ 48,942,122	\$ 46,309,976
Services and Toll Collection	116,613,280	110,681,535
Traffic Control, Safety Patrol, and Radio Communications	22,649,767	22,374,844
Procurement, IT, Finance, and Administration	22,406,891	22,100,592
Insurance and Employee Benefits	72,493,677	59,634,767
Depreciation and Amortization	297,371,719	278,626,714
Nonoperating Expenses:		
Expenses under intergovernmental agreements	97,983,825	81,091,003
Net gain (loss) on disposal of property	3,249,477	(377,214)
Net decrease in fair value of investments	1,365,846	221,181
Interest expense and amortization of financing costs	190,168,729	130,889,438
Total Expenses	\$ 873,245,333	\$ 751,552,836
Increase (Decrease) in Net Assets	(87,652,682)	21,942,335
Net Assets, beginning of year	2,105,546,159	2,083,603,824
Net Assets, end of year	\$ 2,017,893,477	\$ 2,105,546,159

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis
December 31, 2009

NET ASSETS:

As a result of the large increases in both depreciation expense (a \$19 million increase in a non-cash item) and interest and financing costs (a \$59 million increase), the Tollway posted a decrease in net assets in the amount of \$88 million. Depreciation expense has steadily grown over the last four years of the Congestion-Relief Program, as projects have been completed and placed in service and thus their depreciation over their useful lives is underway. But on a cash flow basis, the Tollway shows a net increase in cash for the year of \$36 million, with \$269 million of cash coming from operating activities (versus \$384 million last year). This operating cash flow, along with \$780 million of bond proceeds and \$74 million of maturing invested cash, was sufficient to fund the year's Congestion-Relief Program and other capital outlays and to satisfy principal payments and interest and other financing costs due in 2009.

Illinois State Toll Highway Authority
Statement of Net Assets
December 31, 2009 and 2008

	2009	2008
Current and other assets	\$ 1,222,038,890	\$ 1,178,964,531
Capital assets - net	5,363,764,762	4,853,139,669
Total assets	6,585,803,652	6,032,104,200
Current debt outstanding	1,065,000	97,150,000
Long-term debt outstanding	4,078,573,329	3,300,394,225
Other liabilities	488,271,846	529,013,816
Total Liabilities	4,567,910,175	3,926,558,041
Net Assets:		
Invested in capital assets,		
net of related debt	1,284,350,633	1,622,755,006
Restricted under Trust Indenture Agreements	234,633,390	282,076,511
Restricted for pension benefits obligations	360,441	389,834
Unrestricted	498,549,013	200,324,808
Total Net Assets	\$ 2,017,893,477	\$ 2,105,546,159

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis
December 31, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS:

Capital assets continue to represent the largest category of Tollway assets, totaling \$5.4 billion at year-end (\$4.9 billion a year ago) and comprising 82% of total assets (versus 80% at year-end 2008).

Illinois State Toll Highway Authority
Capital Assets
For the Year Ended December 31, 2009 and 2008

	January 1, 2009	2009	2009	December 31, 2009
	Net Balance	Net Activity	Depreciation	Net Balance
Land and Improvements	\$ 299,708,525	\$ 4,623,010	\$ -	\$ 304,331,535
Construction in Progress	493,546,645	(260,616,244)	-	232,930,401
Buildings	10,767,599	5,683,678	(2,239,615)	14,211,662
Infrastructure	3,975,226,747	1,035,180,018	(285,419,919)	4,724,986,846
Machinery and Equipment	73,890,153	23,126,350	(9,712,185)	87,304,318
Total	\$ 4,853,139,669	\$ 807,996,812	\$ (297,371,719)	\$ 5,363,764,762
(Restated)				
	January 1, 2008	2008	2008	December 31, 2008
	Net Balance	Net Activity	Depreciation	Net Balance
Land and Improvements	\$ 282,676,939	\$ 17,031,586	\$ -	\$ 299,708,525
Construction in Progress	660,331,366	(166,784,721)	-	493,546,645
Buildings	10,933,019	1,875,478	(2,040,898)	10,767,599
Infrastructure	3,015,497,730	1,228,763,360	(269,034,343)	3,975,226,747
Machinery and Equipment	61,663,328	19,778,298	(7,551,473)	73,890,153
Total	\$ 4,031,102,382	\$ 1,100,664,001	\$ (278,626,714)	\$ 4,853,139,669

The January 1, 2008 balances reflect a restatement for capitalized interest.

Additional information concerning capital assets can be found in Note 6.

LONG - TERM DEBT:

The Tollway issued two series of revenue bonds; each backed by pledged revenue and restricted funds, in order to finance projects under the Congestion-Relief Program. Issues in 2009 totaled \$780 million (versus \$1.1 billion in 2008). Thus total bonds payable at year-end were \$4.1 billion (versus a total amount of \$3.4 billion a year earlier).

OTHER DEBT RELATED INFORMATION

The 1993 Series B, 1998 Series B, 2007 Series A-1 and A-2, and 2008 Series A-1 and A-2 bonds were issued as variable rate bonds. In connection with the issuance of these variable rate series, the Tollway entered into eleven separate variable-to-fixed interest rate exchange (swap) agreements in total notional amounts and with amortizations equal to the total principal amounts and amortizations of the Tollway's four variable rate bond issues. One swap agreement was associated with the 1993 Series B bonds, in an original amount of \$178.2 million, none of which was outstanding as of December 31, 2009. Two swap agreements are associated with the 1998 Series B bonds, in original amounts totaling \$123.1 million, all of which is outstanding as of December 31, 2009. Four swap agreements are associated with the 2007 Series A-1 and A-2 bonds, in original amounts totaling \$700 million, all of which is outstanding as of December 31, 2009. Four swap agreements are associated with the 2008 Series A-1 and A-2 bonds, in original amounts totaling \$766.2 million, all of which is outstanding as of December 31, 2009. The Tollway utilized these eleven swap agreements in order to hedge against rising interest rates and to reduce its borrowing rate (as compared to the borrowing rate obtainable by issuing fixed rate bonds). The risks associated with these types of arrangements and the strategies employed by the Tollway to mitigate those risks are discussed in Note 8 of the financial statements.

In an effort to improve disclosures associated with derivative contracts, the Government Accounting Standards Board (GASB) has issued critical accounting guidance that requires more comprehensive reporting for state and local governments. This Technical Bulletin (No. 2003-1) became effective for periods ending after June 15, 2003, and requires the Tollway to determine the fair market value of the swap contracts as of the year ended December 31, 2003, and into the future, and to disclose these amounts.

The Tollway has received fair market valuations as of December 31, 2009 for each of the swaps outstanding on that date from the counterparties for each of those swaps. As of December 31, 2009, fair market value analysis of the swap agreements estimate that if the Tollway had terminated the swap contracts on that date, the Tollway would have been required to make payments of: a total of \$12.8 million for the two 1998 Series B swap agreements; a total of \$61.1 million for the four 2007 Series A-1 and A-2 swap agreements; and a total of \$38.9 million for the four 2008 Series A-1 and A-2 swap agreements.

The amount of additional bonds that the Tollway may issue at any time is limited by the requirement that the projected net revenues are sufficient to meet the Net Revenue Requirement, after giving effect to the debt service attributable to such additional bonds. The Net Revenue Requirement is comprised of the amount necessary to cure deficiencies, if any, in all debt service accounts and debt reserve accounts established under the Trust Indenture, plus the greater of (i) the sum of Aggregate Debt Service on Senior Bonds, the Junior Bond Revenue Requirement, and the Renewal and Replacement Deposit for such period, and (ii) 1.3 times the Aggregate Debt Service on Senior Bonds for such period (all capitalized terms as defined in the Trust Indenture). Under the terms of the Trust Indenture agreement the revenue bond coverage ratio for 2009 was 2.3x.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Management's Discussion and Analysis
December 31, 2009

Illinois State Toll Highway Authority
Long-Term Debt Analysis
December 31, 2009 and 2008

	2009		
	Noncurrent	Current	Total
Revenue Bonds Payable			
Issue of 1992 Series A	\$ 100,665,000	\$ -	\$ 100,665,000
Issue of 1998 Series A	193,050,000	1,065,000	194,115,000
Issue of 1998 Series B	123,100,000	-	123,100,000
Issue of 2005 Series A	770,000,000	-	770,000,000
Issue of 2006 Series A-1	291,660,000	-	291,660,000
Issue of 2007 Series A-1	350,000,000	-	350,000,000
Issue of 2007 Series A-2	350,000,000	-	350,000,000
Issue of 2008 Series A-1	383,100,000	-	383,100,000
Issue of 2008 Series A-2	383,100,000	-	383,100,000
Issue of 2008 Series B	350,000,000	-	350,000,000
Issue of 2009 Series A	500,000,000	-	500,000,000
Issue of 2009 Series B	280,000,000	-	280,000,000
Total Rev. Bonds Payable	\$ 4,074,675,000	\$ 1,065,000	\$ 4,075,740,000
	2008		
	Noncurrent	Current	Total
Revenue Bonds Payable			
Issue of 1992 Series A	\$ 100,665,000	\$ -	\$ 100,665,000
Issue of 1993 Series B	-	80,500,000	80,500,000
Issue of 1996 Series A	-	15,625,000	15,625,000
Issue of 1998 Series A	194,115,000	1,025,000	195,140,000
Issue of 1998 Series B	123,100,000	-	123,100,000
Issue of 2005 Series A	770,000,000	-	770,000,000
Issue of 2006 Series A-1	291,660,000	-	291,660,000
Issue of 2007 Series A-1	350,000,000	-	350,000,000
Issue of 2007 Series A-2	350,000,000	-	350,000,000
Issue of 2008 Series A-1	383,100,000	-	383,100,000
Issue of 2008 Series A-2	383,100,000	-	383,100,000
Issue of 2008 Series B	350,000,000	-	350,000,000
Total Rev. Bonds Payable	\$ 3,295,740,000	\$ 97,150,000	\$ 3,392,890,000

Note: Amounts presented in this table exclude unamortized bond premiums and deferred amount on refunding.

Additional information concerning long-term debt can be found in Note 8.

FACTORS IMPACTING FUTURE OPERATIONS

During 2010 the Tollway will continue implementing the work of the Congestion-Relief Program. Additionally, management and the Tollway Board have begun a review of other prospective work that could be recommended for future capital plans. As a result of these activities the Tollway's future financial position is likely to be impacted by:

- Continued net increases in capital assets and in related depreciation expense as completed infrastructure projects are placed in service.
- The choice of sources to fund incremental capital projects that may be designated by Tollway governance.

CONTACTING THE TOLLWAY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, bondholders, employees, and other stakeholders with an overview of the Tollway's finances and to demonstrate the Tollway's accountability for the funds it receives and deploys. Questions concerning this report or requests for additional financial information should be directed to the Controller, Illinois State Toll Highway Authority, 2700 Ogden Avenue, Downers Grove, Illinois 60515.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Statement of Net Assets
December 31, 2009
(With Comparative Totals as of December 31, 2008)

	2009	2008
ASSETS		
CURRENT ASSETS		
CURRENT UNRESTRICTED ASSETS		
Cash and Cash Equivalents	\$ 499,070,519	\$ 357,722,016
Accounts Receivable, less allowance for doubtful accounts of \$259,231,468 and \$195,674,372 in 2009 and 2008, respectively	32,912,950	30,567,798
Intergovernmental Receivables, less allowance for doubtful accounts of \$34,375 and \$0 in 2009 and 2008, respectively	80,003,796	86,814,775
Accrued Interest Receivable	59,700	317,275
Current Portion of Leases Receivable, less allowance for doubtful accounts of \$0 and \$783,746 in 2009 and 2008, respectively	1,643,250	1,643,250
Risk Management Reserved Cash and Cash Equivalents	16,436,770	11,293,764
Prepaid Expenses	18,547,957	14,631,288
Total Current Unrestricted Assets	648,674,942	502,990,166
CURRENT RESTRICTED ASSETS		
Cash and Cash Equivalents Restricted for Debt Service	317,510,640	267,827,509
Cash and Cash Equivalents - I-PASS Accounts	131,548,729	124,296,311
Investments Restricted for Debt Service, at fair value	-	74,038,196
Accrued Interest Receivable	10,601	811,212
Cash and Cash Equivalents - Construction Fund	224,200	167,159,562
Pension Benefit Assets	360,441	396,570
Total Current Restricted Assets	449,654,611	634,529,360
Total Current Assets	1,098,329,553	1,137,519,526
NONCURRENT ASSETS		
CAPITAL ASSETS		
Land, Improvements and Construction in Progress	537,261,936	793,255,170
Other Capital Assets, net of Accumulated Depreciation	4,826,502,826	4,059,884,499
Total Capital Assets, net	5,363,764,762	4,853,139,669
OTHER NONCURRENT ASSETS		
Leases Receivable, less current portion	28,444,750	30,088,000
Accounts Receivable less current portion - violations	500,000	-
Intergovernmental Receivables less current portion	78,407,465	-
Deferred Bond Issuance Costs, net of accumulated amortization of \$10,082,316 and \$8,993,114 in 2009 and 2008, respectively	16,357,122	11,357,005
Total Other Noncurrent Assets	123,709,337	41,445,005
Total Noncurrent Assets	5,487,474,099	4,894,584,674
TOTAL ASSETS	\$ 6,585,803,652	\$ 6,032,104,200

See accompanying notes to the financial statements.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Statement of Net Assets (Continued)
December 31, 2009
(With Comparative Totals as of December 31, 2008)

LIABILITIES AND NET ASSETS	2009	2008
LIABILITIES		
CURRENT LIABILITIES		
Payable from Unrestricted Current Assets:		
Accounts Payable	\$ 5,404,044	\$ 27,597,153
Accrued Liabilities	150,653,725	187,178,171
Accrued Compensated Absences	3,546,533	4,188,960
Risk Management Claims Payable	16,022,848	10,878,028
Deposits and Retainage	47,399,278	63,244,503
Total Current Liabilities Payable from Unrestricted Current Assets	<u>223,026,428</u>	<u>293,086,815</u>
Payable from Current Restricted Assets:		
Pension Benefit Obligation	-	6,736
Current Portion of Revenue Bonds Payable	1,065,000	97,150,000
Accrued Interest Payable	82,887,851	60,600,406
Deposits and Deferred Revenue - I-PASS Accounts	131,548,729	124,296,311
Total Current Liabilities Payable from Current Restricted Assets	<u>215,501,580</u>	<u>282,053,453</u>
Total Current Liabilities	<u>438,528,008</u>	<u>575,140,268</u>
NONCURRENT LIABILITIES		
Revenue Bonds Payable, less current portion	4,074,675,000	3,295,740,000
Bond Premium, less deferred amount on refunding	3,898,329	4,654,225
Accrued Compensated Absences	3,999,282	3,033,384
Deferred Revenue, less accumulated amortization of \$25,325,635 and \$20,829,800 in 2009 and 2008, respectively	46,809,556	47,990,164
Total Noncurrent Liabilities	<u>4,129,382,167</u>	<u>3,351,417,773</u>
Total Liabilities	<u>4,567,910,175</u>	<u>3,926,558,041</u>
NET ASSETS		
Invested in Capital Assets, net of Related Debt	1,284,350,633	1,622,755,006
Restricted under Trust Indenture Agreements	234,633,390	282,076,511
Restricted for Pension Benefit Obligation	360,441	389,834
Unrestricted	498,549,013	200,324,808
Total Net Assets	<u>2,017,893,477</u>	<u>2,105,546,159</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,585,803,652</u>	<u>\$ 6,032,104,200</u>

See accompanying notes to the financial statements.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009	2008
OPERATING REVENUES		
Toll Revenue	\$ 592,063,529	\$ 583,646,592
Toll Evasion Recovery	54,828,660	77,653,862
Concessions	2,338,841	2,236,551
Miscellaneous	8,759,200	4,273,563
Total Operating Revenues	657,990,230	667,810,568
OPERATING EXPENSES		
Engineering and Maintenance of Roadway and Structures	48,942,122	46,309,976
Services and Toll Collection	116,613,280	110,681,535
Traffic Control, Safety Patrol and Radio Communications	22,649,767	22,374,844
Procurement, IT, Finance, and Administration	22,406,891	22,100,592
Insurance and Employee Benefits	72,493,677	59,634,767
Depreciation and Amortization	297,371,719	278,626,714
Total Operating Expenses	580,477,456	539,728,428
Operating Income	77,512,774	128,082,140
NONOPERATING REVENUES (EXPENSES)		
Investment Income	3,199,960	22,979,654
Contributions Restricted for Capital	6,570,819	1,071,429
Revenues under Intergovernmental Agreements	97,983,825	81,091,003
Expenses under Intergovernmental Agreements	(97,983,825)	(81,091,003)
Net Decrease in Fair Value of Investments	(1,365,846)	(221,181)
Net Gain (Loss) on Disposal of Property	(3,249,477)	377,214
Interest Expense and Amortization of Financing Costs	(190,168,729)	(130,889,438)
Bond Interest Subsidy (Build America Bonds)	6,422,870	-
Miscellaneous Revenue	13,424,947	542,517
Total Nonoperating Revenues (Expenses)	(165,165,456)	(106,139,805)
(DECREASE) INCREASE IN NET ASSETS	(87,652,682)	21,942,335
NET ASSETS AT BEGINNING OF YEAR	2,105,546,159	2,083,603,824
NET ASSETS AT END OF YEAR	\$ 2,017,893,477	\$ 2,105,546,159

See accompanying notes to the financial statements.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Statement of Cash Flows
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Sales and Services	\$ 676,785,085	\$ 675,219,969
Cash Received from Other Governments for Services	-	6,029,017
Cash Paid to Other Governments for Services	(72,096,485)	-
Cash Payments to Suppliers	(195,712,374)	(178,387,553)
Cash Payments to Employees	(139,743,118)	(118,419,630)
Net Cash Provided by Operating Activities	<u>269,233,108</u>	<u>384,441,803</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(830,929,602)	(1,086,200,179)
Cash Paid to Other Governments for Capital Assets	-	(22,595,213)
Cash Received from Other Governments Restricted to Capital	6,570,819	-
Proceeds from Sale of Property	235,354	480,910
Proceeds from Sale of Bonds	780,000,000	1,116,200,000
Original Issue Discount for Sale of Bonds	-	(9,142,000)
Defeased Bonds	-	(708,340,000)
Principal paid on Revenue Bonds	(97,150,000)	(50,030,000)
Bond Interest Subsidy (Build America Bonds)	6,422,870	-
Interest Expense and Issuance Costs paid on Revenue Bonds	(174,821,350)	(220,795,363)
Net Cash Used in Capital and Related Financing Activities	<u>(309,671,909)</u>	<u>(980,421,845)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investment Securities	-	(797,681,159)
Proceeds from Sales and Maturities of Investments	74,038,196	863,511,064
Interest on Investments	2,892,301	32,525,093
Net Cash Provided by Investing Activities	<u>76,930,497</u>	<u>98,354,998</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>36,491,696</u>	<u>(497,625,044)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>928,299,162</u>	<u>1,425,924,206</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 964,790,858</u>	<u>\$ 928,299,162</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 499,070,519	\$ 357,722,016
Cash and Cash Equivalents Restricted for Debt Service	317,510,640	267,827,509
Cash and Cash Equivalents Restricted for Construction	224,200	167,159,562
Cash and Cash Equivalents - I-PASS Accounts	131,548,729	124,296,311
Risk Management Reserved Cash and Cash Equivalents	16,436,770	11,293,764
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 964,790,858</u>	<u>\$ 928,299,162</u>

See accompanying notes to the financial statements.

(Continued)

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009	2008
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating Income	\$ 77,512,774	\$ 128,082,140
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation and Amortization	297,371,719	278,626,714
Provision for Bad Debt	65,747,372	146,850,695
Amortization of Deferred Revenue	(1,180,608)	4,717,379
Intergovernmental Contributions and Revenues	97,983,825	82,162,432
Intergovernmental Expenses	(97,983,825)	-
Miscellaneous Revenue	13,424,947	542,517
Effects of Changes in Operating Assets and Liabilities:		
(Increase) in Accounts Receivable	(68,092,524)	(151,537,410)
(Increase) in Intergovernmental Receivables	(72,096,485)	(75,061,986)
(Increase) Decrease in Lease Receivable	1,643,250	(4,659,214)
(Increase) Decrease in Prepaid Expenses	870,116	(4,831,522)
Decrease in Net Assets Available for Pension Benefits	36,129	28,202
Increase (Decrease) in Accounts Payable	(22,193,109)	2,192,282
(Decrease) in Accrued Liabilities	(36,524,446)	(36,546,060)
Increase in Accrued Compensated Absences	323,471	971,041
(Decrease) in Pension Obligation	(6,736)	(33,984)
(Decrease) in Deposits and Retainage	-	(2,681,368)
Increase in Deposits and Deferred Revenue - I-PASS	7,252,418	15,430,847
Increase in Risk Management Claims Payable	5,144,820	189,098
Net Cash Provided by Operating Activities	<u>\$ 269,233,108</u>	<u>\$ 384,441,803</u>

The fair value of investments decreased by \$1,144,665 in 2009 and by \$3,518,548 in 2008, respectively.
 The interest paid on revenue bonds was \$172,254,062 and \$148,412,572 in 2009 and 2008, respectively.

See accompanying notes to the financial statements.

**Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)**

**Notes to the Financial Statements
December 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and financial reporting practices of the Illinois State Toll Highway Authority (the Tollway), a component unit of the State of Illinois, conform to generally accepted accounting principles (GAAP), as promulgated in pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) issued before December 1, 1989, which are not in conflict with GASB pronouncements. As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Tollway has elected to not apply FASB pronouncements issued after November 30, 1989.

Financial Reporting Entity

The Illinois State Toll Highway Authority, a component unit of the State of Illinois, was created by an Act of the General Assembly of the State of Illinois – the Toll Highway Act – for the purpose of constructing, operating, regulating, and maintaining a toll highway or a system of toll highways and, in connection with the financing of such projects, is authorized to issue revenue bonds which shall be retired from revenues derived from the operation of the Tollway. Under the provisions of the Act, no bond issue of the Tollway, or any interest thereon, is an obligation of the State of Illinois. In addition, the Tollway is empowered to issue refunding bonds for the purpose of refunding any revenue bonds issued under the provisions of the Act, which are then outstanding.

The enabling legislation empowers the Tollway's Board of Directors with duties and responsibilities which include, but are not limited to, the ability to approve and modify the Tollway's budget, the ability to approve and modify toll rates and fees charged for use of the system, the ability to employ and discharge employees as is necessary in the judgment of the Tollway, and the ability to acquire, own, use, hire, lease, operate, and dispose of personal property, real property, and any interest therein.

Component units are separate legal entities for which the primary government is legally accountable. The Tollway is a component unit of the State of Illinois for financial reporting purposes because exclusion would cause the State's financial statements to be incomplete. The governing body of the Tollway is an 11 member Board of Directors of which nine members are appointed by the Governor with the advice and consent of the Illinois Senate. The Governor and the Secretary of the Illinois Department of Transportation are also members of the Tollway's Board of Directors. These financial statements are included in the State's comprehensive annual financial report and the State's separately issued basic financial statements. The Tollway itself does not have any component units.

Basis of Accounting

The Tollway is accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the Tollway's operations are included on the Statement of Net Assets. Revenue is recognized in the period in which it is earned and expenses are recognized in the period in which incurred.

The Tollway accounts for its operations and financings in a manner similar to private business enterprises; the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)**

**Notes to the Financial Statements
December 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

With the exception of \$28.7 million in locally held funds, all cash and investments are held for the Tollway either by the Illinois State Treasurer (the Treasurer) as custodian or by the bond trustee under the Tollway's Trust Indenture.

For purposes of the Statement of Cash Flows, the Tollway considers all highly liquid investments, including restricted assets with a maturity of three months or less when purchased, repurchase agreements and all other investments held on its behalf by the Treasurer, to be cash equivalents, as these investments are available upon demand.

Investments

The Tollway reports investments at fair value in its Statement of Net Assets with the corresponding changes in fair value being recognized as an increase or decrease to non-operating revenue in the Statement of Revenues, Expenses and Changes in Net Assets. Fair value is defined as the amount at which an investment could be exchanged in a current transaction between willing parties, rather than in a forced sale or liquidation. All investments are held for the Tollway either by the Treasurer as custodian or the bond trustee under the Tollway's Trust Indenture.

The primary objective in the investment of Tollway funds is to ensure the safety of principal, while managing liquidity to meet the financial obligations of the Tollway, and to provide the highest investment return using authorized instruments.

All investments in U.S. Treasury and agency issues owned by the Tollway are reported at fair value. Fair value for the investments in Illinois Funds (a state-operated money market fund, sponsored by the Treasurer in accordance with Illinois state law that is rated AAAM by Standard & Poor's rating agency) is equal to the value of the pool shares. State statute requires that Illinois Funds comply with the Illinois Public Funds Investment Act. Other funds held for the Tollway by the Treasurer and the bond trustee are invested in U.S. Treasury and agency issues at the direction of the Tollway and in repurchase agreements which are recorded at face value which approximates fair value.

The Trust Indenture, as amended, under which the Tollway's revenue bonds were issued, authorizes the Tollway to invest in U.S. Treasury and agency issues, money market funds comprised of U.S. Treasury and agency issues, repurchase agreements thereon, time deposits, and certificates of deposit. All funds held by the Tollway's bond trustee were held in compliance with these restrictions for the year ended December 31, 2009.

Accounts Receivable

The Tollway's accounts receivable consist of various toll charges and amounts due from individuals and commercial, governmental and other entities. A provision for doubtful accounts has been recorded for the estimated amount of uncollectible accounts.

Prepaid Expenses and Inventory

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The Tollway's inventory items consist mostly of consumable supplies that are quickly turned over and therefore the payments for such are directly expensed.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets include the historical cost of land and improvements, roadway and transportation structures (infrastructure), buildings and related improvements, and equipment. Expenses for the maintenance and repairs to the roadway and transportation structures, buildings, and related improvements are charged to operations when incurred. All expenses for land, buildings, infrastructure, and construction in progress that increase the value or productive capacities of assets are capitalized. Effective July 1, 2004, machinery and equipment expenses of \$5,000 or more are capitalized. The Tollway capitalizes interest related to construction in progress incurred during the construction period.

Building	20 Years
Infrastructure	5 to 40 Years
Machinery and equipment	5 to 30 Years

In 2009 the Tollway re-characterized certain recently completed infrastructure projects previously placed into service. Certain reconstruction-and-widen projects had originally been set to depreciate over 20-year periods; further review and consultation led to the conclusion that such projects have 40-year depreciable lives and these have been adjusted in 2009.

During 2006 the Tollway implemented new software to track individual capital asset acquisitions and deletions and to calculate accumulated depreciation for these assets. Prior to fiscal year 2006, the Tollway recorded and depreciated capital assets using a pooling method, that is, assets acquired for each year in each category were combined into one total and depreciated as a group. Deletions decreased the group as a whole but were not attributed to one specific asset. Assets are depreciated using the straight line method.

Accounting for Leases

The Tollway makes a distinction between 1) capital leases that effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets and 2) operating leases under which the lessor effectively retains all such risks and benefits.

When the Tollway is lessee: Assets acquired under capital leases are included as capital assets in the Statement of Net Assets. Assets acquired under capital leases are recorded at the lesser of the present value of the future minimum lease payments or the fair value of the asset at the beginning of the lease term and depreciated on a straight-line basis to the Statement of Revenues, Expenses and Changes in Net Assets, over the useful life of the asset. A corresponding liability is established and minimum lease payments are allocated between the liability and interest expense. Capital lease liabilities are classified as current and noncurrent, depending on when the principal component of the lease payment is due. The Tollway is currently not a lessee under any capital leases.

When the Tollway is lessor: A lease receivable (current and noncurrent) is established on the Statement of Net Assets which represents the future minimum rental payments guaranteed under the terms of the capital lease. Lease receipts are credited to the Statement of Revenues, Expenses and Changes in Net Assets in the periods in which they are earned over the term of the lease, as this represents the pattern of benefits derived from the leased assets. A bad debt reserve is recorded for any amounts whose collectibility is uncertain.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Accounts Receivable

In the course of business the Tollway may enter into contracts with various parties that call for payments to the Tollway to be made at a date more than one year in the future. These receivables are classified as long-term. See Note 7.

Deferred Bond Issuance Costs

Costs incurred in connection with the issuance of the 1992 Series A, 1993 Series B, 1998 Series A and B, 2005 Series A bonds, 2006 Series A-1, and 2007 Series A-1 and A-2, 2008 Series A-1 and A-2, 2008 Series B, 2009 Series A and 2009 Series B bonds are amortized over the lives of the bonds, using the straight line method.

Debt Refunding

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, when the Tollway refunds any of its bonds the difference between the carrying amount of the new bonds and the reacquisition price of the old bonds is deferred and amortized over the lesser of the life of the old debt or the life of the new debt.

Deferred Revenue

The Tollway recognizes revenue when earned. Amounts received in advance of the periods in which related services are rendered are recorded as a liability under "Deferred Revenue."

Net Assets

The Statement of Net Assets presents the Tollway's assets and liabilities with the difference reported in four categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for revenue bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the criteria of the two preceding categories.

At December 31, 2009, restrictions on net assets consisted of:

Restricted Under Trust Indenture Agreements reflect restrictions on net asset use imposed by the Tollway's Master Trust Indenture Agreement.

Restricted for Pension Benefit Obligation reflects monies set aside for a retirement plan established in 1990 and suspended in 1994. These resources will be used to pay the remaining plan participants.

**Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)**

**Notes to the Financial Statements
December 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets: (continued)

When both restricted and unrestricted resources are available for a specific use, generally it is the Tollway's policy to use restricted resources first, then unrestricted resources as they are needed. At times, the Tollway will pay for capital expenditures with unrestricted resource pools and will later reimburse those pools as restricted resources become available through the issuance of bonds.

Toll Revenue

Toll Revenue is recognized in the month in which the transaction occurs. Revenue from Toll Evasion Recovery is recognized when the notice is issued. Both tolls and fines recovered under the evasion recovery enforcement system are recorded as Toll Evasion Recovery revenue.

Operating Revenues and Expenses

The Tollway's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its tollway system. All other revenues and expenses are reported as non-operating revenues and expenses or as special items.

Comparative Data

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Tollway's assets, liabilities, net assets, revenues and expenses.

In 2009 the Tollway made the following financial statement presentation adjustments: Toll Evasion revenue is shown net of bad debt expense. Concession revenue includes only oasis revenue. All other types of revenue previously shown as concession revenue has been classified as miscellaneous revenue. See Note 16 for a summary of these changes.

Risk Management

The Tollway has self-insured risk retention programs with stop-loss limits for current employee group health and workers' compensation claims and has provided accruals for estimated losses arising from such claims.

Use of Estimates in Preparing Financial Statements

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

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 2 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that an institution holding Tollway deposits may fail and expose the Tollway to a loss if the Tollway's deposits were not returned upon maturity or demand. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. The Tollway has no policy that would further limit the requirements under state law. As of December 31, 2009, the Tollway's deposits were not exposed to custodial credit risk.

Schedule of Investments

As of December 31, 2009, the Tollway had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
Repurchase agreements	\$ 520,793,471	\$ 520,793,471	\$ -
Certificates of Deposit	7,110,000	7,110,000	-
Money market funds*	318,095,280	318,095,280	-
Illinois Funds*	128,520,528	128,520,528	-
US Agency:			
Federal Home Loan Mortgage Corp	2,511,725	2,511,725	-
	<u>\$ 977,031,004</u>	<u>\$ 977,031,004</u>	<u>\$ -</u>

* Weighted average maturity is less than one year.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

As a means of limiting its exposure to fair value losses from rising interest rates, and as a means of managing liquidity, the Tollway's investment policy requires that the majority of Tollway funds be invested in instruments with maturities of less than one year. No investment is to exceed a ten-year maturity. Investment maturities as of December 31, 2009 are as follows:

December 31	2009
<u>Maturity</u>	<u>Percentage</u>
Less than one year	100%
One to five years	0%

Credit and Concentration Risks

The Tollway's investment policy limits investment of Tollway funds to securities guaranteed by the United States government; obligations of agencies and instrumentalities of the United States; municipal bonds with credit ratings not lower than the credit rating of the Tollway's senior bonds outstanding; interest-bearing savings accounts, certificates of deposit, or bank time deposits with institutions which meet specified capitalization requirements; money market mutual funds registered under the Investment Company Act of 1940; the Illinois Funds; and repurchase agreements of government securities as defined in the Government Securities Act of 1986. Investment policy further requires that the investment portfolio be diversified in terms of specific maturity, specific issuer, or specific class of securities. Final maturities are limited to ten years; the majority of Tollway funds should be invested in maturities of less than one year. The Tollway was in compliance with these policies during 2009.

The Tollway's investments in debt securities were rated or the securities underlying the repurchase agreements were rated by Standard & Poors/Moody's as follows for the year ended December 31, 2009:

<u>Investment Type</u>	<u>2009</u>	
	<u>Fair Value</u>	<u>Rating</u>
Repurchase agreements	\$ 520,793,471	AAA/Aaa
Money market funds	318,095,280	AAAm/Aaa
Illinois Funds	128,520,528	AAAm/NR
US Agency:		
Federal Home Loan Mortgage Corp	2,511,725	AAA/Aaa

NR = Not Rated

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 3 – CURRENT ACCOUNTS RECEIVABLE

The Tollway's current accounts receivable consists of various toll charges and other amounts due from individuals and commercial and other entities. A provision for doubtful accounts has been recorded for estimated uncollectible amounts.

	December 31, 2009
	Net Receivables
Tolls	\$ 1,299,559
Toll Evasion Recovery	29,098,568
Oases Receivable	134,414
Damage Claims/Emergency Services	81
Insufficient I-Pass	328,750
Overdimension Vehicle Permits	51,135
Fiber Optic Agreements	42,529
Workers' Compensation	60,475
Other	1,897,439
Total Non-Governmental Receivables	\$ 32,912,950
Various Local and Municipal Governments	93,370
IAG Agencies	7,535,920
Other Agencies of the State of Illinois	72,374,506
Total Intergovernmental Receivables	80,003,796
Total Receivables	\$ 112,916,746

NOTE 4 – PREPAID EXPENSES

In the normal course of business the Tollway pays for services that will be consumed beyond the current year. These are established as prepaid expenses. Following is a summary table:

	December 31, 2009
	Prepaid Expenses
Insurance	\$ 13,761,172
Construction Contract Price Adjustments	4,786,785
	\$ 18,547,957

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 5 – LEASES RECEIVABLE

During 2002, the Tollway, as lessor, entered into two 25-year lease agreements, each a capital lease, for the oasis system (a retail lease and a fuel lease). Under the terms of each lease, the lessee is financially responsible for rebuilding and renovating the oasis structures. At the end of each lease, ownership of the improvements reverts to the Tollway. In the retail lease, the lessee is responsible for the payment of all expenses associated with administration and operation of the facilities including the securing of tenants. In the fuel lease, the lessee is responsible for the operation of the service station and car wash facilities.

The fuel lease agreement requires the parties to complete a remediation program to ensure that the oasis system is in compliance with current environmental laws and that compliance continues for the term of the lease. The Tollway is solely responsible for the remediation program until it has received "No Further Remediation" (NFR) letters from the Illinois Environmental Protection Agency (IEPA), except for the DeKalb oasis, which is the responsibility of ExxonMobil. A new release in 2008 at Belvidere North will also be handled by ExxonMobil. The IEPA issues the letters along with approval for reimbursement of approved expenses from the LUST (Leaking Underground Storage Tank) Fund established by Congress. Remediation work has been completed at all oasis sites. NFR letters have been received for seven remediation sites controlled by the Tollway and by ExxonMobil for the DeKalb Oasis. The remaining sites are being contested over reimbursement and other technical issues. The Tollway believes that the remaining NFR letters, relating to five additional sites, will be issued without further material remediation costs being incurred.

The future minimum lease payments receivable under these agreements as of December 31, 2009 are as follows:

Year Ended December 31,	Retail Lease	Fuel Lease	Total Leases
2010	\$ 743,000	\$ 900,250	\$ 1,643,250
2011	743,000	900,250	1,643,250
2012	814,333	900,250	1,714,583
2013	850,000	900,250	1,750,250
2014	850,000	900,250	1,750,250
Thereafter	10,483,333	11,103,084	21,586,417
	<u>\$ 14,483,666</u>	<u>\$ 15,604,334</u>	<u>\$ 30,088,000</u>

The future minimum leases receivable do not include contingent rents that are owed under these leases should the lessees generate revenues in excess of specific target amounts.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 6 – CAPITAL ASSETS

Capital assets as of December 31, 2009, are as follows:

	Balance January 1	Additions and Transfers in	Deletions and Transfers Out	Balance December 31
Nondepreciable Capital Assets:				
Land and Improvements	\$ 299,708,525	\$ 4,740,260	\$ (117,250)	\$ 304,331,535
Construction in Progress	493,546,645	726,833,190	(987,449,434)	232,930,401
Total Nondepreciable Capital Assets	793,255,170	731,573,450	(987,566,684)	537,261,936
Depreciable Capital Assets				
Buildings	40,909,823	5,683,678	-	46,593,501
Less: Accumulated Depreciation	(30,142,224)	(2,239,615)	-	(32,381,839)
Net Buildings	10,767,599	3,444,063	-	14,211,662
Infrastructure	6,936,281,035	1,038,271,617	(7,728,999)	7,966,823,653
Less: Accumulated Depreciation	(2,961,054,288)	(285,419,919)	4,637,400	(3,241,836,807)
Net Infrastructure	3,975,226,747	752,851,698	(3,091,599)	4,724,986,846
Machinery and Equipment	181,726,203	23,402,332	(3,435,012)	201,693,523
Less: Accumulated Depreciation	(107,836,050)	(9,712,185)	3,159,030	(114,389,205)
Net Machinery and Equipment	73,890,153	13,690,147	(275,982)	87,304,318
Total Capital Assets	7,952,172,231	1,798,931,077	(998,730,695)	8,752,372,613
Less: Accumulated Depreciation	(3,099,032,562)	(297,371,719)	7,796,430	(3,388,607,851)
Total Capital Assets, Net	\$ 4,853,139,669	\$ 1,501,559,358	\$ (990,934,265)	\$ 5,363,764,762

NOTE 7 – LONG-TERM INTERGOVERNMENTAL RECEIVABLES

At year end, the Tollway is due the below-listed amounts that are due at various times after December 31, 2010.

Will County - I-355 South Intergovernmental Agreement	\$ 1,071,429
Village of Lemont - I-355 South Intergovernmental Agreement	1,071,429
City of Lockport - I-355 South Intergovernmental Agreement	1,071,429
Village of Homer Glen - I-355 South Intergovernmental Agreement	1,071,429
Village of New Lenox - I-355 South Intergovernmental Agreement	1,071,429
Various Other Intergovernmental Agreements	1,690,660
DuPage County	21,459,600
Illinois Department of Transportation	49,900,060
	<u>\$ 78,407,465</u>

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 8 – REVENUE BONDS PAYABLE

Build America Bonds

The American Recovery and Reinvestment Act of 2009 authorizes the Tollway to issue taxable bonds known as "Build America Bonds" to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable bonds. The receipt of such subsidy payments by the Tollway is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each interest payment date. The subsidy payments are not full faith and credit obligations of the United States of America. The Series 2009B Bonds and Series 2009A Bonds are taxable Build America Bonds. All other Tollway bonds are tax-exempt bonds.

Series 2009B Bonds

On December 8, 2009, the Tollway issued \$280,000,000 of Toll Highway Senior Priority Revenue Bonds (Taxable 2009 Series B) (Build America Bonds – Direct Payment). The Tollway made an irrevocable election to designate the bonds as Build America Bonds pursuant to the provisions of Section 54AA(g) of the Internal Revenue Code of 1986. The Tollway covenanted to apply Build America Bonds subsidy payments to the payment of debt service. This issuance was the sixth bond sale utilized to finance capital projects in the Congestion-Relief Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. In connection with the issuance of the bonds, the Tollway deposited \$12,000,000 funds on hand into the debt service account to pay the bond interest due on June 1, 2010 and a portion of the bond interest due on December 1, 2010. The bonds mature on December 1, 2034. The bonds bear an interest rate of 5.851% and were sold at a price of 100% of the par amount of the bonds. The bonds are subject to optional redemption at a redemption price equal to the greater of: (i) 100% of the principal amount of the bonds to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the bonds to be redeemed, discounted to the date on which the bonds are to be redeemed on a semi-annual basis at the yield to maturity as of such redemption date of the United States Treasury security with a constant maturity most nearly equal to the period from the redemption date to the maturity date of the bonds, plus 25 basis points. The bonds are not insured.

Series 2009A Bonds

On May 21, 2009, the Tollway issued \$500,000,000 of Toll Highway Senior Priority Revenue Bonds (Taxable 2009 Series A) (Build America Bonds – Direct Payment). The Tollway made an irrevocable election to designate the bonds as Build America Bonds pursuant to the provisions of Section 54AA(g) of the Internal Revenue Code of 1986. The Tollway covenanted to apply Build America Bonds subsidy payments to the payment of debt service. This issuance was the fifth bond sale utilized to finance capital projects in the Congestion-Relief Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. The bonds were sold as two term bonds maturing on January 1, 2024 and January 1, 2034. The bonds maturing January 1, 2024 bear an interest rate of 5.293% and were sold at a price of 100% of the par amount of the bonds. The bonds maturing January 1, 2034 bear an interest rate of 6.184% and were sold at a price of 100% of the par amount of the bonds. The bonds are subject to optional redemption at a redemption price equal to the greater of: (i) 100% of the principal amount of the bonds to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the bonds to be redeemed, discounted to the date on which the bonds are to be redeemed on a semi-annual basis at the yield(s) to maturity as of such redemption date of the United States Treasury security(ies).

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Series 2009A Bonds (continued):

with a constant maturity(ies) most nearly equal to the period from the redemption date to the maturity date(s) of the bonds to be redeemed, plus 30 basis points. The bonds are not insured.

Series 2008B Bonds

On November 18, 2008, the Tollway issued \$350,000,000 of Toll Highway Senior Priority Revenue Bonds (2008 Series B). This issuance was the fourth bond sale utilized to finance capital projects in the Congestion-Relief Program. The bonds also financed capitalized interest through June 30, 2009 and costs of issuance. The bonds were sold as a term bond maturing on January 1, 2033 bearing a 5.50% interest rate and priced to yield 5.70%, which produced an Original Issue Discount of \$9,142,000. The bonds are subject to optional redemption on or after January 1, 2018 at a redemption price of 100% of the principal amount plus accrued interest. The bonds are not insured. In connection with the bond issue, a Surety Policy in the face amount of \$100,000,000 was purchased from Berkshire Hathaway Assurance Corporation for deposit in the Debt Reserve Account. The Surety Policy expires on January 1, 2033.

Series 2008A Bonds

On February 7, 2008, the Tollway issued \$766,200,000 of Variable Rate Senior Refunding Revenue Bonds (2008 Series A-1 and Series A-2). This issuance advance refunded all of the Tollway's \$500,000,000 then-outstanding 2006 Series A-2 Bonds and a \$208,340,000 portion of the \$500,000,000 then-outstanding 2006 Series A-1 Bonds. The bonds also financed costs of issuance. The bonds were sold at par and initially issued in a weekly mode and remained in a weekly mode through fiscal year-end. Interest rates on the bonds are set pursuant to the terms of a remarketing agreement. While in the weekly mode, the bonds are subject to demand for purchase from bondholders. Any such bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. Bonds tendered for purchase that are not remarketed to new bondholder(s) are funded, subject to certain conditions, under a Standby Bond Purchase Agreement among the Tollway, the Trustee, and Dexia Credit Local, New York Branch. Any such funded bonds that either (a) remain unremarketed for 180 days or (b) remain unremarketed on the expiration date of the Standby Bond Purchase Agreement and such Standby Bond Purchase Agreement is not replaced, are required to be repaid by the Authority on the earlier of: (i) their originally scheduled payment date; and (ii) in twenty equal semi-annual principal installments, commencing 6 months following such 180-day period. The cost of the Standby Bond Purchase Agreement is a per annum fee of 23 basis points times the commitment amount of \$774,764,647, which consists of \$766,200,000 for payment of principal and \$8,564,647 for payment of interest. The expiration date of the Standby Bond Purchase Agreement is February 7, 2011. While in the weekly mode, the bonds are subject to optional redemption by the Tollway. Scheduled payments of principal and interest of the bonds are insured by Assured Guaranty Municipal Corp., pursuant to the acquisition of the original bond insurer, Financial Security Assurance Inc., by Assured Guaranty Ltd. on July 1, 2009. The final maturity of the bonds is January 1, 2031.

**Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)**

**Notes to the Financial Statements
December 31, 2009**

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Series 2007A Bonds

On November 1, 2007, the Tollway issued \$700,000,000 of Variable Rate Senior Priority Revenue Bonds (2007 Series A-1 and Series A-2). This issuance was the third bond sale utilized to finance capital projects in the Congestion-Relief Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. The bonds were sold at par and initially issued in a weekly mode and remained in a weekly mode through fiscal year end. Interest rates on the bonds are set pursuant to the terms of a remarketing agreement. While in the weekly mode, the bonds are subject to demand for purchase from bondholders. Any such bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. Bonds tendered for purchase that are not remarketed to new bondholder(s) are funded, subject to certain conditions, under a Standby Bond Purchase Agreement among the Tollway, the Trustee, and Dexia Credit Local, New York Branch. Any such funded bonds that either (a) remain unremarketed for 180 days or (b) remain unremarketed on the expiration date of the Standby Bond Purchase Agreement and such Standby Bond Purchase Agreement is not replaced, are required to be repaid by the Authority on the earlier of: (i) their originally scheduled payment date; and (ii) in twenty equal semi-annual principal installments, commencing 6 months following such 180-day period. The cost of the Standby Bond Purchase Agreement is a per annum fee of 31 basis points times the commitment amount of \$709,780,822, which consists of \$700,000,000 for payment of principal and \$9,780,822 for payment of interest. The expiration date of the Standby Bond Purchase Agreement is March 20, 2011. While in the weekly mode, the bonds are subject to optional redemption by the Tollway. The final maturity of the bonds is July 1, 2030.

Series 2006A Bonds

On June 7, 2006, the Tollway issued \$1,000,000,000 of Senior Priority Revenue Bonds (2006 Series A-1 and Series A-2). This issuance was the second bond sale utilized to fund capital projects in the Congestion-Relief Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. All maturities of the bonds were sold bearing 5.0% interest rates at yields which produced an Original Issue Premium of \$40,019,000. The bonds are subject to optional redemption on or after July 1, 2016 at a redemption price of 100% of the principal amount plus accrued interest. The scheduled payments of principal and interest of the bonds are insured by Assured Guaranty Municipal Corp., pursuant to the acquisition of the original bond insurer, Financial Security Assurance Inc., by Assured Guaranty Ltd. on July 1, 2009. On February 7, 2008, \$708,340,000 of the 2006 Series A bonds was advance refunded by the Tollway's \$766,200,000 Variable Rate Senior Refunding Revenue Bonds (2008 Series A-1 and Series A-2). The final maturity of the bonds is January 1, 2025.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Series 2005A Bonds

On June 22, 2005, the Tollway issued \$770,000,000 of Senior Priority Revenue Bonds (2005 Series A). This issuance was the first bond sale utilized to fund capital projects in the Congestion-Relief Program. The bonds also financed a deposit to the Debt Reserve Account and costs of issuance. All maturities of the bonds were sold bearing 5.0% interest rates except for the \$101,935,000 par amount maturing on January 1, 2020 which was sold bearing an interest rate of 4.125%. The bonds were sold at yields which produced a net Original Issue Premium of \$60,405,414. The bonds are subject to optional redemption on or after July 1, 2015 at a redemption price of 100% of the principal amount plus accrued interest. The scheduled payments of principal and interest of this bond series are insured by Assured Guaranty Municipal Corp., pursuant to the acquisition of the original bond insurer, Financial Security Assurance Inc., by Assured Guaranty Ltd. on July 1, 2009, except for the principal and interest of the \$101,935,000 maturing January 1, 2020, which is not insured. The final maturity of the bonds is January 1, 2023.

Series 1998A and 1998B Bonds

On December 30, 1998, the Tollway issued \$325,135,000 of Refunding Revenue Bonds, consisting of \$202,035,000 of Fixed Rate Bonds (1998 Series A) and \$123,100,000 of Variable Rate Bonds (1998 Series B). The bonds financed a refunding of a portion (\$313,105,000) of the Tollway's Series 1992A Bonds and also financed costs of issuance and accrued interest on the Series 1998 Series A Bonds. The Series 1998A Bonds were sold with fixed interest rates ranging from 4.0% to 5.5% at yields which produced a net Original Issue Premium of \$17,414,484. The Series 1998A Bonds, of which \$194,115,000 were outstanding as of December 31, 2009, are not subject to redemption prior to maturity. The Series 1998B Bonds were initially issued in a weekly mode and were in a weekly mode during all of 2009. Interest rates on the Series 1998B Bonds are set pursuant to the terms of a remarketing agreement. While in the weekly mode, the Series 1998B Bonds are subject to demand for purchase from bondholders. Any such Series 1998B Bonds tendered for purchase are remarketed pursuant to the terms of a remarketing agreement. Series 1998B Bonds tendered for purchase that are not remarketed to new bondholder(s) are funded, subject to certain conditions, under a Standby Bond Purchase Agreement among the Tollway, the Trustee, and Helaba Landesbank. Any such funded bonds that remain unremarketed on the expiration date of the Standby Bond Purchase Agreement and such Standby Bond Purchase Agreement is not replaced are required to be repaid by the Authority on the earlier of: (i) their originally scheduled payment date; and (ii) over a five-year period in five equal annual installments, commencing on the expiration date of the Standby Bond Purchase Agreement. The cost of the Standby Bond Purchase Agreement is a per annum fee of 50 basis points (at December 31, 2009) times the commitment amount of \$129,339,315, which consists of \$123,100,000 for payment of principal and \$6,239,315 for payment of interest. The expiration date of the Standby Bond Purchase Agreement is December 29, 2010. While in the weekly mode, the Series 1998B Bonds are subject to optional redemption by the Tollway. The final maturity of the bonds is January 1, 2017. The scheduled payments of principal and interest of the Series 1998A Bonds and the Series 1998B Bonds are insured by Assured Guaranty Municipal Corp., pursuant to the acquisition of the original bond insurer, Financial Security Assurance Inc., by Assured Guaranty Ltd. on July 1, 2009. The final maturity of the 1998A and 1998B bonds is January 1, 2016 and January 1, 2017, respectively.

**Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)**

**Notes to the Financial Statements
December 31, 2009**

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Series 1996A Bonds

On October 10, 1996, the Tollway issued \$148,285,000 of Refunding Revenue Bonds (1996 Series A). The bonds financed a refunding of certain of the Tollway's then-outstanding Series 1986 and Series 1987 Bonds. The bonds also financed costs of issuance and accrued interest. The Series 1996A Bonds were sold with fixed interest rates ranging from 4.7% to 6.0% at yields which produced a net Original Issue Premium of \$2,387,535. The bonds were insured by Financial Guaranty Insurance Company. The final maturity of the bonds was an amount of \$15,625,000 maturing on January 1, 2009, which was paid on schedule. These bonds are no longer outstanding.

Series 1993B Bonds

On March 24, 1993, the Tollway issued \$178,200,000 of Refunding Revenue Bonds (1993 Series B). The bonds were used to advance refund portions of then-outstanding Series 1985, 1986 and 1992 bonds and pay certain costs of issuance and to finance the cost of a \$22,974,900 surety bond from Municipal Bond Investors Assurance Corporation to satisfy a portion of the Debt Reserve Requirement. The bonds were sold at a price of 100% of the par amount of the bonds. The final maturity of the bonds was originally scheduled for January 1, 2010 in an amount of \$44,400,000, all of which was optionally redeemed by the Tollway on January 28, 2009. Thus these bonds are no longer outstanding. The bonds were initially issued in a weekly mode and were in a weekly mode during 2009. Interest rates on the bonds were set pursuant to the terms of a remarketing agreement. While in the weekly mode, the bonds were subject to demand for purchase from bondholders. Any such bonds tendered for purchase were remarketed pursuant to the terms of a remarketing agreement. Bonds tendered for purchase that were not remarketed to new bondholder(s) were funded, subject to certain conditions, under a Letter of Credit from Societe Generale, issued pursuant to a Reimbursement Agreement among the Tollway, the Trustee, and Societe Generale. The cost of the Letter of Credit was a per annum fee of 20 basis points times the commitment amount of \$49,324,143 which consisted of \$44,400,000 for payment of principal and \$4,924,143 for payment of interest. The Letter of Credit expired in connection with the redemption of the bonds on January 28, 2009. While in the weekly mode, the bonds were subject to optional redemption by the Tollway. The scheduled payments of principal and interest of the bonds were insured by Municipal Bond Investors Assurance Corporation.

Series 1992A Bonds

On October 14, 1992, the Tollway issued \$459,650,000 of Priority Revenue Bonds (1992 Series A). The bonds financed certain capital projects, a deposit to the Debt Reserve Account and costs of issuance. A portion of the bonds were advance refunded. The bonds that remain outstanding were sold bearing an interest rate of 6.30% at a price of 99.75% and mature on January 1, 2011 and January 1, 2012. Such outstanding bonds in the amount of \$100,665,000 are not subject to redemption prior to maturity and are not insured.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 8 – REVENUE BONDS PAYABLE (continued)

All Series

Details of outstanding revenue bonds as of December 31, 2009, are as follows:

Issue of 1992 Series A, 6.30% , due on various dates through January 1, 2012	\$ 100,665,000
Issue of 1998 Series A, 4.0 to 5.50%, due on various dates through January 1, 2016	194,115,000
Issue of 1998 Series B, variable rates, due on various dates through January 1, 2017	123,100,000
Issue of 2005 Series A, 4.125% to 5.00%, due on various dates through January 1, 2023	770,000,000
Issue of 2006 Series A-1, 5.00%, due on various dates through January 1, 2025	291,660,000
Issue of 2007 Series A-1, variable rates, due on various dates through July 1, 2030	350,000,000
Issue of 2007 Series A-2, variable rates, due on various dates through July 1, 2030	350,000,000
Issue of 2008 Series A-1, variable rates, due on various dates through January 1, 2031	383,100,000
Issue of 2008 Series A-2, variable rates, due on various dates through January 1, 2031	383,100,000
Issue of 2008 Series B, 5.50%, due on various dates through January 1, 2033	350,000,000
Issue of 2009 Series A, 5.293 to 6.184%, due on various dates through January 1, 2034	500,000,000
Issue of 2009 Series B, 5.851%, due on various dates through December 1, 2034	280,000,000
Totals	\$ 4,075,740,000
Less current maturities	(1,065,000)
Less deferred amount on refunding	(49,587,666)
Plus bond premium	53,485,995
Total long-term portion	\$ 4,078,573,329

The carrying amount of the Tollway's long-term debt approximates its fair value at December 31, 2009, based on discounted cash flow analyses, using the Tollway's current estimated incremental borrowing rate. Accrued interest payable for the year ended December 31, 2009 was \$82,887,851.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 8 – REVENUE BONDS PAYABLE (continued)

A summary of changes in revenue bonds payable is as follows for December 31, 2009:

	Balance January 1	Additions	Deletions	Balance December 31	Amounts Due Within One Year
1992 Series A	\$ 100,665,000	\$ -	\$ -	\$ 100,665,000	\$ -
1993 Series B	80,500,000	-	(80,500,000)	-	-
1996 Series A	15,625,000	-	(15,625,000)	-	-
1998 Series A	195,140,000	-	(1,025,000)	194,115,000	1,065,000
1998 Series B	123,100,000	-	-	123,100,000	-
2005 Series A	770,000,000	-	-	770,000,000	-
2006 Series A-1 & A-2	291,660,000	-	-	291,660,000	-
2007 Series A-1 & A-2	700,000,000	-	-	700,000,000	-
2008 Series A-1 & A-2	766,200,000	-	-	766,200,000	-
2008 Series B	350,000,000	-	-	350,000,000	-
2009 Series A	-	500,000,000	-	500,000,000	-
2009 Series B	-	280,000,000	-	280,000,000	-
Totals	\$ 3,392,890,000	\$ 780,000,000	\$ (97,150,000)	\$ 4,075,740,000	\$ 1,065,000
Less:					
Unamortized deferred amount on refunding	(53,462,612)	-	3,874,946	(49,587,666)	
Unamortized bond premium	58,116,837	-	(4,630,842)	53,485,995	
Current portion of Revenue bonds payable	(97,150,000)	(1,065,000)	97,150,000	(1,065,000)	
Revenue bonds payable, Net of current portion	\$ 3,300,394,225	\$ 778,935,000	\$ (755,896)	\$ 4,078,573,329	

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 8 – REVENUE BONDS PAYABLE (continued)

The annual requirements to retire the principal and interest amount for all bonds outstanding at December 31, 2009, are as follows:

Year Ended December 31,	Principal	Interest	Total Debt Service
2010	\$ 1,065,000	\$ 187,919,892	\$ 188,984,892
2011	49,910,000	195,314,075	245,224,075
2012	53,040,000	192,164,171	245,204,171
2013	56,365,000	188,794,640	245,159,640
2014	92,855,000	184,852,735	277,707,735
2015	97,795,000	179,780,985	277,575,985
2016	102,910,000	174,836,104	277,746,104
2017	107,850,000	169,795,729	277,645,729
2018	111,260,000	164,653,676	275,913,676
2019	138,025,000	158,437,449	296,462,449
2020	144,595,000	151,886,776	296,481,776
2021	150,645,000	144,800,439	295,445,439
2022	157,925,000	137,171,534	295,096,534
2023	165,550,000	129,096,186	294,646,186
2024	223,590,000	120,713,074	344,303,074
2025	201,760,000	111,829,931	313,589,931
2026	179,400,000	104,517,454	283,917,454
2027	248,700,000	97,235,211	345,935,211
2028	207,800,000	88,395,958	296,195,958
2029	217,300,000	80,053,941	297,353,941
2030	226,600,000	71,453,054	298,053,054
2031	110,800,000	62,473,988	173,273,988
2032	237,545,000	53,606,386	291,151,386
2033	249,790,000	39,734,988	289,524,988
2034	542,665,000	24,504,400	567,169,400
Total	<u>\$ 4,075,740,000</u>	<u>\$ 3,214,022,776</u>	<u>\$ 7,289,762,776</u>

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Defeased Bonds

On February 7, 2008, the Tollway issued \$766.2 million of Variable Rate Senior Refunding Bonds (2008 Series A-1 and A-2) to advance refund \$708.3 million of the 2006A (\$208.3 million of A-1 and \$500 million of A-2) Senior Priority Revenue Bonds with an interest rate of 5.0%. The net proceeds of \$758.6 million (after payment of \$7.6 million in underwriting fees, insurance and other issuance costs) plus an additional \$8.8 million of 2006A Trustee-held monies were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of 2006A Senior Priority Revenue Bonds. As a result, the refunded portion of 2006A Senior Priority Revenue Bonds is considered to be defeased and the liability for those bonds was removed from the Statement of Net Assets in 2008. The principal amount of defeased bonds outstanding as of December 31, 2009 is \$708.3 million.

Capitalized Interest

In 2009 the Tollway's total interest incurred for revenue bonds equaled \$183 million of which \$1.2 million was capitalized in respect of construction in progress.

Trust Indenture Agreement

On March 31, 1999, the Tollway executed an Amended and Restated Trust Indenture with the Trustee acting as fiduciary for bondholders. The Indenture establishes the conditions under which the Tollway may issue bonds and the security to be pledged to bondholders. The Indenture establishes two funds: (i) a Construction Fund to manage the spending of Tollway bond proceeds; and (ii) a Revenue Fund to manage the deposit of Tollway revenues. The Construction Fund is divided into different Project Accounts – one for each bond issue that finances new project(s). The Revenue Fund is divided into six different Accounts (some of which are further divided into Sub-Accounts) which establish an order of funding priority through which Tollway revenues flow. Revenues first fund the Operation and Maintenance Account, which is the only Account in the Revenue Fund in which bondholders do not have a security interest. Remaining revenues fund the other Accounts of the Revenue Fund in the following order of priority: the Debt Service Account, the Debt Reserve Account, the Renewal and Replacement Account, the Improvement Account, and the System Reserve Account. (The Indenture also allows for the creation of Junior Lien Bond Accounts; to date the Tollway has never issued Junior Lien Bonds.)

All Accounts of the Construction Fund and the Debt Service Account and Debt Reserve Account of the Revenue Fund are held by the Trustee. The classification of Trustee-held funds in these financial statements is detailed in Footnote 10.

Interest Rate Exchange Agreements

As a means of lowering its borrowing costs, the Tollway has entered into eleven separate variable-to-fixed interest rate exchange agreements (swaps) in connection with its five variable rate bond issues. Ten of the eleven swaps were outstanding as of December 31, 2009. Per the terms of the swaps, the Tollway pays a fixed rate of interest to the swap provider in exchange for a variable rate of interest expected to match or closely approximate the variable rate of interest owed by the Tollway to bondholders. At the time each of the swaps was entered into by the Tollway, the Tollway's fixed rate obligation in the swap was less than the fixed rate of interest obtainable by the Tollway from issuing fixed rate bonds. Four of the swaps became effective February 7, 2008, two of which are associated with the

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Interest Rate Exchange Agreements (continued)

2008 Series A-1 bonds and two of which are associated with the 2008 Series A-2 bonds. Four of the swaps became effective November 1, 2007, two of which are associated with the 2007 Series A-1 bonds and two of which are associated with the 2007 Series A-2 bonds. Two of the swaps became effective December 30, 1998 and are associated with the 1998 Series B bonds. One swap became effective March 24, 1993 and is associated with the 1993 Series B bonds. The swap counterparty ratings included in the following chart are from Moody's Investors Service and Standard & Poor's Corporation, respectively.

Significant terms of the agreements are as follows:

	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Mark to Market*	Counterparty Credit Ratings
Series 1998B	\$ 67,705,000	12/30/1998	4.3250%	Cost of Funds	01/01/17	\$ (6,463,315)	Aa1/AAA
Series 1998B	55,395,000	12/30/1998	4.3250%	Cost of Funds	01/01/17	(6,336,698)	Aa1/AA-
Series 2007A-1	175,000,000	11/01/2007	3.9720%	SIFMA 7-day Muni Index	07/01/30	(15,126,363)	A1/A
Series 2007A-1	175,000,000	11/01/2007	3.9720%	SIFMA 7-day Muni Index	07/01/30	(14,667,200)	Aa3/A
Series 2007A-2	262,500,000	11/01/2007	3.9925%	SIFMA 7-day Muni Index	07/01/30	(23,673,596)	Aa3/A+
Series 2007A-2	87,500,000	11/01/2007	3.9925%	SIFMA 7-day Muni Index	07/01/30	(7,621,801)	Aa2/AA
Series 2008A-1	191,550,000	02/07/2008	3.7740%	SIFMA 7-day Muni Index	01/01/31	(9,736,279)	Aaa/AA
Series 2008A-1	191,550,000	02/07/2008	3.7740%	SIFMA 7-day Muni Index	01/01/31	(9,491,256)	Aa1/A+
Series 2008A-2	287,325,000	02/07/2008	3.7640%	SIFMA 7-day Muni Index	01/01/31	(14,856,901)	A3/BBB
Series 2008A-2	95,775,000	02/07/2008	3.7640%	SIFMA 7-day Muni Index	01/01/31	(4,796,372)	A2/A

* Includes accrued interest. Mark to market valuation provided by swap counterparties.

The swap associated with the 1993 Series B Bonds was terminated on January 28, 2009 in connection with the Tollway's optional redemption on that same date of all then-outstanding 1993 Series B Bonds.

The notional amounts of the swaps match the outstanding principal amounts of the associated bonds. The Tollway's swaps contain scheduled reductions to notional amounts that match the scheduled reductions in the associated "revenue bonds payable" category. For the 1993 Series B bonds before their redemption on January 28, 2009, the Tollway paid the counterparty a fixed rate of 4.920% and received a variable payment which was based on the SIFMA 7-day Municipal Swap Index. For the 1998 Series B bonds, the Tollway pays the counterparties a fixed rate of 4.325% and receives a variable payment based on the actual amount of interest paid to bondholders (cost of funds). For the 2007 Series A-1 and Series A-2 bonds, the Tollway pays the counterparties fixed rates of 3.972% and 3.9925%, respectively, and receives variable payments based on the SIFMA 7-day Municipal Swap Index. For the 2008 Series A-1 and Series A-2 bonds, the Tollway pays the counterparties fixed rates of 3.774% and 3.764%, respectively, and receives variable payments based on the SIFMA 7-day Municipal Swap Index.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Market Valuation

Low interest rates and to a lesser extent a decrease in duration contributed to the negative December 31, 2009 market valuations included in the preceding chart for the Tollway's swaps. At the time of the swaps, the synthetic fixed rates achieved by the swaps were less than the fixed rates that could have been achieved by issuing fixed rate bonds. The swaps' fair market values were estimated by the respective counterparties and were confirmed by the Tollway.

Counterparty Credit Risk

Counterparty credit risk is the risk that a swap is terminated and the counterparty fails to make a required termination payment. The termination payment is a market-based payment approximating the value of the swap at the time of termination. The Tollway was not exposed to counterparty credit risk as of December 31, 2009 because the negative market values of each swap would render no payments owing by the counterparties in the event of a termination. If changes in interest rates were to create positive market values for the swaps in the future, the Tollway would be exposed to counterparty credit risk in the amount of those positive market values. The swaps require full collateralization of any positive market value of the swaps in the event the counterparty's credit rating falls below a Standard & Poor's rating of A- or a Moody's Investor Services' rating of A3. The swaps require such collateral to be held by a third party custodian in the form of cash, debt obligations issued by the U.S. Treasury or debt issued by federally sponsored agencies. The ten swaps outstanding as of December 31, 2009 are with ten different counterparties from eight different financial firms. The counterparty with the largest notional amount holds 21% of the total notional amount of the outstanding swaps. The financial firm with the largest notional amount holds 25% of the total notional amount of the outstanding swaps.

Basis Risk

Basis risk is the extent to which the Tollway's variable rate interest payments to bondholders differs from the variable rate payments received from the swap counterparties. The Tollway's variable rate interest payments are determined by rates established by remarketing agents on a weekly basis. In the case of the 1993 Series B swap, for the period in 2009 before the 1993 Series B bonds were redeemed and the 1993 Series B swap was terminated, both of which occurred on January 28, 2009, the average interest rate paid to bondholders was 1.53%, compared to a SIFMA 7-day Municipal Swap Index of 0.41%. In the case of the 1998 Series B swaps, the variable rate interest payments received from the swap counterparties are equal to the variable rate interest payments owed to bondholders, which renders this swap to be without basis risk. In the case of the 2007 Series A-1 and Series A-2 swaps, the variable rate payments received from the swap counterparties is equal to the SIFMA 7-day Municipal Swap Index, so basis risk is incurred to the extent the rates set by remarketing agents on the Tollway's 2007 Series A-1 and A-2 bonds exceed the SIFMA 7-day Municipal Swap Index. During 2009, the average interest rate paid to Series 2007A bondholders was 1.11%, compared to a SIFMA 7-day Municipal Swap index of 0.41%. In the case of the 2008 Series A-1 and Series A-2 swaps, the variable rate payments received from the swap counterparties are equal to the SIFMA 7-day Municipal Swap index, so basis risk is incurred to the extent the rates set by remarketing agents on the Tollway's 2008 Series A-1 and A-2 bonds exceed the SIFMA 7-day Municipal Swap Index. During 2009, the average interest rate paid to Series 2008A bondholders was 1.48%, compared to a SIFMA 7-day Municipal Swap Index of 0.41%.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 8 – REVENUE BONDS PAYABLE (continued)

Termination Risk

The Tollway or the counterparties may terminate any of the swaps if the other party fails to perform under terms of the swaps. If a swap were terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates. In addition, if the swap has a negative market value at the time of termination, the Tollway would be liable to the counterparty for a payment equal to the swap's market value.

NOTE 9 – DEFERRED REVENUE

During 2002, the Tollway, as lessor, entered into two 25-year capital lease agreements for the refurbishing and operation of the oasis system. Rental payments earned have been recorded as concession revenue. The future minimum rental payments for the remainder of the terms of the leases as of December 31, 2009 of \$30,088,000 have been recorded as lease receivables and as deferred revenue which will be amortized over the remaining lease terms.

In the year 2000, the Tollway upgraded its communications network with the addition of a fiber optic system. Excess capacity on the fiber optic lines was leased to other organizations in order to offset the cost of the system. In 1999 and 2000, the Tollway entered into eight twenty-year fiber optic system lease agreements and at those times collected \$26,086,389 in total payments; the related revenue was deferred and has been and is being amortized over the lease terms. From 2002 through 2009 the Tollway entered into additional fiber optic leases in the total amount of \$3,654,552. These leases are being accounted for in the same manner.

The total deferred revenue balance for the oasis system and fiber optic system was \$72,135,191 at December 31, 2009, and accumulated amortization of deferred revenue was \$25,325,635 as of December 31, 2009.

A summary of changes in deferred revenue for the year ended December 31, 2009, is as follows:

	Balance at January 1	Current Year Activity	Balance at December 31
Deferred Revenue			
Fiber Optics	\$ 27,807,214	\$ 1,933,727	\$ 29,740,941
Accumulated Amortization	(11,548,300)	(1,471,085)	(13,019,385)
	16,258,914	462,642	16,721,556
Lease Receivable	41,012,750	1,381,500	42,394,250
Accumulated Amortization	(9,281,500)	(3,024,750)	(12,306,250)
	31,731,250	(1,643,250)	30,088,000
Totals			
Deferred Revenue	68,819,964	3,315,227	72,135,191
Accumulated Amortization	(20,829,800)	(4,495,835)	(25,325,635)
Net Deferred Revenue	\$ 47,990,164	\$ (1,180,608)	\$ 46,809,556

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 10 – RESTRICTED NET ASSETS

As of December 31, 2009, the Tollway reported the following restricted net assets:

Description	December 31, 2009
Revenue bond trust indenture agreement restrictions	\$ 233,792,590
Portion classified as Invested in Capital Assets net of Related Debt	840,800
Net assets restricted under Trust Indenture agreement restrictions	234,633,390
Assets restricted to paying pension benefit obligations	360,441
Total	\$ 234,993,831

NOTE 11 – CONTRIBUTIONS TO STATE EMPLOYEES' RETIREMENT SYSTEM

Plan Description: Substantially all of the Tollway's full-time employees, as well as the State Police assigned to the Tollway who are not eligible for any other state-sponsored retirement plan, participate in the State Employees' Retirement System (SERS), which is a component unit of the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system (PERS) in which state employees participate, except those covered by the State Universities, Teachers, General Assembly and Judges' Retirement Systems. SERS issues a separate comprehensive annual financial report (CAFR). The financial position and results of operations for SERS for fiscal year 2009 are also included in the state's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009.

A summary of SERS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS CAFR. Also included therein is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

To obtain a copy of SERS' CAFR, write, call, or email:

State Employees Retirement System
2101 S. Veterans Parkway
Springfield, IL 62794-9255
(217) 785-2340
sers@mail.state.il.us

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 11 – CONTRIBUTIONS TO STATE EMPLOYEES' RETIREMENT SYSTEM (CONTINUED):

Funding Policy: The contribution requirements of SERS members and the State are established by State statute and may be amended by action of the General Assembly and the Governor. Tollway employees covered by SERS contribute between 4.0% and 8.5% of their annual covered payroll. The State contribution rates for the State's fiscal years ended June 30, 2010 and 2009 were actuarially determined according to the statutory schedule.

Tollway contribution rates to SERS for its SERS covered employees for the State fiscal years ended June 30, 2010, 2009 and 2008 were 28.377 percent, 21.049 percent and 16.561 percent respectively. Tollway contributions for the calendar years ended December 31, 2009, 2008 and 2007 were \$33,618,063, \$20,215,178 and \$14,383,885 respectively.

In addition to contributions to this retirement plan, effective July 1, 1990, the Tollway adopted, under the provisions of the Tollway Act (605 ILCS 10/1 et. seq.), a non-contributory defined-benefit pension plan which covered employees who were members of SERS and who were not members of any collective bargaining unit. The plan was intended to meet the requirements of a tax-qualified plan under Section 401(a) of the Internal Revenue Code. The plan provided benefits based upon years of service and employee compensation levels. The Tollway's policy was to make contributions consistent with sound actuarial practice. Annual cost was determined using the projected unit credit actuarial method. The Tollway suspended the plan's benefits as of September 15, 1994, and terminated the plan effective December 31, 1994. As of December 31, 2009 the net assets available for these benefits were \$360,441, (valued at the lesser of market value or actuarial value) and there was no pension benefit obligation. As of December 31, 2009, 9 beneficiaries remained in the plan.

Other Post Employment Benefits: Under provisions of SERS, the State of Illinois provides certain health, dental, and life insurance benefits to annuitants who are former Tollway employees. Substantially all Tollway employees may become eligible for post-employment benefits if they eventually become annuitants. Currently, 812 retirees meet the eligibility requirements. Life insurance benefits are limited to \$5,000 per annuitant age 60 or older. For the year ended December 31, 2009 the Tollway contributed \$3,672,797 towards the state's cost of these benefits.

The actuarially determined annual OPEB cost for providing these benefits and the related OPEB obligations are recorded in the financial statements of the state agencies responsible for paying these benefits. The Department of Healthcare and Family Services (HFS) administers the Health Insurance Reserve Fund (for payment of health benefits), and the Department of Central Management Services (CMS) administers the Group Life Insurance Funds (for payment of life insurance benefits).

A summary of OPEB budget provisions, changes in benefit provisions, employee eligibility requirements, including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the State's CAFR. Also included therein is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 12 – RISK MANAGEMENT

The Tollway has self-insured risk retention programs for workers' compensation claims. The Tollway's exposure under this program is limited to self-insured retentions per workers' compensation incident. In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The estimated liabilities for asserted workers' compensation claims of \$15,222,848 and both asserted and unasserted employee health claims of \$800,000 are included in the accompanying financial statements. Amounts reported as current because the Tollway generally pays the self-insured retention portion in the subsequent fiscal year.

Year	Estimated Claims Payable January 1	Current Claims	Claims Payments	Estimated Claims Payable December 31
2009	\$ 10,878,028	\$ 11,946,415	\$ 6,801,595	\$ 16,022,848
2008	10,688,930	5,438,898	5,249,800	10,878,028

Additionally, the Tollway purchases commercial insurance policies for general liability insurance and vehicle liability damage to capital assets other than vehicles which have a level of retention of \$250,000 per occurrence. Property coverage includes retention of \$1,000,000 per occurrence. The Tollway has not had significant reductions in insurance coverage during the current or prior year nor did settlements exceed insurance coverage in any of the last three years.

NOTE 13 – COMPENSATED ABSENCES

The liability reported in the Statement of Net Assets represents the vacation and 50% of unused sick time for the period beginning January 1, 1984, and ending December 31, 1997, accrued by the employees, and is payable upon termination or death of the employee. The payment provided shall not be allowed if the purpose of the separation from employment and any subsequent re-employment is for the purpose of obtaining such payment. The Tollway's liability for unused annual vacation leave and sick leave as defined above is recorded in the accompanying financial statements at the employee's pay rate.

Amounts accrued as compensated absences payable at December 31, 2009 are as follows:

Balance at January 1	Accrued	Used	Balance at December 31	Due Within One Year
\$ 7,222,344	\$ 5,887,516	\$ 5,564,045	\$ 7,545,815	\$ 3,546,533

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 14 – PLEDGES OF FUTURE REVENUES

All revenue bonds issued under the Tollway's Trust Indenture are secured by a pledge of and lien on Tollway revenues and certain other funds (excluding amounts reserved for the payment of maintenance and operating expenses) as provided in the Trust Indenture.

Bond Issue	Purpose	Future Pledged Revenues	Term of Commitment
1992 Series A Priority Revenue Bonds	Fund Construction for Tri-State Tollway Widening Project	\$ 113,445,653	2012
1998 Series A Priority Refunding Revenue Bonds (Fixed Rate)	Refund Outstanding Bonds	243,274,460	2016
1998 Series B Priority Refunding Revenue Bonds (Variable Rate)	Refund Outstanding Bonds	160,699,388	2017
2005 Series A Senior Priority Revenue Bonds	Fund Congestion Relief Program	1,152,847,979	2023
2006 Series A-1 & A-2 Senior Priority Revenue Bonds	Fund Congestion Relief Program	483,446,500	2025
2007 Series A-1 & A-2 Variable Rate Senior Priority Revenue Bonds	Fund Congestion Relief Program	1,216,706,535	2030
2008 Series A-1 & A-2 Variable Rate Senior Refunding Revenue Bonds	Refund Outstanding Bonds	1,290,258,674	2031
2008 Series B Senior Priority Revenue Bonds	Fund Congestion Relief Program	793,007,675	2033
2009 Series A Senior Priority Revenue Bonds (Build America Bonds - Direct Payment)	Fund Congestion Relief Program	1,158,824,467	2034
2009 Series B Senior Priority Revenue Bonds (Build America Bonds - Direct Payment)	Fund Congestion Relief Program	677,251,445	2034
		<u>\$ 7,289,762,776</u>	

Proceeds from the bonds identified above provided financing for the construction and/or improvement of the various toll highway systems in Illinois. Annual principal and interest payments on the bonds are expected to require approximately 60% of the pledged net revenues. The total principal and interest remaining to be paid on the bonds is \$7.3 billion. Principal and interest paid for the current year and total pledged net revenues were \$269.4 million and \$403 million, respectively.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 15 – COMMITMENTS

In addition to amounts already recorded, contracts of approximately \$158.7 million have been let and are outstanding as of December 31, 2009, for projects to be included under the Tollway's construction accounts. During 2009, approximately \$1.0 billion in invoices were paid on approximately \$4.9 billion of total contracts. The Tollway plans to fund remaining payments under these contracts through revenues and accumulated cash.

NOTE 16 – STATEMENT PRESENTATION

There are times when the Tollway changes presentation of accounts either to meet the requirements of governmental GAAP or to provide information that is easier for users of the statements to understand. Below is a summary of presentation changes made in 2009 to the 2008 Statement of Revenues, Expenses and Changes in Net Assets. The most significant change is netting bad debt expense against the corresponding revenue.

	2008	
	Original Presentation	Revised Presentation
Toll Evasion Recovery Revenue	\$ 224,047,528	\$ 77,653,862
Concession Revenue	1,754,403	2,236,551
Miscellaneous Revenue	3,429,783	4,273,563
Engineering and Maintenance of Roadway and Structures Expense	(45,304,051)	(46,309,976)
Services and Toll Collection Expense	(110,093,269)	(110,681,535)
Traffic Control, Safety Patrol and Radio Communications Expense	(22,344,274)	(22,374,844)
Procurement, IT, Finance, and Administration Expense	(21,942,396)	(22,100,592)
Bad Debt Expense	(146,850,695)	-
Total	<u>\$ (117,302,971)</u>	<u>\$ (117,302,971)</u>

NOTE 17 – PENDING LITIGATION

There are lawsuits pending against the Tollway claiming, among other things, damages for wrongful discharge, personal injuries and from the operation of the Tollway's evasion recovery system. Workers' compensation lawsuits are also pending. The Tollway's exposure is limited to the self-insured retention of \$250,000 per general liability incident.

Management, after taking into consideration legal counsel's evaluation of such actions, is of the opinion that the outcome of these matters will have no material adverse effect on the financial position of the Tollway.

**Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)**

**Notes to the Financial Statements
December 31, 2009**

NOTE 18 – CONTINGENT LIABILITIES

A contingent liability is defined as a liability that is not sufficiently predictable to permit recording in the accounts but in which there is a reasonable possibility of an outcome which might affect financial position or results of operations.

Contingent Liability for Arbitrage Rebate

In the 1980's, the U.S. Congress determined that arbitrage rebate rules were needed to curb issuance of investment motivated tax-exempt bonds. These rules were designed to create additional safeguards against issuers obtaining an arbitrage benefit by issuing bonds either prematurely or in excess of actual need in order to benefit from an expected spread between tax-exempt borrowing cost and return on investment of bond proceeds. As a result, under certain conditions any gain from arbitrage that is realized must be rebated to the United States Government.

The Tollway retained a third-party expert to perform arbitrage calculations and determine any arbitrage rebate liability. In the opinion of this third party, as of December 31, 2009, the Tollway need not accrue any arbitrage rebate liability relating to its Series 1992A, 1993B, 1996A, 1998A, 1998B, 2005A, 2006A, 2007A, 2008A, 2008B, and 2009A Bonds.

The contingent arbitrage rebate liability relating to the Tollway's Series 2009B Bonds, which were issued on December 8, 2009, has been calculated internally by the Tollway. The Tollway calculates no contingent arbitrage rebate liability on its Series 2009B Bonds for the period ended December 31, 2009.

NOTE 19 – NEW GOVERNMENTAL ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued the following statements:

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets. All intangible assets not specifically excluded by the scope of this Statement should be classified as capital assets. All existing authoritative guidance for capital assets should be applied to these intangible assets, as applicable. The Tollway is required to implement this Statement for the year ending December 31, 2010.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Tollway is required to implement this Statement for the year ending December 31, 2010.

Management has not yet determined what impact, if any, these Statements will have on the financial position and results of operations of the Tollway.

Illinois State Toll Highway Authority
(A Component Unit of the State of Illinois)

Notes to the Financial Statements
December 31, 2009

NOTE 20 – RELATED PARTIES

The Tollway has entered into various intergovernmental agreements with the State of Illinois, through the Illinois Department of Transportation (IDOT). Intergovernmental receivables of \$122 million (\$72 million current and \$50 million long-term) are recorded at December 31, 2009, representing construction projects performed by the Tollway that pertain to infrastructure owned by IDOT. Accrued liabilities totaling \$58 million are recorded for amounts owed to IDOT for construction projects IDOT is performing for infrastructure assets owned by the Tollway.

NOTE 21 – SUBSEQUENT EVENTS

On July 1, 2010 the Tollway issued \$279,300,000 of Toll Highway Senior Refunding Revenue Bonds, 2010 Series A-1 (the "2010A-1 Bonds"). The 2010A-1 Bonds were issued to refund \$287,300,000 of the Tollway's Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2. The purpose of the refunding was to reduce the Tollway's reliance on bank liquidity agreements and to reduce swap counterparty risk. In connection with this refunding the Tollway terminated its swap agreement with Depfa Bank, plc, in the notional amount of \$287,300,000. The Tollway made a payment of \$10,331,528 to Depfa Bank, plc in connection with the termination of the swap agreement.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following summary of certain provisions of the Indenture is qualified in its entirety by reference to the Indenture.

Definitions

"Act" means the Toll Highway Act of the State of Illinois, 605 ILCS 10/1 *et seq.*, as amended.

"Additional Bonds" means Additional Senior Bonds and any Junior Bonds issued pursuant to the terms of the Indenture.

"Additional Senior Bonds" means any Bond or Bonds originally issued as Senior Bonds after March 31, 1999, the date certain provisions of the Amendatory Supplemental Indenture became effective.

"Adjustment Date" means (a) the date of issuance, (b) any date which is the first day of an Adjustment Period designated in the manner set forth in the Amended and Restated Tenth Supplemental Indenture, (c) any Substitute Adjustment Date designated in the manner set forth in the Amended and Restated Tenth Supplemental Indenture and (d) any proposed Term Rate Conversion Date or Fixed Rate Conversion Date designated in the manner set forth in the Amended and Restated Tenth Supplemental Indenture.

"Adjustment Period" means, with respect to each Reoffered Bond, each period commencing on an Adjustment Date for such Reoffered Bond to and including the day immediately preceding the immediately succeeding Adjustment Date for such Reoffered Bond (or the date of maturity thereof), during which period such Reoffered Bond shall operate in one type of Interest Mode.

"Aggregate Debt Service" means, for any Fiscal Year and as of any date of calculation, the sum of the amounts of Debt Service for such Fiscal Year with respect to all series of Senior Bonds.

"Amendatory Supplemental Indenture" means the 1996 Amendatory Supplemental Indenture dated as of September 1, 1996, between the Authority and the Trustee.

"Amended and Restated Tenth Supplemental Indenture" means the Amended and Restated Tenth Supplemental Indenture dated as of February 1, 2011, between the Authority and the Trustee as originally executed and delivered and as the same may from time to time be amended or supplemented.

"Amended and Restated Trust Indenture" means the Amended and Restated Trust Indenture effective March 31, 1999, amending and restating the Original Indenture, as amended and supplemented, including as amended and supplemented by the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the First Supplemental Junior Bond Indenture, the

1996 Amendatory Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture and the Amended and Restated Tenth Supplemental Indenture.

"Authorized Denominations" means, (i) with respect to a particular Reoffered Bond in a Short Mode, \$100,000 and any multiple of \$5,000 in excess thereof, and (ii) with respect to Reoffered Bonds and a particular Reoffered Bond in a Term Rate Mode or a Fixed Mode, \$5,000 and any integral multiple thereof.

"Authorized Officer" means the Chairman, Executive Director or Chief of Finance of the Authority or such other officer of the Authority as may be lawfully designated by the Chairman to act as an Authorized Officer under the Amended and Restated Tenth Supplemental Indenture.

"Bank" means a banking institution in its capacity as issuer of a Liquidity Facility and its successors in such capacity and assigns, and, if a Substitute Liquidity Facility has been issued in accordance with the Amended and Restated Tenth Supplemental Indenture, "Bank" shall mean the issuer or issuers of any Substitute Liquidity Facility in its or their capacity as issuer of such Substitute Liquidity Facility and its or their successors in such capacity and assigns.

"Bank Approval" means the written approval of a Bank, if such approval is required (i) pursuant to the terms of the Amended and Restated Tenth Supplemental Indenture with respect to a Series or Sub-series of Reoffered Bonds for which such Bank has provided a Liquidity Facility, or (ii) by the related Liquidity Agreement.

"Bank Bonds" means Tendered Bonds purchased with moneys drawn under a Liquidity Facility, which are owned by the related Bank or its permitted assigns in accordance with the applicable Liquidity Agreement or custody agreement, if any, until such Bank Bonds are remarketed by the related Remarketing Agent pursuant to the related Remarketing Agreement and the Amended and Restated Tenth Supplemental Indenture and the Bank has been paid all amounts due and owing to it or such Bank Bonds lose their characterization as Bank Bonds pursuant to the related Liquidity Agreement.

"Bank Rate" means with respect to any Bank Bond, such interest rate or sequence of rates (which may be stated as a formula and may be determined by reference to a specified index or indices) as is specified in the related Liquidity Agreement then in effect pursuant to which such Bank Bond was purchased. Notwithstanding the foregoing, at no time shall the Authority be obligated to pay an interest rate on a Bank Bond in excess of the Maximum Rate.

"Bank Variable Rate" means such portion of a then-applicable Bank Rate borne by a Reoffered Bond as is determined by the related Remarketing Agent in its sole judgment, having due regard for prevailing market conditions during the entire period such Series Reoffered Bond constituted a Bank Bond, to equal the rate of interest Bank Bonds bearing such Bank Rate would have borne had they not been tendered and purchased by the Bank under the related Liquidity Agreement.

"Beneficial Owner" means the owner of a beneficial interest in Reoffered Bonds registered in the name of Cede & Co., as nominee of DTC (or a successor securities depository or nominee for either of them).

"Bond" or "Bonds" means bond or bonds, including Senior Bonds and Junior Bonds, authenticated and delivered pursuant to the Indenture, other than Subordinated Indebtedness.

"Bond Counsel" means one or more firms of nationally recognized bond counsel designated by the Attorney General of the State.

"Bondholder," or "Holder," means the person in whose name any Reoffered Bond is registered on the registration books of the Authority kept by the Trustee.

"Bond Insurance Policy" means the Bond Insurance Policy for the Reoffered Bonds issued by the Bond Insurer to the Trustee on the date of issuance of the Series 2008A Bonds, plus all endorsements related to such policy, unless and until such Bond Insurance Policy is canceled pursuant to the Amended and Restated Tenth Supplemental Indenture, and thereafter "Bond Insurance Policy" means any Substitute Bond Insurance Policy delivered by a Substitute Bond Insurer and accepted by the Trustee in substitution therefor pursuant to the Amended and Restated Tenth Supplemental Indenture.

"Bond Insurance Substitution Date" means the date on which a Substitute Bond Insurance Policy becomes effective.

"Bond Insurer" means Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance, Inc.), a stock insurance company incorporated under the laws of the State of New York, as issuer of the Policy, or any successor thereto or assignee thereof.

"Bond Insurance Substitution Date" means the date on which a Substitute Bond Insurance Policy becomes effective.

"Bond Insurer Approval" means the written approval of the Bond Insurer, if such approval is required pursuant to the Amended and Restated Tenth Supplemental Indenture, or the then-applicable Bond Insurance Policy.

"Bond Insurer Event of Default" means, with respect to a Series or Sub-series of Reoffered Bonds, any of the events of default defined as such in the related Liquidity Agreement.

"Bond Purchase Fund" means the fund of that name established in the Amended and Restated Tenth Supplemental Indenture.

"Business Day" means any day other than a Saturday, Sunday or (i) a day on which banks located (a) in the city in which the Principal Office of the Trustee is located, (b) in the city in which the office of the Bond Insurer or the Bond Insurer's custodian at which claims under the Insurance Policy are to be paid (initially, New York, New York) is located, (c) in the city in which the designated United States office of a Bank at which drawings under its Liquidity Facility are to be honored is located, (d) in the city in which the designated corporate trust office of the Trustee or the Trustee's Agent at which the Reoffered Bonds may be tendered for purchase by the holders thereof is located, and (e) in the city in which the principal office of the applicable Remarketing Agent is located, are required or authorized to remain closed, or (ii) a day on which The New York Stock Exchange is closed.

"Capital Appreciation Bond" means a Bond accruing interest that is compounded and added to principal as of such date or dates specified in the related Supplemental Indenture and is payable at maturity. Any Capital Appreciation Bond may mature on any date specified in the related Supplemental Indenture. The term "principal" when used in connection with a Capital Appreciation Bond shall mean the initial principal amount of such Bond as of its date of issuance plus interest accreted thereon to the date of calculation, which in the aggregate shall constitute the maturity amount of such Capital Appreciation Bond as of the date of maturity thereof.

"Congestion-Relief Plan" means the Open Roads plan of the Authority, as described in and approved by Resolution No. 16540 of the Authority, adopted on September 30, 2004, as modified by the 2007 Project Resolution and as the same may be further amended, revised or modified from time to time.

"Congestion-Relief Plan Project" means, collectively, those capital improvement projects described in pages 9 through 33 of the Congestion-Relief Plan, excluding the "O'Hare Bypass/Western Access" capital improvement project, as heretofore modified, including as modified by the 2007 Project Resolution, together with such additional capital improvements as may be added by the Authority pursuant to the Seventh Supplemental Indenture.

"Congestion-Relief Plan Project Bonds" means the 2005 Bonds, the 2006 Bonds, the 2007 Bonds and any Additional Senior Bonds and Junior Bonds issued for the purpose of paying Costs of Construction of the Congestion-Relief Plan Project.

"Congestion-Relief Plan Project Construction Account" means the account of that name created pursuant to the Seventh Supplemental Indenture for the purpose of paying Costs of Construction of the Congestion-Relief Plan Project.

"Construction Fund" means the Construction Fund established pursuant to the Indenture for the purpose of paying costs of any Project.

"Consulting Engineers" means an engineer or engineering firm or corporation at the time retained by the Authority pursuant to the Indenture to perform the acts and carry out the duties provided for such Consulting Engineers in the Indenture.

"Costs of Construction" means with respect to any Project the cost of construction, acquisition, installation, reconstruction, modification, preservation, replacement, repairs, renewals or enhancement, including, without limitation, bridges over or under existing highways and railroads, the cost of acquisition of all land, rights of way, property, rights, easements and interests, acquired by the Authority for such construction, acquisition, installation, reconstruction, modification, preservation, replacement, repairs, renewals or enhancement, the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, the cost of diverting highways, interchange of highways, access to roads to private property, including the cost of lands or easements, the cost of all machinery and equipment, financing charges, interest prior to and during work or construction and for up to two years after completion of the work or construction, the cost of traffic estimates and of engineering and legal expenses, plans, specifications, surveys, estimates of cost and revenues, other expenses necessary or incident to

determining the feasibility or practicability of constructing any Project, administrative expenses and such other costs, expenses and funding as may be necessary or incident to the Project, the financing of such construction or work and the placing of such Project in operation.

"Costs of Credit Enhancement" means any fees of, or termination payments to, any Provider of Credit Enhancement; *provided*, that with respect to any Credit Enhancement executed and delivered or becoming effective on or after the effective date of the amendment to the Indenture establishing the Termination Payment Account (June 22, 2005), "Costs of Credit Enhancement" shall not include termination payments required to be made in connection with any such Credit Enhancement.

"Costs of Hedge Agreement" means any fees of, or termination payments to, any Provider of a Hedge Agreement; *provided*, that with respect to any Qualified Hedge Agreement executed and delivered or becoming effective on or after the effective date of the amendment to the Indenture establishing the Termination Payment Account (June 22, 2005), "Costs of Hedge Agreement" shall not include termination payments required to be made in connection with any such Qualified Hedge Agreement.

"Credit Enhancement" means any arrangement to provide additional security or liquidity for Bonds including, without limitation, surety bonds, bond insurance, letters of credit, lines of credit and purchase and remarketing agreements, but does not include Reserve Account Credit Facilities.

"Current Funds" means moneys that are immediately available in the hands of the payee at the place of payment.

"Custody Account" means each Account of that name established on behalf of a Bank pursuant to the Amended and Restated Tenth Supplemental Indenture.

"Custody Agreement" means a custody agreement or a pledge and security agreement (which may also be a Liquidity Agreement), if any, entered into by the Trustee, as custodian, the Bank providing the related Liquidity Facility, any other person, and any and all amendments and supplements thereto, relating to Bank Bonds and approved by the Bond Insurer.

"Debt Reserve Account" means the Debt Reserve Account established in the Indenture.

"Debt Reserve Requirement" means, as of any date of calculation, the maximum annual Aggregate Debt Service for any Fiscal Year for all Senior Bonds.

"Debt Service" means, for any period longer than one month, as of any date of calculation, an amount equal to the sum of Principal Installments and interest on Senior Bonds payable (or for the payment for which amounts are required to be deposited in the Debt Service Account) during such period, except to the extent that such interest is to be paid from Bond proceeds deposited to the credit of the Debt Service Account. Interest and Principal Installment amounts payable shall be calculated, for purposes of this definition, on the assumption that Senior Bonds Outstanding at the date of calculation will cease to be Outstanding by reason, but only by reason, of the payment of each Principal Installment on its due date. Interest and Principal Installments payable on January 1 of any Fiscal Year shall be deemed to be payable on

December 31 of the preceding year. For purposes of applying this definition with respect to the calculations required by the Authority's toll covenants and calculating the Debt Reserve Requirement, the amount of interest to be payable on Senior Bonds having variable interest rates shall be computed by assuming that the rate of interest with respect to Senior Bonds, interest on which is excludable from gross income of the Holders for federal income tax purposes, is a rate equal to the lesser of (i) the 30 Year Bond Buyer Revenue Bond Index as of the date of calculation, or (ii) the maximum interest rate on such Senior Bonds, and with respect to any Senior Bonds having a variable interest rate the interest on which is not excludable from "gross income" of the Holders for federal income tax purposes, a rate equal to the lesser of (i) 115% of the 30 Year Bond Buyer Revenue Bond Index as of the date of calculation or (ii) the maximum interest rate on such Senior Bonds, including in each case taking into account any Qualified Hedge Agreement as provided in the Indenture; for purposes of the Debt Reserve Requirement this calculation shall be made as of a date selected by the Authority within thirty (30) days preceding the date of issuance of each Series of Bonds for which such calculation is required. However, the rate for any such Series of Senior Bonds for which the variable interest rate is fixed for any portion of the applicable Fiscal Year shall be assumed to be the actual rate borne by such Senior Bonds. For purposes of applying this definition with respect to the calculations required under the Indenture relating to the tests for the issuance of Additional Senior Bonds, the amount of interest payable on Senior Bonds having variable interest rates shall be computed at the maximum rate or amount for those Bonds, taking into account any Qualified Hedge Agreement. If a Series of Senior Bonds having variable interest rates is subject to purchase by the Authority pursuant to a mandatory or optional tender by the Holder, the "tender" date or dates shall be ignored and the stated Principal Installment dates of such Senior Bonds shall be used for purposes of calculating the Debt Service with respect to such Senior Bonds. If two Series of Senior Bonds having variable interest rates are issued simultaneously with inverse variable interest rates providing a composite fixed interest rate for such Senior Bonds taken at any time as a whole, such composite fixed rate shall be used in determining the Debt Service with respect to such Senior Bonds. Debt Service on Senior Bonds with respect to which there is a Qualified Hedge Agreement shall be calculated consistent with the Indenture. Debt Service shall include Costs of Credit Enhancement, Costs of Hedge Agreements and reimbursements to Providers of Credit Enhancement and Qualified Hedge Agreements, in each case to be paid as provided in a Supplemental Indenture from the Debt Service Account.

"Debt Service Account" means the Debt Service Account established in the Indenture.

"Demand Date" means, with respect to any Reoffered Bond during a Weekly Mode, the Business Day specified in the notice received by the Trustee's Agent upon which the Owner of such Reoffered Bond intends to tender such Reoffered Bond (or any portion thereof in an Authorized Denomination) for purchase, which Business Day shall be not less than seven calendar days after the date such notice is received.

"Depository" means any bank, national banking association or trust company having capital stock, surplus and retained earnings aggregating at least \$8,000,000, or a savings or savings and loan institution having assets aggregating at least \$65,000,000, selected by the Treasurer (and with respect to Funds, Accounts and Sub-Accounts held by the Trustee, with the consent of the Treasurer, which consent shall not be unreasonably withheld) as a depository of moneys and securities held under the provisions of the Indenture, and may include the Trustee.

"Differential Interest Amount" means an amount equal to the excess of (a) interest which has accrued and could actually be paid on Bank Bonds at the related Bank Rate up to but excluding the Sale Date, less (b) the interest accrued on such Bank Bonds at the related Bank Variable Rate received by the related Bank from the purchaser or purchasers of such Bank Bonds on the Sale Date as part of the applicable purchase price thereof.

"DTC" means The Depository Trust Company, New York, New York, and its successors or assigns.

"Eighth Supplemental Indenture" means the Eighth Supplemental Indenture securing the 2006 Bonds, dated as of June 1, 2006, between the Authority and the Trustee.

"Event of Default" means any event described in **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default."**

"Federal Securities" means (i) any direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, (ii) any Municipal Bonds which are fully secured as to principal and interest by an irrevocable pledge of moneys or direct obligations of, or obligations unconditionally guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the Municipal Bonds, (iii) certificates of ownership of the principal of or interest on direct obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by a commercial bank that is a member of the Federal Reserve System and (iv) interest obligations of the Resolution Funding Corporation, including, without limitation, interest obligations stripped by the Federal Reserve Bank of New York.

"Fiduciary" or "Fiduciaries" means the Trustee, the Registrar and the Paying Agents, or any or all of them, as may be appropriate.

"Fifth Supplemental Indenture" means the Fifth Supplemental Indenture securing the 1996 Series A Bonds, dated as of September 1, 1996, between the Authority and the Trustee.

"First Supplemental Indenture" means the First Supplemental Indenture securing Toll Highway Priority Revenue Bonds, 1986 Series, dated as of October 1, 1986, between the Authority and the Trustee.

"First Supplemental Junior Bond Indenture" means the First Supplemental Junior Bond Indenture, dated September 1, 2005 between the Authority and the Trustee securing Junior Bonds issued under the Trust Indenture.

"Fitch" means Fitch Ratings, its successors and assigns, and, if Fitch shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "*Fitch*" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

"Fiscal Year" means the period January 1 through December 31 of the same year.

"Fixed Mode" means, for a Series or Sub-series of Reoffered Bonds, the Adjustment Period commencing on the Fixed Rate Conversion Date for such Reoffered Bonds and ending on the date of maturity thereof, as established pursuant to the Amended and Restated Tenth Supplemental Indenture, during which the Series Reoffered Bonds which bear interest during such Adjustment Period bear interest at the Fixed Rate.

"Fixed Rate" means, for the Fixed Mode applicable to a Reoffered Bond, a fixed per annum interest rate borne by such Reoffered Bond established pursuant to the Amended and Restated Tenth Supplemental Indenture equal to the lowest interest rate which, in the judgment of the applicable Remarketing Agent, would enable such Reoffered Bond to be remarketed at the principal amount thereof on the Fixed Rate Conversion Date for such Fixed Mode and which shall not exceed the Maximum Interest Rate.

"Fixed Rate Conversion" means the conversion of the interest to be borne by all or any portion of a Series or Sub-series of the Reoffered Bonds to a Fixed Rate pursuant to the Indenture.

"Fixed Rate Conversion Date" means an Adjustment Date for any Reoffered Bond on which it begins to bear interest at a Fixed Rate.

"Flexible Mode" means, for a Series or Sub-series of Reoffered Bonds, any Adjustment Period during which the Rate Determination Date and the Rate Change Date for each Rate Period therein (which shall have a duration which is not less than 30 days (or such duration as short as two days as may be approved by the Authority by written notice to the Trustee and the related Remarketing Agent) nor more than 270 days) shall occur on the first day of such Rate Period which shall be designated by the related Remarketing Agent pursuant to the Amended and Restated Tenth Supplemental Indenture, and during which the Series Reoffered Bonds which bear interest during such Adjustment Period bear interest at the Flexible Rate.

"Flexible Rate" means, for each Rate Period within a Flexible Mode applicable to a Reoffered Bond, a fixed per annum interest rate borne by such Reoffered Bond established pursuant to the Amended and Restated Tenth Supplemental Indenture equal to the lowest interest rate which, in the judgment of the related Remarketing Agent, would enable such Reoffered Bond to be remarketed at the principal amount thereof on the Rate Change Date for such Rate Period.

"Fourth Supplemental Indenture" means the Fourth Supplemental Indenture securing Toll Highway Refunding Revenue Bonds, 1993 Series A and B, dated as of March 1, 1993, between the Authority and the Trustee.

"Hedge Agreement" means a payment exchange agreement, swap agreement, forward purchase agreement or any other hedge agreement entered into by the Authority providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including, without limitation, interest rate floors, or caps, options, puts or calls, which allows the Authority to manage or hedge payment, rate, spread or similar risk with respect to any Series of Senior Bonds.

"Improvement" means any System Expansion Project or any acquisition, installation, construction, reconstruction, modification or enhancement of or to any real or personal property (other than Operating Expenses) for which a currently effective resolution of the Authority has been adopted authorizing the deposit of Revenues to the credit of the Improvement Account for such System Expansion Project or acquisition, installation, construction, reconstruction, modification or enhancement including, without limitation, the cost of related feasibility studies, plans, designs or other related expenditures.

"Improvement Account" means the Improvement Account established in the Indenture.

"Improvement Requirement" means the aggregate of the amounts established by currently effective resolutions of the Authority for specified Improvements, based upon a certificate or certificates of the Consulting Engineers with respect to the estimated costs of such Improvements filed with the Authority from time to time, less the amounts previously withdrawn or transferred from the Improvement Account to pay the costs of any such Improvements.

"Indenture" means the Amended and Restated Trust Indenture effective as of March 31, 1999 amending and restating the Trust Indenture dated as of December 1, 1985, by and between the Authority and the Trustee, as from time to time amended and supplemented, including by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, and the Tenth Supplemental Indenture, the Amended and Restated Tenth Supplemental Indenture and, when effective, the Amendatory Supplemental Indenture.

"Interest Coverage Rate" means the rate used in a Liquidity Facility to calculate the maximum amount (as reduced and restated from time to time in accordance with the terms thereof) which is available for the payment of the portion of the purchase price of related Tendered Bonds corresponding to interest accrued on such Tendered Bonds.

"Interest Mode" means a period of time relating to the frequency with which the interest rate on the Reoffered Bonds is determined pursuant to the Amended and Restated Tenth Supplemental Indenture. An Interest Mode may be a Weekly Mode, a Flexible Mode, a Term Rate Mode, or a Fixed Mode.

"Interest Payment Date" means March 1, 2011, and thereafter (i) each Adjustment Date for any Reoffered Bond, (ii) for any Reoffered Bond in the Weekly Mode, the first Business Day of any calendar month, (iii) for any Reoffered Bond in a Flexible Mode, each Rate Change Date, (iv) for any Bank Bond, such dates as are specified in the related Liquidity Agreement, and (v) for each Reoffered Bond, the date of maturity thereof; provided that, except with respect to (x) any 2008 Bond in the Flexible Mode (without the approval of the Authority described in the definition of such term) or (y) any Interest Payment Dates with respect to remarketed Bank Bonds under (iv), in no event shall more than one Interest Payment Date for the Reoffered Bonds occur in any one calendar month.

"Interest Rate Determination Method" means the method pursuant to which the Interest Rate is determined from time to time in accordance with the Amended and Restated Tenth Supplemental Indenture.

"Interest Sub-Account" means the sub-account of that name in the Debt Service Account established in the Indenture.

"Investment Securities" means any of the following securities authorized by law as permitted investments of Authority funds at the time of their purchase:

(i) Federal Securities;

(ii) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;

(iii) Investments in a money market fund registered under the Investment Company Act of 1940, as amended (including any such money market fund sponsored by or affiliated with any Fiduciary), comprised of any of the investments set forth in subparagraph (i) or subparagraph (ii) above;

(iv) Negotiable or non-negotiable certificates of deposit or time deposits or other banking arrangements issued by any bank, trust company or national banking association (including any Fiduciary), which certificates of deposit or time deposits or other banking arrangements shall be continuously secured or collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit or time deposits or other banking arrangements and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit or time deposits or other banking arrangements, which certificates of deposit or time deposits or other banking arrangements acquired or entered into pursuant to this subparagraph (iv) shall be deemed for purposes of the Indenture to constitute investments and not deposits;

(v) With respect to moneys on deposit to the credit of the Debt Service Account, the Debt Reserve Account and the Construction Fund and its separate, segregated accounts (to the extent that the Construction Fund and such separate, segregated accounts are held by the Trustee) (except the Construction Fund revolving accounts), repurchase agreements with any bank, trust company or national banking association (including any Fiduciary) or government bond dealer reporting to the Federal Reserve Bank of New York continuously secured or collateralized by obligations described in subparagraph (i) of this definition, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amortized value of

such repurchase agreements, provided such security or collateral is lodged with and held by the Trustee or the Authority as titleholder, as the case may be;

(vi) With respect to moneys on deposit to the credit of all Funds, Accounts and Sub-Accounts (except the Debt Service Account, the Debt Reserve Account, and the Construction Fund to the extent that the Construction Fund is held by the Trustee, the separate, segregated accounts of the Construction Fund to the extent such accounts are held by the Trustee and the revolving accounts of the Construction Fund), repurchase agreements with any bank, trust company or national banking association (including any Fiduciary) or government bond dealer reporting to the Federal Reserve Bank of New York continuously and fully secured for the benefit of the Authority and the Holders of the Bonds as provided by applicable state law with respect to the investment of public funds;

(vii) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; and project notes issued by public housing authorities or by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(viii) Any Municipal Bond which has a rating by each rating agency from which the Authority has obtained Ratings for its Senior Bonds, which is not lower than the Rating provided by the respective rating agency for Senior Bonds; and

(ix) Any other investment securities as to which the Authority has received written advice from each rating agency which has a Rating for any Senior Bonds that investment in such securities will not result in a reduction of the Rating by the rating agency.

Investment Securities purchased after the date of the 1992 Series A Bonds shall be rated not lower than "BBB-" by Standard & Poor's Corporation and "Baa" by Moody's Investors Service, or, in the case of Investment Securities described in subparagraph (iii), subparagraph (iv), subparagraph (v) or subparagraph (vi) of this definition, shall be secured or collateralized by Investment Securities rated not lower than "BBB" by Standard & Poor's Corporation and "Baa" by Moody's Investors Service.

"Junior Bond Debt Reserve Account or Accounts" means any Junior Bond Debt Reserve Account or Accounts established in Supplemental Indentures authorizing the issuance of Junior Bonds.

"Junior Bond Debt Service Account or Accounts" means any Junior Debt Service Account or Accounts established in Supplemental Indentures authorizing the issuance of Junior Bonds.

"Junior Bonds" means all Bonds authenticated and delivered as Junior Bonds pursuant to the Indenture.

"Junior Bonds Revenue Requirement" means for any Fiscal Year the amount required to be deposited from the Revenue Fund to any Junior Bond Debt Service Account and any Junior Bond Debt Reserve Account. For purposes of certain provisions of the additional bonds tests established by the Indenture and the Authority's toll covenants, the Junior Bond Revenue Requirement shall be the amount projected to be so required under the Supplemental Indentures authorizing the Junior Bonds, and taking into account, without limitation, (i) the expectations of the Authority as to the receipts, other than Revenues, which pursuant to the Supplemental Indentures authorizing Junior Bonds, will be applied to make such deposits to pay Principal Installments or interest, Costs of Credit Enhancement or Costs of Hedge Agreements and reimbursement to Providers of Credit Enhancement and Hedge Agreements on Junior Bonds to be paid from such Accounts; (ii) the expectations of the Authority as to future refinancings of Junior Bonds which were issued as provided in the Supplemental Indenture authorizing such Junior Bonds with the expectation of refinancing; and (iii) interest payable on Junior Bonds with variable interest rates as provided in the Supplemental Indenture authorizing Junior Bonds.

"Liquidity Agreement" means each of the Liquidity Facilities for the Reoffered Bonds and any other agreement then governing a Liquidity Facility, including a Substitute Liquidity Agreement, as it may from time to time be amended or supplemented, provided that the form of any such agreement shall be subject to Bond Insurer Approval.

"Liquidity Agreement Default" means each "default" or "event of default," if any, under a Liquidity Facility for any Series or Sub-series of Reoffered Bonds, the consequence of notice of which is that the Reoffered Bonds shall be subject to mandatory tender.

"Liquidity Facility" means each of the Liquidity Agreement for the Reoffered Bonds and any other obligation of a Bank providing a Liquidity Facility to provide funds for the purpose of purchasing Tendered Bonds, which Liquidity Facility may be in the form of a line of credit, bond purchase agreement or letter of credit, and includes any Substitute Liquidity Facility that may be delivered pursuant to the provisions of the Amended and Restated Tenth Supplemental Indenture.

"Liquidity Facility Cancellation Date" has the meaning set forth herein under **"SUBSTITUTE LIQUIDITY FACILITY – Liquidity Facility Not Required in Certain Circumstances."**

"Liquidity Substitution Date" means the day on which a Substitute Liquidity Facility becomes effective.

"Liquidity Substitution Resolution" means the Resolution duly adopted by the Authority on November 18, 2010 authorizing, among other things, (i) the replacement of the 2008 Dexia Liquidity Agreement with one or more Substitute Liquidity Facilities and the execution of one or more Substitute Liquidity Agreements related thereto, (ii) the direction of a mandatory tender of all or a portion of the Outstanding Series 2008A Bonds in accordance with the terms of the Tenth Supplemental Indenture, and (iii) the amendment and restatement of the Tenth Supplemental Indenture to provide for the foregoing.

"Maintenance and Operation Account" means the Maintenance and Operation Account in the Indenture.

"Maturity Date" means, for the Series 2008A-1a Bonds, Series 2008A-1b Bonds and Series 2008A-2 Bonds, January 1, 2031.

"Maximum Interest Rate" means, (a) with respect to a Series or Sub-series of the Reoffered Bonds at any time such Reoffered Bonds are not Bank Bonds, the least of (i) the Statutory Maximum Rate, (ii) while such Reoffered Bonds, other than Bank Bonds, are in a Short Mode and a Liquidity Facility is in effect for such Reoffered Bonds, the applicable Interest Coverage Rate and (iii) fifteen percent (15%) per annum and (b) at any time the Reoffered Bonds are Bank Bonds, the lesser of (i) the Statutory Maximum Rate, and (ii) twenty-five percent (25%) per annum.

"Municipal Bonds" means, any obligations of any state, public corporation, authority, political subdivision, unit of local government or municipality of any state.

"Net Revenue Requirement" means, with respect to any period of time, an amount necessary to cure deficiencies, if any, in the Debt Service Account, the Debt Reserve Account, any Junior Bond Debt Service Account and any Junior Bond Debt Reserve Account plus the greater of (i) the sum of Aggregate Debt Service, the Junior Bond Revenue Requirement and the Renewal and Replacement Deposit for such period or (ii) 1.3 times the Aggregate Debt Service for such period.

"Net Revenues" means, for any Fiscal Year or other period of time, the Revenues, excluding amounts transferred during such Fiscal Year or period (i) to the Revenue Fund from the Construction Fund and (ii) to the Trustee by the Authority from the System Reserve Account, the Improvement Account or the Renewal and Replacement Account, less the Operating Expenses for such Fiscal Year or period.

"Ninth Supplemental Indenture" means the Ninth Supplemental Indenture securing the 2007 Bonds, dated as of November 1, 2007, between the Authority and the Trustee, as amended.

"1998 Series A Bonds" means the Toll Highway Priority Refunding Revenue Bonds, 1998 Series A (Fixed Rate), authorized by the Sixth Supplemental Indenture.

"1998 Series B Bonds" means the Toll Highway Refunding Revenue Bonds, 1998 Series B (Variable Rate), authorized by the Sixth Supplemental Indenture.

"1998 Swap Agreement or Agreements" means each of the Interest Rate Swap Agreements dated as of December 17, 1998, between the Authority and a 1998 Swap Provider, or both such Agreements, entered into with respect to the 1998 Series B Bonds.

"1998 Swap Insurer" means Financial Security Assurance Inc., a New York domiciled stock insurance company, or any successor thereto.

"1998 Swap Provider or Providers" means either (or, if the context requires, both of) Goldman Sachs Mitsui Marine Derivative Products, L.P. and Bear Stearns Financial Products Inc. or both such entities.

"1992 Series A Bonds" means the Toll Highway Priority Revenue Bonds, 1992 Series A, authorized by the Third Supplemental Indenture Bonds.

"Operating Expenses" means the Authority's expenses in the normal course of business for operation, maintenance and repairs of the Tollway System or any part of it and replacement and acquisition of equipment (other than expenses which under generally accepted accounting principles are capitalized and for which amounts (other than amounts held in the Maintenance and Operation Account) are set aside or otherwise available) including, without limitation, all policing, administrative and engineering expenses, legal and financial advisory expenses, fees and expenses of the fiduciaries, payments to pension, retirement, health and hospitalization funds, insurance premiums, rentals under leases of property not constituting Projects, and any other expenses or obligations required to be paid by the Authority under the provisions of the Indenture or by law, all to the extent properly and directly attributable to the operation of the Tollway System, but not including any costs or expenses of any Project, allowance for depreciation, payments on any Outstanding Bonds, Subordinated Indebtedness or money borrowed for purposes other than Operating Expenses, or any reserves for those purposes.

"Operating Reserve Sub-Account" means the subaccount of that name in the Maintenance and Operation Account established under the Indenture.

"Operating Sub-Account" means the sub-account of that name in the Maintenance and Operation Account.

"Original Indenture" means the Trust Indenture dated as of December 1, 1985 by and between the Authority and The First National Bank of Chicago, as predecessor trustee to the Trustee, including as amended or supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture.

"Original Series 2008A Bonds" means, collectively, the Original Series 2008A-1 Bonds and the Series 2008A-2 Bonds.

"Original Series 2008A Liquidity Facility" means the Standby Bond Purchase Agreement dated February 1, 2008 securing payment of the purchase price for Original Series 2008A Bonds subject to optional and mandatory tender pursuant to the terms of the Tenth Supplemental Indenture, among the Authority, the Trustee and Dexia Credit Local, acting through its New York Branch.

"Original Series 2008A Underwriters" means the Original Series 2008A-1 Underwriters and the Original Series 2008A-2 Underwriters, collectively.

"Original Series 2008A-1 Bonds" means the Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1 of the Authority authorized by the Tenth Supplemental Indenture.

"Original Series 2008A-1 Representative" means Goldman Sachs & Co., for itself and on behalf of the Original Series 2008A-1 Underwriters.

"Original Series 2008A-1 Underwriters" means the group of underwriters represented by the Original Series 2008A-1 Representative in connection with the purchase of the Original Series 2008A-1 Bonds from the Authority.

"Original Series 2008A-2 Representative" means Goldman Sachs & Co., for itself and on behalf of the Original Series 2008A-2 Underwriters.

"Original Series 2008A-2 Underwriters" means the group of underwriters represented by the Original Series 2008A-2 Representative in connection with the purchase of the Series 2008A-2 Bonds from the Authority.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel.

"Outstanding," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

- (i) Any Bonds canceled by the Trustee at or prior to such date;
- (ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant the Indenture; and
- (iv) Bonds deemed to have been paid under the Indenture.

"Paying Agent" means any bank, national banking association or trust company designated by the Authority as paying agent for the Bonds of any Series, and any successor or successors appointed by the Authority under the Indenture and for the Reoffered Bonds means the Trustee.

"Policy" means the Municipal Bond Insurance Policy issued by the Bond Insurer guaranteeing the regularly scheduled payment of principal of and interest on the Reoffered Bonds when due.

"Principal" when used in connection with a Capital Appreciation Bond shall mean the initial principal amount of such Bond as of its date of issuance plus interest accreted thereon to the date of calculation, which in the aggregate shall constitute the maturity amount of such Capital Appreciation Bond as of the date of maturity thereof.

"Principal Installment" means, as of any particular date of calculation and with respect to any particular future date and with respect to Bonds of a particular Series, (a) the principal amount of Outstanding Bonds of said Series that are stated to mature on such future date, reduced by the aggregate principal amount of such Outstanding Bonds that would before said future date cease to be Outstanding by reason, but only by reason, of the payment when due, and application in accordance with the Indenture, of Sinking Fund Installments payable before said future date toward the retirement of such Outstanding Bonds, and (b) the amount of any Sinking Fund Installment payable on said future date toward the retirement of any Outstanding Bonds of said Series.

"Principal Office" means (i) with respect to a Bank, the address supplied in writing by such Bank to the Authority, the Trustee and the appropriate Remarketing Agent, (ii) with respect to the Trustee, its principal office in Chicago, Illinois, (iii) with respect to a Remarketing Agent, the address supplied in writing by such Remarketing Agent to the Authority, the Trustee, the Banks and the Bond Insurer; (iv) with respect to the Trustee's Agent, the address supplied in writing by the Trustee's Agent to the Authority, the Trustee, the Banks and the Bond Insurer; and (v) with respect to any paying agent, the address supplied in writing by a paying agent to the Authority, the Trustee, the Banks and the Bond Insurer.

"Principal Sub-Account" means the sub-account of that name in the Debt Service Account established in the Indenture.

"Priority Bonds" means all Bonds designated as Priority Bonds, which, as of the date of issuance of the Reoffered Bonds consists of the 1992 Series A Bonds, the 1998 Series A Bonds, the 2005 Bonds, the 2006 Bonds and the 2007 Bonds.

"Project" means any Improvement or Renewal and Replacement.

"Provider" means any person or entity providing Credit Enhancement, a Reserve Account Credit Facility or a Qualified Hedge Agreement with respect to any one or more Series of Senior Bonds, pursuant to agreement with or upon the request of the Authority.

"Provider Payment Sub-Account" means the sub-account of that name in the Debt Service Account established in the Indenture.

"Qualified Hedge Agreement" means a Hedge Agreement if (i) the Provider of the Hedge Agreement is rated "A" or better by Standard & Poor's Rating Group and (ii) the Authority has given each rating agency then rating any of the Senior Bonds (whether or not such rating agency also rates the unsecured obligations of the Provider of the Hedge Agreement or the Provider's guarantor) at least 15 days' notice in writing of its intention to enter into the Hedge Agreement (unless such notice period is waived by such rating agency) and has received from such rating agency its written advice that the entering into of the Hedge Agreement by the Authority will not in and of itself cause a reduction or withdrawal by such rating agency of its Rating on any Senior Bonds. Such written advice shall constitute a waiver by that rating agency of the notice requirement set forth above.

"Rate Change Date" means for each Rate Period (a) during any Weekly Mode, Thursday or such other day of the week designated as such by the applicable Remarketing Agent from time

to time, in accordance with the provisions of the Amended and Restated Tenth Supplemental Indenture, (b) during any Flexible Mode or Term Rate Mode, the Business Days specified in the notice delivered to the Trustee in accordance with the Amended and Restated Tenth Supplemental Indenture, and (c) each Adjustment Date.

"Rate Determination Date" means for (a) each Rate Period during any Weekly Mode, Wednesday or such other day of the week designated as such by the applicable Remarketing Agent from time to time, in accordance with the Amended and Restated Tenth Supplemental Indenture, next preceding the Rate Change Date for such Rate Period (unless such day is not a Business Day, in which case the Rate Determination Date shall be the immediately preceding Business Day), (b) each Rate Period during any Flexible Mode, the Rate Change Date for such Rate Period specified in the notice delivered to the Trustee in accordance with the Amended and Restated Tenth Supplemental Indenture, (c) each Rate Period during a Term Rate Mode, a Business Day no earlier than 30 Business Days and no later than the Business Day next preceding the first day of a Rate Period, as determined by the applicable Remarketing Agent, (d) the Rate Period during a Fixed Mode, the date of the firm underwriting or purchase contract referred to in the Amended and Restated Tenth Supplemental Indenture, (e) the Rate Period following a proposed Fixed Rate Conversion Date in the event of a failed conversion, such proposed Fixed Rate Conversion Date and (f) the Rate Period following a failed Interest Mode conversion pursuant to the Amended and Restated Tenth Supplemental Indenture, the proposed Adjustment Date.

"Rate Period" means, with respect to each Reoffered Bond, each period commencing on a Rate Change Date for such Reoffered Bond to and including the day immediately preceding the immediately succeeding Rate Change Date for such Reoffered Bond (or the final maturity date or date of redemption thereof), during which period such Reoffered Bond shall bear interest at one specific interest rate.

"Rating" means a rating given Senior Bonds by a nationally-recognized rating agency upon the request or application of the Authority, and where the rating of any Senior Bonds is based upon bond insurance or similar credit enhancement, it means the rating which those Senior Bonds would have without that bond insurance or credit enhancement.

"Rating Agency" means Fitch, Moody's and S&P or any other nationally recognized securities rating agency.

"Record Date" means with respect to the Reoffered Bonds during a Short Mode, the Business Day immediately preceding each Interest Payment Date for such Reoffered Bond.

"Redemption Price" means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon the date fixed for redemption.

"Redemption Sub-Account" means the sub-account of that name in the Debt Service Account established in the Indenture.

"Refunded Bonds" means, collectively, the Refunded 2006A-1 Bonds and the Refunded 2006A-2 Bonds.

"Refunded 2006A-1 Bonds" means the \$208,340,000 aggregate principal amount 2006A-1 Bonds.

"Refunded 2006A-2 Bonds" means the \$500,000,000 aggregate principal amount 2006A-2 Bonds.

"Registered Owner" has the meaning given such term under the definition of "Bondholder" above.

"Registrar" means the Trustee.

"Remarketing Agent" means each of Citigroup Global Markets Inc. and Barclays Capital Markets Inc. and any other remarketing agent appointed in respect of a Series or Sub-series of the Reoffered Bonds in accordance with the Amended and Restated Tenth Supplemental Indenture.

"Remarketing Agreement" means each of the Remarketing Agreements entered into pursuant to the terms of the Amended and Restated Tenth Supplemental Indenture, and any and all modifications, alterations, amendments and supplements to such agreement as may be consented to by the Bond Insurer.

"Renewal and Replacement" means preservation, replacement, repairs, renewals and reconstruction or modifications of the Tollway System or any part of it constituting real or personal property, whether leased or purchased, but does not include System Expansion Projects.

"Renewal and Replacement Account" means the Renewal and Replacement Account established in the Indenture.

"Renewal and Replacement Deposit or Deposits" means, with respect to any period, any amount budgeted for deposit to or projected for deposit to the Renewal and Replacement Account for Renewal and Replacement Expenses, other than such budgeted or projected amounts which the Authority has determined will be available for Renewal and Replacement Expenses from the System Reserve Fund, the Improvement Fund or from the proceeds of authorized borrowings or from installment purchases or leases.

"Renewal and Replacement Expense or Expenses" means the cost of any Renewal and Replacement.

"Reoffered Bonds" means the 2008A-1a Bonds, the 2008A-1b Bonds and the 2008A-2 Bonds.

"Reserve Account Credit Facility" means a surety bond, an insurance policy, a letter of credit or other credit facility with respect to any Series of Senior Bonds which meets the requirements of the Indenture.

"Revenues" means (i) all tolls, fees, charges, rents, and other income and receipts derived from the operation of the Tollway System, (ii) the proceeds of any use and occupancy insurance relating to the Tollway System and of any other insurance that insures against loss of revenues,

(iii) investment income from any moneys or securities held in Funds, Accounts or Sub-Accounts established under the Indenture, other than the Construction Fund, and (iv) amounts transferred from the Construction Fund to the Revenue Fund, and transfers to the Trustee by the Authority from the System Reserve Account pursuant to the Indenture. Revenues excludes Federal and State grants and appropriations, loan proceeds, gifts or donations of any kind, transfers, if any, to the Authority as permitted under any Escrow Agreement, and receipts not related to the Authority's performance of its obligations under the Indenture or to the operations of the Tollway System.

"Sale Date" has the meaning assigned to such term in the applicable Liquidity Agreement.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

"Second Supplemental Indenture" means the Second Supplemental Indenture dated as of February 15, 1987, between the Authority and the Trustee.

"Senior Bonds" means the Authority's Outstanding Priority Bonds, the Authority's Outstanding Refunding Bonds, and all Additional Senior Bonds, without duplication, issued in accordance with the Indenture.

"Series" means a single Series of the Reoffered Bonds, being the 2008A-1 Bonds or the 2008A-2 Bonds.

"Series 2008A Hedge Agreements" means, collectively, the Series 2008A-1 Hedge Agreements and the Series 2008A-2 Hedge Agreements.

"Series 2008A Hedge Providers" means, collectively, the Series 2008A-1 Hedge Providers and the Series 2008A-2 Hedge Provider.

"Series 2008A Liquidity Facilities" means, collectively, the Series 2008A-1a Liquidity Facility, the Series 2008A-1b Liquidity Facility and the Series 2008A-2 Liquidity Facility.

"Series 2008A Remarketing Agents" means, collectively, the Series 2008A-1 Remarketing Agent and the Series 2008A-2 Remarketing Agent.

"Series 2008A Remarketing Agreements" means, collectively, the Series 2008A-1 Remarketing Agreement and the Series 2008A-2 Remarketing Agreement.

"Series 2008A-1 Bonds" means, collectively, the Series 2008A-1a Bonds and the Series 2008A-1b Bonds.

"Series 2008A-1 Hedge Agreements" means the ISDA Master Agreements, Schedules and Credit Support Annexes to the respective Schedules, each dated December 19, 2007, as amended, restated or supplemented, and the related Confirmations, between the Authority and the Series 2008A-1 Hedge Providers.

"Series 2008A-1 Hedge Providers" means Deutsche Bank AG and The Bank of New York and their respective successors and assigns, as counterparties to the Series 2008 A-1 Hedge Agreements.

"Series 2008A-1 Remarketing Agent" means Citigroup Global Markets Inc., as remarketing agent for the Series 2008A-1 Bonds.

"Series 2008A-1 Remarketing Agreement" means the Remarketing Agreement dated as of February 1, 2008 between the Authority and the Series 2008A-1 Remarketing Agent.

"Series 2008A-1a Bank" means JPMorgan Chase Bank, N.A.

"Series 2008A-1a Bonds" means the Sub-series of the Series 2008A-1 Bonds, as authorized and designated pursuant to the Amended and Restated Tenth Supplemental Indenture.

"Series 2008A-1a Liquidity Facility" means the Standby Bond Purchase Agreement dated as of January 1, 2011, among the Authority, the Trustee and the Series 2008A-1a Bank, securing payment of the purchase price for Series 2008A-1a Bonds subject to optional and mandatory tender pursuant to the terms of the Amended and Restated Tenth Supplemental Indenture.

"Series 2008A-1b Bank" means PNC Bank, National Association.

"Series 2008A-1b Bonds" means the Sub-series of the Series 2008A-1 Bonds, as authorized and designated pursuant to the Amended and Restated Tenth Supplemental Indenture.

"Series 2008A-1b Liquidity Facility" means the Standby Bond Purchase Agreement dated as of January 1, 2011, among the Authority, the Trustee and the Series 2008A-1b Bank, securing payment of the purchase price for Series 2008A-1b Bonds subject to optional and mandatory tender pursuant to the terms of the Amended and Restated Tenth Supplemental Indenture.

"Series 2008A-2 Bank" means JPMorgan Chase Bank, N.A.

"Series 2008A-2 Bonds" means the Authority's Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2, authorized pursuant to the Tenth Supplemental Indenture.

"Series 2008A-2 Hedge Agreements" means the ISDA Master Agreements, Schedules and Credit Support Annexes to the respective Schedules, each dated December 19, 2008, as amended, restated or supplemented, and the related Confirmations, between the Authority and the Series 2008A-2 Hedge Provider.

"Series 2008A-2 Hedge Provider" means Merrill Lynch Capital Services, Inc. and its respective successors and assigns, as counterparty to the Series 2008 B-2 Hedge Agreements.

"Series 2008A-2 Liquidity Facility" means the Standby Bond Purchase Agreement dated as of January 1, 2011, among the Authority, the Trustee and the Series 2008A-2 Bank, securing payment of the purchase price for Series 2008A-2 Bonds subject to optional and mandatory tender pursuant to the terms of this Amended and Restated Tenth Supplemental Indenture.

"Series 2008A-2 Remarketing Agent" means Barclays Capital, as remarketing agent for the Series 2008A-2 Bonds.

"Series 2008A-2 Remarketing Agreement" means the Remarketing Agreement dated as of February 1, 2008 between the Authority and the Series 2008A-2 Remarketing Agent.

"Seventh Supplemental Indenture" means the Seventh Supplemental Indenture securing the 2005 Bonds, dated as of June 1, 2005, between the Authority and the Trustee.

"Short Mode" means a Flexible Mode or a Weekly Mode.

"Short Rate" means a Flexible Rate or a Weekly Rate.

"SIFMA Municipal Index" means the means The Securities Industry and Financial Markets Association Municipal Swap Index announced by Municipal Market Data on the SIFMA Index Determination Date and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specified criteria established by the Bond Market Association. The SIFMA Municipal Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which under the Code, is excludable from gross income for federal income tax purposes. The SIFMA Municipal Index shall not include any bonds the interest on which is subject to any personal "alternative minimum tax" or similar tax unless all tax exempt bonds are subject to such tax; provided, however, that if such index is no longer produced by Municipal Market Data, Inc. or its successor, then "*SIFMA Municipal Index*" means such other reasonably comparable index selected by the Authority.

"Sinking Fund Installment" means, each principal amount of Senior Bonds scheduled to be retired through the application of amounts on deposit in the Redemption Sub-Account established pursuant to the Indenture.

"Sixth Supplemental Indenture" means the Sixth Supplemental Indenture securing the 1998 Series A Bonds and the 1998 Series B Bonds, dated as of December 1, 1998, between the Authority and the Trustee.

"Special Liquidity Default" means each "default" or "event of default," if any, under a Liquidity Agreement or Liquidity Facility the consequence of which is that the obligation of the related Bank to provide funds for the purchase of Tendered Bonds under the Amended and Restated Tenth Supplemental Indenture is either immediately and automatically suspended or terminated without prior notice to Owners.

"Stated Interest Payment Date" means each January 1 and/or July 1.

"Stated Termination Date" means the stated date upon which a Liquidity Facility under a Liquidity Agreement by its term expires, as the same may be extended from time to time.

"Statutory Maximum Rate" means the maximum rate of interest permitted for the Reoffered Bonds from time to time pursuant to applicable law.

"Sub-series" means a distinct portion of a Series of the Reoffered Bonds (as applicable) with an Interest Mode distinguished by numerical or alphabetical designation reflecting different Rate Periods, credit providers, liquidity providers or Rate Change Dates or any combination thereof, being the Series 2008A-1a Bonds or the Series 2008A-1b, as appropriate.

"Subordinated Indebtedness" means any evidence of indebtedness, other than Bonds, permitted to be issued by the Indenture for any purpose for which Bonds may be issued thereunder and payable from the System Reserve Account.

"Substitute Adjustment Date" means any Business Day during any Adjustment for Bank Bonds designated by the Authority on the first day of a new Adjustment Period.

"Substitute Bank" means one or more commercial banks, trust companies or financial institutions obligated under any Substitute Liquidity Agreement selected by the Authority.

"Substitute Bond Insurance Policy" means a policy (including endorsements) containing terms which are in all material respects the same as or equivalent to those provided by the Bond Insurance Policy being replaced securing a Series or Sub-series of the Reoffered Bonds, which insures the payment of the principal of and interest on such Reoffered Bonds when due and acceptable to the related Bank or Banks and the Authority.

"Substitute Bond Insurer" means an insurance company or financial institution obligated on any Substitute Bond Insurance Policy and acceptable to each Bank providing a Liquidity Facility for the Reoffered Bonds secured by such Substitute Bond Insurance Policy and the Authority, and its successors and assigns and any surviving, resulting and transferee corporation.

"Substitute Liquidity Agreement" means any agreement (other than the Liquidity Agreement then in place) between the Authority and any Substitute Bank pursuant to which a Substitute Liquidity Facility shall be in effect, as it may from time to time be amended and supplemented.

"Substitute Liquidity Facility" means a Liquidity Facility provided by a Substitute Bank other than the Bank providing the Liquidity Facility being replaced on or prior to the Liquidity Substitution Date; provided, however, that none of the following shall be deemed a Substitute Liquidity Facility: a change in a Liquidity Agreement pursuant to which a Liquidity Facility is issued; a change in the number of days of interest or interest rate covered by a Liquidity Facility; and a renewal of the term of an existing Liquidity Facility. The transfer or assignment of a Liquidity Facility that relieves the then-current Bank of its obligations under such Liquidity Facility shall be deemed an issuance of a Substitute Liquidity Facility by such transferee or assignee of a Substitute Liquidity Facility.

"Suspension Event" means, with respect to a Series or Sub-series of Reoffered Bonds, the occurrence of an event defined in the related Liquidity Agreement which causes the suspension of the obligations of the related Bank thereunder to purchase Reoffered Bonds of such Series or Sub-series.

"Swap Termination Payment" means a payment required to be made by the Authority to a Provider in connection with the optional or mandatory termination of all or a portion of a Hedge Agreement entered into with respect to the Reoffered Bonds.

"System Expansion Project" means any acquisition, improvement, betterment, enlargement or capital addition that extends the Tollway System.

"System Reserve Account" means the System Reserve Account established in the Indenture.

"Tendered Bonds" means Reoffered Bonds of a Series or Sub-series tendered or deemed tendered for purchase pursuant to the Amended and Restated Tenth Supplemental Indenture.

"Tendered Series 2008A Bonds" means the Outstanding Original Series 2008A Bonds of the Series, principal amounts, maturity dates and bearing the CUSIP numbers set forth in the Amended and Restated Tenth Supplemental Indenture that have been mandatorily tendered pursuant to the Tenth Supplemental Indenture.

"Tenth Supplemental Indenture" means the Tenth Supplemental Indenture securing the Series 2008A Bonds, dated as of February 1, 2008, between the Authority and the Trustee, as supplemented or amended.

"Term Rate" means for each Rate Period within a Term Mode applicable to a Reoffered Bond, a fixed per annum interest rate borne by such Series Reoffered Bond established pursuant to the Amended and Restated Tenth Supplemental Indenture equal to the lowest interest rate which, in the judgment of the Remarketing Agent, would enable such Reoffered Bond to be remarketed at the principal amount thereof on the Rate Change Date for such Rate Period.

"Term Rate Conversion Date" means any Adjustment Date for any Reoffered Bond on which it begins to bear interest at a Term Rate.

"Term Rate Mode" means any Adjustment Period during which the Rate Determination Date and the Rate Change Date for each Rate Period therein (which shall have a duration which is not less than 12 months nor extend beyond the final maturity date for such Reoffered Bond) shall occur on the first day of such Rate Period which shall be designated by the Remarketing Agent pursuant to the Amended and Restated Tenth Supplemental Indenture, and during which the Reoffered Bonds which bear interest during such Adjustment Period bear interest at the Term Rate.

"Termination Payment Account" means the Termination Payment Account established in the Indenture.

"Third Supplemental Indenture" means the Third Supplemental Indenture securing the 1992 Series A Bonds, dated as of September 1, 1992, between the Authority and the Trustee.

"Tollway System" means, collectively, (i) the toll highways operated and maintained by the Authority as of December 1, 1985, (ii) any Projects, and (iii) all properties, equipment and facilities used in connection with the operation and maintenance of the facilities listed in clause (i) or (ii) of this definition.

"Treasurer" means the Treasurer of the State of Illinois and *ex officio* custodian of the "Illinois State Toll Highway Authority Fund," a special fund created under the Act, of which all Funds, Accounts, and Sub-Accounts created under the Indenture, including the Revenue Fund and the Construction Fund, are a part.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as successor to J.P. Morgan Trust Company, N.A. and The First National Bank of Chicago, currently serving as trustee under the Indenture.

"Trustee's Agent" means (i) the Trustee or (ii) any agent designated as Trustee's Agent by the Trustee and at the time serving in that capacity. Any agent so designated by the Trustee shall execute a written agreement with the Trustee assuming all obligations of the Trustee under the Amended and Restated Tenth Supplemental Indenture with respect to those duties of the Trustee such agent agrees to perform on behalf of the Trustee.

"2005 Bonds" means the Toll Highway Variable Rate Senior Priority Revenue Bonds, 2005 Series A, authorized by the Seventh Supplemental Indenture.

"2006 Bonds" means the Toll Highway Senior Priority Revenue Bonds, 2006 Series A-1, and the Toll Highway Senior Priority Revenue Bonds, 2006 Series A-2, authorized by the Eighth Supplemental Indenture.

"2007 Bonds" means the 2007A-1 Bonds and the 2007A-2 Bonds.

"2007 Project Resolution" means Resolution No. 17784 adopted by the Authority on September 7, 2007, amending, revising and modifying the Congestion-Relief Plan and the Congestion-Relief Plan Project.

"2007A-1 Bonds" means the Toll Highway Variable Rate Senior Priority Revenue Bonds, 2007 Series A-1, authorized by the Ninth Supplemental Indenture.

"2007A-2 Bonds" means the Toll Highway Variable Rate Senior Priority Revenue Bonds, 2007 Series A-2, authorized by the Ninth Supplemental Indenture.

"2008A-1 Bonds" means the Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1, authorized by the Tenth Supplemental Indenture.

"2008A-2 Bonds" means the Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2, authorized by the Tenth Supplemental Indenture.

"Weekly Mode" means an Interest Mode during which the rate of interest borne by the Reoffered Bonds is determined on a weekly basis.

"Weekly Rate" means, for each Rate Period during any Weekly Mode, the rate of interest established pursuant to the Amended and Restated Tenth Supplemental Indenture equal to the lowest interest rate which, in the judgment of the Remarketing Agent, would enable such Reoffered Bond to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Rate Change Date for such Rate Period.

Pledge and Lien

Pursuant to the Indenture, the Authority pledges for the payment of the principal and Redemption Price of, and interest on, the Senior Bonds (i) the Net Revenues, (ii) amounts on deposit in all Funds, Accounts and Sub-Accounts, except amounts on deposit in or required to be deposited in the Maintenance and Operation Account established by the Indenture and except for amounts held from time to time in any Junior Bond Debt Service Accounts and any Junior Bond Debt Reserve Accounts, in each case established pursuant to the Supplemental Indentures authorizing any Junior Bonds and (iii) any and all other moneys, securities and property held by the Trustee under the terms of the Indenture (except such amounts to be held solely for benefit of Junior Bonds).

The pledge and lien created by the Indenture for Senior Bonds secure Senior Bonds on an equal and ratable basis and are superior in all respects to any pledge and lien created by any Supplemental Indenture for Junior Bonds, except with respect to amounts held from time to time solely for the benefit of Junior Bonds. With respect to amounts held in the Junior Bond Debt Service Account and the Junior Bond Debt Reserve Account, the pledge and lien for Junior Bonds secure Junior Bonds on an equal and ratable basis and are superior in all respects to the pledge and lien created for Senior Bonds. For purposes of the pledge and lien granted by the Indenture, and the requirement for deposits in and use of amounts in the Debt Service Account, "Senior Bonds" may include reimbursing Providers of Credit Enhancement or Qualified Hedge Agreements for Senior Bonds for amounts applied by such Providers to pay such principal of, premium, if any, and interest on Senior Bonds, but amounts in the Debt Service Account shall be so applied only if after such application there is no deficiency in the Debt Service Account.

Flow of Funds

The Authority covenants to deliver all Revenues (other than investment income, unless otherwise directed by the Indenture, and other than reimbursable advances from particular Funds or Accounts, which may when reimbursed be deposited directly into the Fund or Account from which the advance was made), within five Business Days after receipt, for deposit in the Revenue Fund. On or before the 20th day of each month the Treasurer, at the direction of the Authority, will transfer or apply the balance as of such date of transfer in the Revenue Fund not previously transferred or applied in the following order of priority:

First, to the credit of the Maintenance and Operation Account as follows:

(1) to the credit of the Operating Sub-Account, that portion of the Operating Expenses set forth in the Annual Budget for the then current Fiscal Year that would have

accrued on a pro rata basis to the end of the current calendar month if deemed to accrue monthly on a pro rata basis from the first day of the then current Fiscal Year, less all other amounts previously transferred by the Treasurer for deposit to the credit of the Operating Sub-Account during said Fiscal Year and less the balance, if any, that was on deposit to the credit of the Operating Sub-Account on December 31 of the preceding Fiscal Year, and

(2) to the credit of the Operating Reserve Sub-Account, the amount, if any, as shall be specified by the Authority; provided, however, that any such amount specified by the Authority shall be reduced by the amount, if any, by which such deposit, if made, when added to the balance on deposit to the credit of the Operating Reserve Sub-Account as of the last day of the immediately preceding month, would exceed 30% of the amount budgeted for Operating Expenses in the Annual Budget for the then current Fiscal Year.

Second, to the credit of the Debt Service Account maintained by the Trustee, as follows:

(3) to the credit of the Interest Sub-Account, an amount equal to (a) any interest due and unpaid on Senior Bonds, plus (b) for each Series of Senior Bonds, one-sixth of the difference between the interest payable on Outstanding Senior Bonds of that Series on any interest payment date within the next six months, and the proceeds of Senior Bonds on deposit to the credit of the Interest Sub-Account for paying that interest (provided, however, that for interest payable on any Series of Senior Bonds other than semi-annually or at a variable rate, and for a first interest payment date or as otherwise provided in any Supplemental Indenture for any Series of Senior Bonds, the amount so deposited shall be as provided in the Supplemental Indenture authorizing the Senior Bonds providing for such deposits). Interest payable shall take into account any Qualified Hedge Agreement as provided under the Indenture. Notwithstanding any other provision of the Indenture to the contrary, for all purposes of the Indenture, any net payments required to be made by the Authority to the provider of that certain Interest Rate Swap Agreement, dated as of March 1, 1993 with respect to the 1993 Series B Bonds, including the net payment of any Settlement Amount (as defined in that Agreement), shall be made from amounts on deposit to the credit of the Interest Sub-Account. The amounts so payable under that Interest Rate Swap Agreement shall be paid on an equal and ratable basis with other payments from the Interest Sub-Account;

(4) to the credit of the Principal Sub-Account, an amount equal to (a) any principal due and unpaid on Outstanding Senior Bonds plus (b) for each Series of Senior Bonds, one-twelfth of any principal (including the maturity amount of Capital Appreciation Bonds) of such Outstanding Senior Bonds payable on the next principal payment date within the next twelve months (provided, however, that a Supplemental Indenture authorizing any Series of Senior Bonds which has Principal Installments payable other than annually shall provide for the amounts to be so deposited, and any Supplemental Indenture authorizing any Series of Senior Bonds may provide for additional deposits in the Principal Sub-Account); and

(5) to the credit of the Redemption Sub-Account, an amount for each Series of Senior Bonds equal to one-twelfth of any Sinking Fund Installment of such Outstanding

Senior Bonds of that Series payable within the next twelve months (provided, however, that a Supplemental Indenture authorizing Senior Bonds of a Series which has Sinking Fund Installments payable other than annually shall provide for the amounts to be so deposited, and any Supplemental Indenture authorizing Senior Bonds of a Series may provide for additional deposits in the Redemption Sub-Account).

Third, to the credit of the Provider Payment Sub-Account amounts as provided in any Supplemental Indenture for paying Costs of Credit Enhancement or Qualified Hedge Agreements for Senior Bonds or for making reimbursements to Providers of Credit Enhancement or Qualified Hedge Agreements for Senior Bonds; but no such deposit shall be made for making any termination payment for a Qualified Hedge Agreement when there is any deficiency in the Debt Reserve Account; provided, that, with respect to (a) any Credit Enhancements executed and delivered or becoming effective on or after the effective date of the amendment to the Indenture establishing the Termination Payment Account (June 22, 2005) all termination payments required to be made in connection with any such Credit Enhancements shall be paid from the Termination Payment Account and (b) any Qualified Hedge Agreements executed and delivered or becoming effective on or after the effective date of the amendment to the Indenture establishing the Termination Payment Account (June 22, 2005), all termination payments required to be made in connection with any such Qualified Hedge Agreements shall be paid from the Termination Payment Account.

Fourth, to the credit of the Debt Reserve Account, maintained by the Trustee, an amount sufficient to cause the balance in it to equal the Debt Reserve Requirement and to make any required reimbursement to Providers of Reserve Account Credit Facilities, which reimbursement is payable as provided by a Supplemental Indenture from the Debt Reserve Account.

Fifth, to the credit of any Junior Bond Debt Service Account or Junior Bond Debt Reserve Account, maintained by the Trustee, any amounts required by, and in the priority established by, any Supplemental Indentures authorizing Junior Bonds.

Sixth, to the credit of the Termination Payment Account, an amount sufficient to provide for the payment of termination payments then due and owing with respect to (i) Credit Enhancements and Qualified Hedge Agreements executed and delivered or becoming effective on or after the date of execution and delivery of the Seventh Supplemental Indenture and (ii) credit enhancement and similar agreements and hedge agreements executed and delivered pursuant to any Supplemental Indenture authorizing Junior Bonds.

Seventh, to the credit of the Renewal and Replacement Account, that portion of the Renewal and Replacement Deposit set forth in the Annual Budget for the then current Fiscal Year that would have accrued on a pro rata basis to the end of the current calendar month if deemed to accrue monthly on a pro rata basis from the first day of the then current Fiscal Year, less all other amounts previously transferred by the Treasurer for deposit to the credit of the Renewal and Replacement Account during that Fiscal Year.

Eighth, at the direction of the Authority, to the credit of the Improvement Account, for allocation to a project or projects as determined by the Authority in its sole discretion, until the

balance in such Account is equal to the Improvement Requirement or such lesser amount as the Authority may from time to time determine by resolution.

Ninth, at the direction of the Authority, the balance of such amounts in the Revenue Fund for deposit to the credit of the System Reserve Account.

Any deficiency in the credits required to the various Accounts and Sub-Accounts in any month shall be added to the required credit for the next month.

Funds, Accounts and Sub-Accounts. The Indenture establishes the following Funds and Accounts:

1. Revenue Fund, held by Depositaries
2. Maintenance and Operation Account held by the Authority
3. Debt Service Account held by the Trustee
4. Debt Reserve Account held by the Trustee
5. Any Junior Bond Debt Service Account held by the Trustee
6. Any Junior Bond Debt Reserve Account held by the Trustee
7. Termination Payment Account held by the Trustee
8. Renewal and Replacement Account held by the Authority
9. Improvement Account held by the Authority
10. System Reserve Account held by the Authority
11. Construction Fund held by the Trustee, including the Congestion-Relief Plan Project Construction Account therein

All moneys deposited under the provisions of the Indenture are required to be deposited with one or more Depositaries, in trust and applied only in accordance with the Indenture.

Certain of the foregoing Accounts and Sub-Accounts are established under the Indenture for the following purposes:

Maintenance and Operation Account — Operating Sub-Account. The Authority is required to pay Operating Expenses from the Operating Sub-Account in accordance with the Authority's Annual Budget.

Maintenance and Operation Account — Operating Reserve Sub-Account. Subject to the requirements of the Authority's Annual Budget, moneys, if any, on deposit to the credit of the Operating Reserve Sub-Account shall be held as a reserve for the payment of Operating Expenses and shall be withdrawn from time to time by the Authority, to the extent that moneys are not available to the credit of the Operating Sub-Account, in order to pay Operating Expenses.

Debt Service Account and Debt Reserve Account. The Indenture establishes the Debt Service Account and Debt Reserve Account for the benefit of the Outstanding Senior Bonds, and any additional Senior Bonds. The Indenture authorizes the establishment of Junior Bond Debt Service Accounts and Debt Reserve Accounts.

Debt Service Account. The Trustee shall pay to the respective Paying Agents in Current Funds (i) out of the Interest Sub-Account on or before each interest payment date for any Senior

Bonds, including the Reoffered Bonds, the amount required for the interest payable on such date; (ii) out of the Principal Sub-Account on or before each such interest payment date, an amount equal to the principal amount of the Outstanding Senior Bonds, including the Reoffered Bonds, that mature on such date; and (iii) out of the Redemption Sub-Account on or before the day preceding any date fixed for redemption of Outstanding Senior Bonds, including the Reoffered Bonds, from Sinking Fund Installments, the amount required for the payment of the Redemption Price of such Senior Bonds then to be redeemed. The Trustee shall also pay out of the Interest Sub-Account the accrued interest included in the purchase price of Senior Bonds purchased for retirement. The Trustee shall, at any time there is a deficiency in credits to the Interest Sub-Account, the Principal Sub-Account and the Redemption Sub-Account, apply amounts in the Provider Payment Sub-Account to remedy those deficiencies, in that order. The Trustee shall pay from the Provider Payment Sub-Account after any payment, as provided in the preceding sentence, has been made, to Providers amounts for paying Costs of Credit Enhancement or Qualified Hedge Agreements for Senior Bonds, or making reimbursement to Providers of Credit Enhancement or Qualified Hedge Agreements, for Senior Bonds, as provided in Supplemental Indentures for Senior Bonds, but only if there is no deficiency in the Interest, Principal or Redemption Sub-Accounts. The Trustee shall also pay to the Improvement Account or the System Reserve Account out of all of the Sub-Accounts of the Debt Service Account such additional amounts, if any, not necessary for the foregoing purposes.

Amounts to the credit of the Redemption Sub-Account with respect to Sinking Fund Installments for the Reoffered Bonds are required to be applied to the purchase or redemption of Reoffered Bonds as follows:

(v) Amounts deposited to the credit of the Redemption Sub-Account to be used in satisfaction of any Sinking Fund Installment for the Reoffered Bonds may, and if so directed by the Authority shall, be applied by the Trustee, on or prior to the forty-fifth day preceding the next scheduled Sinking Fund Installment date, to the purchase of Reoffered Bonds for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the Interest Sub-Account. All such purchases of Reoffered Bonds shall be made at prices not exceeding the applicable Sinking Fund Redemption Price of such Reoffered Bonds plus accrued interest, and such purchases shall be made in such manner as the Authority shall determine. The principal amount of any Reoffered Bonds so purchased shall be deemed to be a part of the Redemption Sub-Account until such Sinking Fund Installment date, for the purpose of calculating the amount on deposit in such Sub-Account.

(vi) At any time up to the forty-fifth day preceding the next scheduled Sinking Fund Installment date, the Authority may purchase with any available funds, which may include amounts in the Improvement Account or the System Reserve Account, Reoffered Bonds for which such Sinking Fund Installment was established and surrender such Reoffered Bonds to the Trustee at any time up to such forty-fifth day.

(vii) To the extent that amounts are available to the credit of the Redemption Sub-Account and the Debt Reserve Account, and after giving effect to the Reoffered Bonds purchased by the Trustee and Reoffered Bonds surrendered by the Authority, which shall be credited against the Sinking Fund Installment for the Reoffered Bonds at

their applicable sinking fund Redemption Price, and as soon as practicable after the forty-fifth day preceding the next scheduled Sinking Fund Installment date, the Trustee shall proceed to call for redemption on such scheduled Sinking Fund Installment date Reoffered Bonds for which such Sinking Fund Installment was established (except in the case of Reoffered Bonds maturing on a Sinking Fund Installment date which shall be retired from payments from the Principal Sub-Account) in such amount as shall be necessary to complete the retirement of the unsatisfied portion of such Sinking Fund Installment. The Trustee shall pay out of the Redemption Sub-Account (after transfers to it from the Debt Reserve Account, if required) to the appropriate Paying Agents, on or before the day preceding such redemption date, the Redemption Price required for the redemption of the Reoffered Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(viii) If the principal amount of Reoffered Bonds retired through application of amounts in satisfaction of any Sinking Fund Installment for the Reoffered Bonds shall exceed such Sinking Fund Installment for the Reoffered Bonds, or in the event of the purchase or redemption from moneys other than from the Redemption Sub-Account of Reoffered Bonds for which Sinking Fund Installments have been established, such excess or the principal amount of Reoffered Bonds so purchased or redeemed, as the case may be, shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as the Authority establishes in a certificate signed by an Authorized Officer and delivered to the Trustee on or prior to the date which is forty-five days after such redemption date.

(ix) Failure to retire the entire scheduled amount of Reoffered Bonds through the application of any Sinking Fund Installment on or prior to the next scheduled Sinking Fund Installment date shall not be an Event of Default under the Indenture. Any amount of Reoffered Bonds not so retired shall be added to the amount to be retired on the next scheduled Sinking Fund Installment date for such Reoffered Bonds. See **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default."**

Debt Reserve Account. If on the due date of any interest on any Senior Bonds, including the Reoffered Bonds, or any Principal Installment thereof, the aggregate amount to the credit of the Debt Service Account shall be less than the amount required to pay such interest or Principal Installment of any Senior Bonds, the Trustee shall apply amounts from the Debt Reserve Account to the extent necessary to make good the deficiency, in the following order of priority: first, to the credit of the Interest Sub-Account, then to the credit of the Principal Sub-Account and then to the credit of the Redemption Sub-Account.

Whenever the amount to the credit of the Debt Reserve Account shall exceed the Debt Reserve Requirement, after making any required reimbursement to a Provider of a Reserve Account Credit Facility, the Trustee shall use such excess to remedy any deficiency in the Debt Service Account and at the written direction of the Authority promptly transfer such excess to the Authority as further described in **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Flow of Funds"**; provided, however, that upon the written direction of the Authority, the Trustee shall promptly transfer all or any portion of the

amount of such excess as specified in such direction (i) to a refunding or defeasance escrow established pursuant to the Indenture, or (ii) for any purpose for which Senior Bonds may be issued.

The Trustee shall pay to Providers of Reserve Account Credit Facilities any reimbursement which is payable from the Debt Reserve Account as provided by a Supplemental Indenture, and upon the written direction of an Authorized Officer shall use amounts in the Debt Reserve Account to acquire a Reserve Account Credit Facility, but only to the extent that after such payment the amount to the credit of the Debt Reserve Account, including the amount of any Reserve Account Credit Facilities, either is not less than the Debt Reserve Requirement or is not reduced by the payment or acquisition.

Junior Bond Accounts. The Trustee shall apply amounts in the Junior Bond Debt Service Accounts and the Junior Bond Debt Reserve Accounts as required by, and in the priority established by, any Supplemental Indenture authorizing Junior Bonds.

Termination Payment Account. Moneys to the credit of the Termination Payment Account are to be applied at the direction of the Authority to the payment of termination payments with respect to (i) Credit Enhancements and Qualified Swap Agreements and (ii) credit enhancement and similar agreements and hedge agreements executed and delivered pursuant to any Supplemental Indenture authorizing Junior Bonds.

If at any time the amounts to the credit of the Debt Service Account, the Debt Reserve Account, the Improvement Account and the System Reserve Account shall be insufficient to pay the interest and Principal Installments becoming due on the Senior Bonds, the Authority upon notice from the Trustee shall transfer from the Termination Payment Account for deposit to the credit of the Debt Service Account the amount necessary (or the entire available amount to the credit of the Termination Payment Account if less than the amount necessary) to make up such deficiency, in the following order of priority: first, to the credit of the Interest Sub-Account, then to the credit of the Principal Sub-Account, then to the credit of the Redemption Sub-Account and then to the credit of the Provider Payment Sub-Account.

If, at any time after the transfers referred to in the prior paragraph have been made or have been determined by the Trustee to be unnecessary, the amounts to the credit of any debt service account or debt service reserve account established pursuant to a Supplemental Indenture authorizing Junior Bonds, the Improvement Account and the System Reserve Account shall be insufficient to pay the interest and Principal Installments becoming due on any Junior Bonds or to make required payments from any such debt service account, the Authority upon notice from the Trustee shall transfer from the Termination Payment Account to the Trustee for deposit to the credit of such debt service account the amount necessary (or the entire available amount to the credit of the Termination Payment Account if less than the amount necessary) to make up such deficiency in the order or priority specified by the Supplemental Indenture authorizing the related Junior Bonds.

Renewal and Replacement Account. Moneys to the credit of the Renewal and Replacement Account are to be applied to Renewal and Replacement Expenses at the direction of the Authority.

If, at any time the amounts to the credit of the Debt Service Account, the Debt Reserve Account, the Improvement Account, and the System Reserve Account shall be insufficient to pay the interest and Principal Installments becoming due on Senior Bonds, the Authority upon notice from the Trustee shall transfer from the Renewal and Replacement Account and its revolving account to the Trustee for deposit to the credit of the Debt Service Account the amount necessary (or the entire available amount to the credit of the Renewal and Replacement Account and its revolving account if less than the amount necessary) to make up such deficiency, in the following order of priority: first, to the credit of the Interest Sub-Account, then to the credit of the Principal Sub-Account, then to the credit of the Redemption Sub-Account, and then to the credit of the Provider Payment Sub-Account.

Improvement Account. Moneys to the credit of the Improvement Account are to be applied to the payment of the costs of Improvements at the direction of the Authority.

If at any time the amounts to the credit of the Debt Service Account, the Debt Reserve Account and the System Reserve Account shall be insufficient to pay the interest and Principal Installments becoming due on the Senior Bonds and to make required payments from the Debt Service Account, the Authority upon notice from the Trustee shall transfer from the Improvement Account and its revolving account to the Trustee for deposit to the credit of the Debt Service Account the amount necessary (or the entire available amount to the credit of the Improvement Account and its revolving account if less than the amount necessary) to make up such deficiency, in the following order of priority: first, to the credit of the Interest Sub-Account, then to the credit of the Principal Sub-Account, then to the credit of the Redemption Sub-Account and then to the credit of the Provider Payment Sub-Account.

The Authority may, from time to time by resolution, reduce the Improvement Requirement and direct the amount, if any, on deposit to the credit of the Improvement Account that is in excess of the Improvement Requirement be promptly credited for the cost of any other Improvement or be promptly transferred to the credit of the System Reserve Account.

Nothing contained in the Indenture shall prohibit the Authority from withdrawing moneys deposited to the credit of the Improvement Account for any Improvement, and depositing such moneys to the credit of an account in the Construction Fund or to the credit of any other fund, account or sub-account maintained for the purposes of paying the cost of such Improvement.

System Reserve Account. The Authority shall transfer to the Trustee, upon requisition by the Trustee, from amounts on deposit to the credit of the System Reserve Account and its revolving account for credit (i) to the various Accounts and Sub-Accounts, and in the order of the priority specified in **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Flow of Funds,"** the amount necessary (or the entire amount to the credit of the System Reserve Account and its revolving account if less than the amount necessary) to make up any deficiencies in payments to said Accounts and Sub-Accounts required under the Indenture, and (ii) in the event of any transfer of moneys from the Debt Reserve Account, to the credit of the Accounts from which such transfers were made in the order of priority specified in **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Flow of Funds,"** the amount of any resulting deficiency in such Accounts.

Amounts on deposit to the credit of the System Reserve Account and its revolving account after all required transfers and payments may, in the sole discretion of the Authority, be applied to any one or more of the following purposes:

- (a) to make payments, when due, on Subordinated Indebtedness;
- (b) to provide for the purchase or redemption of any Bonds;
- (c) to make payments into any separate account or accounts established in the Construction Fund for any Project;
- (d) to provide improvements, extensions, betterments, renewals and replacements of the Tollway System, including studies, surveys, estimates and investigations relating thereto, or the provision of reserves for those purposes;
- (e) to apply as Revenues pursuant to the Indenture;
- (f) to be transferred to any Fund or Account established under the Indenture or any Supplemental Indenture; and
- (g) for any other lawful Authority purpose, including repayment of any other indebtedness incurred by the Authority.

Creation of Additional Accounts and Sub-Accounts. The Trustee or the Treasurer, as the case may be, shall, at the written request of the Authority, establish such additional Accounts within any of the Funds established under the Indenture, and Sub-Accounts within any of the Accounts established under the Indenture, as shall be specified in such written request, for the purpose of enabling the Authority to identify or account for more precisely the sources, timing and amounts of transfers or deposits into such Funds, Accounts and Sub-Accounts, the amounts on deposit in or credited to such Funds, Accounts or Sub-Accounts as of any date or dates of calculation, and the sources, timing and amounts of transfers, disbursements or withdrawals from such Funds, Accounts or Sub-Accounts; but the establishment of any such additional Accounts or Sub-Accounts shall not alter or modify in any manner or to any extent any of the requirements of the Indenture with respect to the deposit or use of moneys in any Fund, Account or Sub-Account established under the Indenture.

Investments of Certain Moneys. All moneys held in any separate, segregated accounts of the Construction Fund held by the Trustee, Debt Service Account and its Sub-Accounts, or the Debt Reserve Account, shall be invested and reinvested to the fullest extent practicable in Investment Securities that mature no later than necessary to provide moneys when needed for payments to be made from such Funds, Accounts or Sub-Accounts, but no moneys in the Debt Reserve Account shall be invested in any Investment Security maturing more than ten (10) years from the date of such investment. Amounts in the Revenue Fund may be invested by the Treasurer, at the direction of the Authority, in Investment Securities maturing not later than necessary to provide moneys when needed for payments from such portion of the Revenue Fund so held by the Authority pursuant to the Indenture. Moneys held in any Junior Bond Debt Service Account or Junior Bond Debt Reserve Account shall be invested and reinvested by the Trustee as provided in the applicable Supplemental Indentures.

Deposits. All moneys on deposit to the credit of the Construction Fund, the Debt Service Account, the Debt Reserve Account, any Junior Bond Debt Service Account and any Junior Bond Debt Reserve Account shall be continuously and fully secured for the benefit of the Authority and the Holders of the Bonds, by lodging with the Trustee as collateral security, direct obligations of or obligations unconditionally guaranteed by the United States of America having a market value (exclusive of accrued interest) not less than the amount of such moneys. All other moneys held for the Authority under the Indenture shall be continuously and fully secured for the benefit of the Authority and the Holders of the Bonds as provided by applicable state law with respect to the investment of public funds.

Additional Indebtedness

The Indenture permits the issuance of additional indebtedness, including (a) Senior Bonds on a parity with the Outstanding Senior Bonds, including the Reoffered Bonds, (b) Junior Bonds, and (c) Subordinated Indebtedness. Such indebtedness may be incurred for the purposes of (a) paying the Cost of Construction of any Project, (b) refunding or prepaying, including at or prior to maturity any (i) Senior Bonds or (ii) any other obligation of the Authority issued or entered into for purposes for which Senior Bonds may be issued, including paying related costs of issuance, costs of redemption of refunded bonds, capitalized interest, Costs of Credit Enhancement or termination payments with respect to Credit Enhancements executed and delivered or becoming effective on or after the effective date of the amendment to the Indenture establishing the Termination Payment Account (June 22, 2005) or Costs of Hedge Agreements or termination payments with respect to Qualified Hedge Agreements executed and delivered or becoming effective on or after the effective date of the amendment to the Indenture establishing the Termination Payment Account (June 22, 2005), (c) making deposits to the Debt Reserve Account or acquiring a Reserve Account Credit Facility, (d) paying interest on any Bonds, (e) paying any costs of issuing Senior Bonds or (f) paying Costs of Credit Enhancement or Costs of Qualified Hedge Agreements for the Additional Senior Bonds. A description of the requirements relating to the incurrence of additional indebtedness follows:

Senior Bonds. Senior Bonds may be issued on a parity with the Outstanding Senior Bonds, for a Project, provided, among other things that the Authority certifies, based on certificates of the Traffic Engineers and the Consulting Engineers, that (1) Net Revenues as reflected in the books of the Authority for a period of 12 consecutive calendar months out of the 18 calendar months next preceding such issuance (as adjusted to reflect any adjustments of toll rates made during such 12-month period as if such toll rates had been in effect for the entire 12-month period) exceeded the Net Revenue Requirement for such 12-month period; (2) estimated Net Revenues for the current and each future Fiscal Year through the fifth full Fiscal Year after the estimated date when each Project for which Additional Senior Bonds are being issued will be placed in service, and in any case, to and including the fifth full Fiscal Year after the date of issuance of such Additional Senior Bonds, shall be at least equal to the estimated Net Revenue Requirement for such Fiscal Year; and (3) if such Additional Senior Bonds are being issued to pay Costs of Construction of a Project, the amount of the proceeds of the proposed Bonds, which may be issued in one or more Series, together with other funds then available or expected to be available, will be sufficient to pay the remainder of the Cost of Construction of such Project as scheduled. For purposes of estimating Net Revenues and determining the Net Revenue Requirement, the Authority shall rely on estimates of the Traffic Engineers with respect to toll

revenue, which may include projected toll increases deemed feasible by the Traffic Engineers and on estimates of the Consulting Engineers with respect to Operating Expenses, budgeted or projected Renewal and Replacement Deposits and the costs and completion dates of Projects. In addition, the Traffic Engineers are required to certify whether, to the best of their knowledge, any Federal, state or other agency has begun or is then projecting or planning, the construction, improvement or acquisition of any highway or other facility that, in the opinion of the Traffic Engineers, may be materially competitive with any part of the Tollway System and the estimated date of completion of such construction, improvement or acquisition.

One or more series of Senior Bonds may be issued on a parity with the Outstanding Senior Bonds for the purpose of completing a Project for which Senior Bonds were previously issued without meeting the test described above, provided that the Trustee receives a certificate of the Consulting Engineers stating (i) the purpose for which the Additional Bonds are to be issued, which shall be to complete a Project for which Senior Bonds have been issued, without material change in scope, (ii) that the amount of available proceeds of the Additional Bonds issued for the purposes of completing the Project, together with other funds of the Authority then available or expected to be available for completing the Project, including proceeds of one or more other Series of Additional Bonds to be issued for such purpose, will be sufficient, in their opinion, to pay the cost of completion of the Project; and (iii) that the amount of proceeds of such Additional Senior Bonds available for completing the Project will not exceed 10% of the total estimated Costs of Construction as provided in the Certificate of the Consulting Engineer provided for the Additional Senior Bonds previously issued for that Project.

Senior Bonds may be issued on a parity with the Outstanding Senior Bonds for the purpose of refunding Outstanding Senior Bonds (including paying related Costs of Issuance, deposits to the Debt Reserve Account, capitalized interest or Costs of Credit Enhancement or Costs of Qualified Hedge Agreements for the Additional Senior Bonds) without meeting the test described in the first paragraph under the subheading "Senior Bonds" if there is received by the Trustee (i) a Counsel's Opinion that upon issuance of the Additional Senior Bonds and application of their proceeds as provided in the authorizing Supplemental Indenture, provision for payment of the refunded Senior Bonds will have been made in accordance with the defeasance provisions of the Indenture; and (ii) the certificate of an Authorized Officer demonstrating (A) for each Fiscal Year in which any Senior Bonds (other than Additional Senior Bonds to be issued) will be Outstanding after the refunding that the Debt Service for the Additional Senior Bonds to be issued will not be greater than 105% of the Debt Service for the Senior Bonds to be refunded and (B) that the aggregate Principal Installments and interest payable in all those Fiscal Years on the Additional Senior Bonds to be issued is less than the aggregate Principal Installments and interest that would have been payable on the Senior Bonds to be refunded, assuming all Sinking Fund Installments are made as provided in the Supplemental Indentures for Senior Bonds.

Senior Bonds may be issued on a parity with the Outstanding Bonds for the purpose of refunding or advance refunding Junior Bonds or Subordinated Indebtedness, *provided* that a test substantially the same as the above-described Net Revenue tests for the issuance of Senior Bonds for a Project is met.

Junior Bonds. One or more Series of Junior Bonds may be issued as authorized by the Authority by a Supplemental Indenture for any purpose for which Senior Bonds may be issued. Any such Supplemental Indenture shall make provision for the establishment of any Junior Bond Debt Service Account or Accounts and any Junior Bond Debt Reserve Account with respect to any or all Series of Junior Bonds and for the amounts of Net Revenues to be deposited in such Accounts. Any such Supplemental Indenture may grant a lien on and pledge for the payment of principal of and interest on Junior Bonds or reimbursing Providers of Credit Enhancement or Hedge Accounts for Junior Bonds for amounts applied by such Provider to pay such principal or interest, of the (i) Net Revenues to be deposited in any Junior Bond Debt Service Account or Junior Bond Debt Reserve Account, (ii) amounts on deposit from time to time in Junior Bond Debt Service Accounts and Junior Bond Debt Reserve Accounts, (iii) amounts on deposit from time to time in the Renewal and Replacement Account, the Improvement Account and the System Reserve Account and (iv) any other funds, accounts, property or receipts other than Revenues or Funds or Accounts established by the Indenture or a Supplemental Indenture solely for the benefit of Senior Bonds. Any such pledge or lien on Net Revenues and the amounts on deposit from time to time in the Renewal and Replacement Account, the Improvement Account and the System Reserve Account shall be subordinate to the pledge and lien made and granted by the Indenture for Senior Bonds. A Supplemental Indenture providing for the issuance of any Series of Junior Bonds may provide for "events of default" with respect to such Junior Bonds and remedies arising from such "events of default." Such a remedy may include acceleration of the maturity of any Junior Bonds, but only upon not less than sixty days' written notice to the Trustee. No remedy shall be contrary to the rights or remedies provided to Holders of Senior Bonds under the Indenture.

Subordinated Indebtedness. Subordinated Indebtedness may be issued for any purpose for which Senior Bonds may be issued, which Subordinated Indebtedness may be payable, pursuant to the authorizing instrument, from amounts on deposit in, and secured by a pledge of and lien on amounts payable from, the System Reserve Account.

Other Indebtedness. Other indebtedness may be issued for any lawful Authority purpose and may be payable, pursuant to the authorizing instrument, from amounts on deposit in the System Reserve Account. The Authority may also issue evidences of indebtedness payable from moneys in the Construction Fund as part of the Cost of Construction for any Project, or payable from, or secured by the pledge of, Revenues to be derived on and after such date as the pledge of Net Revenues provided in the Indenture shall be discharged and satisfied. The Authority reserves the right to issue bonds or other evidences of indebtedness for any purpose payable from or secured by funds or sources other than Revenues or moneys on deposit with the Trustee or the Authority under the Indenture.

Hedging Transactions

If the Authority shall enter into any Qualified Hedge Agreement with respect to any Senior Bonds and the Authority has made a determination that the Qualified Hedge Agreement was entered into to provide substitute amounts or limits of the interest due with respect to those Senior Bonds, then during the term of the Qualified Hedge Agreement and so long as the Provider of the Qualified Hedge Agreement is not in default:

(h) for purposes of any calculation of Debt Service, the interest rate on the Senior Bonds with respect to which the Qualified Hedge Agreement applies shall be determined as if such Senior Bonds had interest payments equal to the interest payable on those Senior Bonds less any payments to the Authority from the Provider and plus any payments by the Authority to the Provider as provided by the Qualified Hedge Agreement (other than fees or Swap Termination Payments of such Provider for providing the Qualified Hedge Agreement);

(i) any such payments (other than fees and Swap Termination Payments) required to be made by the Authority to the Provider pursuant to such Qualified Hedge Agreement may be made from amounts on deposit to the credit of the Interest Sub-Account; and

(j) any such payments received by the Authority from the Provider pursuant to such Qualified Hedge Agreement shall be deposited to the credit of the Interest Sub-Account.

If the Authority shall enter into a Hedge Agreement that is not a Qualified Hedge Agreement, then:

(k) the interest rate adjustments or assumptions referred to above shall not be made;

(l) any payments required to be made by the Authority to the Provider pursuant to such Hedge Agreement shall be made only from amounts on deposit to the credit of the System Reserve Account; and

(m) any payments received by the Authority from the Provider pursuant to such Hedge Agreement shall be treated as Revenues and shall be deposited to the credit of the Revenue Fund.

Removal or Merger or Consolidation of Trustee

The Trustee may be removed at any time by an instrument in writing delivered to the Trustee and signed by the Authority and the Treasurer; provided, however, that if an Event of Default shall have occurred and be continuing, the Trustee may be so removed by the Authority and the Treasurer only with the written concurrence of the Holders of a majority in principal amount of Senior Bonds and the Holders of a majority in principal amount of Junior Bonds then Outstanding.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which all or substantially all of the corporate trust business of the Trustee may be sold or transferred shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act, unless such successor delivers written notice of resignation pursuant to the terms of the Indenture.

Covenants

Sale, Lease or Encumbrance of Property. The Authority will not sell, lease or otherwise dispose of or encumber the Tollway System or any part thereof and will not create or permit to be created any charge or lien on the Revenues, except as permitted under the Indenture, and, in certain instances generally relating to utilities and concessions, unless the Authority determines that such sale, lease, contract, license, easement or right does not impede or restrict the operation by the Authority of the Tollway System. The Authority may from time to time sell, exchange or otherwise dispose of any real or personal property or release, relinquish or extinguish any interest therein as the Authority shall determine is not needed in connection with the maintenance and operation of the Tollway System and, in the case of real property or any interest therein, will not in the future be needed for any foreseeable improvement to the Tollway System.

Notwithstanding the provisions of the preceding paragraph, upon receipt of consent of the Holders of Bonds as described under "**Supplemental Indentures**" in this **APPENDIX B** and under "**SECURITY AND SOURCES OF PAYMENT FOR THE Reoffered Bonds – Certain Amendments to the Indenture,**" to the extent permitted by law, the Authority may sell, lease, convey, mortgage, encumber or otherwise dispose, directly or indirectly, all or a portion of the Tollway System or transfer, directly or indirectly, control, management or oversight, or any material aspect of control, management or oversight of the Tollway System, whether of its properties, interests, operations, expenditures, revenues or otherwise (any of the foregoing being referred to as a "Transfer"). Any Transfer may be part of a transaction in which the Authority enters into a leaseback or other agreement that directly or indirectly gives the Authority a right to control, manage, use and possess the Tollway System.

In connection with any Transfer, the Authority must provide to the Trustee the following:

(x) a certified copy of a resolution of the Authority authorizing and approving the Transfer;

(xi) evidence that the Transfer will not adversely affect the rating on any Bonds Outstanding immediately prior to the Transfer issued by a rating agency then maintaining a rating on such Bonds;

(xii) an opinion of nationally recognized bond counsel selected by the Authority to the effect that the Transfer (i) complies with the provisions of the Act and the Indenture and (ii) will not cause interest on any Senior Bonds or Junior Bonds Outstanding immediately prior to the Transfer or on any Subordinated Indebtedness to become subject to Federal income taxation;

(xiii) a Certificate of the Traffic Engineers (A) stating whether, to the best of their knowledge, any Federal, State or other agency is then projecting or planning the construction, improvement, or acquisition of any highway or other facility which, in the opinion of the Traffic Engineers, may be materially competitive with the Tollway System as constituted following the Transfer (the Tollway System as constituted following the Transfer being referred to as the "Remaining Tollway System") and the estimated date of completion of such highway or other facility, and (B) setting forth estimates of toll

receipts derived from the Remaining Tollway System for the then current and each of the next ten (10) Fiscal Years or to and including the latest maturity of the Bonds, whichever is first to occur, giving effect, with respect to the Remaining Tollway System, to the factors considered by the Traffic Engineers in delivering their certificate described above under "**Additional Indebtedness – Senior Bonds**";

(xiv) a Certificate of the Consulting Engineers setting forth, for the years and on the assumptions specified in the Certificate of the Traffic Engineers delivered pursuant to clause (iv) above, estimates of Operating Expenses and the Renewal and Replacement Deposits for the Remaining Tollway System, giving effect, with respect to the Remaining Tollway System, to the factors considered by the Consulting Engineers in delivering their certificate described above under "**Additional Indebtedness – Senior Bonds**"; and

(xv) a Certificate of any Authorized Officer setting forth (i) the Aggregate Debt Service and the Junior Bond Revenue Requirement (excluding, in each case, bond interest, the payment of which shall have been provided by payments or deposits from Bond proceeds) allocable to the Remaining Tollway System (determined as described below, the Aggregate Debt Service and the Junior Bond Revenue Requirement for each Fiscal Year so allocated being referred to as the "Remaining Tollway System Debt Service") for the next preceding eighteen months, (ii) the Remaining Tollway System Debt Service for the then current and each of the next ten Fiscal Years or to and including the latest maturity of the Bonds, whichever is first to occur and (iv) the Net Revenues allocable to the Remaining Tollway System (determined as described below, the Net Revenues so allocated being referred to as the "Remaining Tollway System Net Revenues") for the next preceding eighteen months; and stating (a) that Remaining Tollway System Net Revenues have equaled at least one and one-half (1.5) times the Remaining Tollway System Debt Service for any twelve (12) consecutive months of the preceding eighteen (18) months, (b) that the Remaining Tollway System Net Revenues (based on the certificates filed pursuant to clauses (iv) and (v) above) for the then current and each of the next ten Fiscal Years or to and including the latest maturity of the Bonds, whichever is first to occur, will be not less than the greater of (I) one and one-half (1.5) times the Remaining Tollway System Debt Service for each such Fiscal Year and (II) the sum of the Remaining Tollway System Debt Service and the Renewal and Replacement Deposit for each such Fiscal Year, (c) that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Bonds or the Indenture and (d) that the amount in the Debt Reserve Account is at least equal to the Debt Reserve Requirement and the amount in any Junior Bond Debt Reserve Account established pursuant to a Supplemental Indenture authorizing Junior Bonds is at least equal to any requirement for such Account established by the related Supplemental Indenture.

The determination of the Remaining Tollway System Debt Service and the Remaining Tollway System Net Revenues shall be made (i) to the extent determinable, by reference to the actual financial records of the Authority showing (A) Net Revenues generated by the Remaining Tollway System and (B) the Remaining Tollway Debt Service allocable to the Remaining Tollway System, or (ii) if not so determinable, by any reasonable methodology generally incorporating the assumptions of the Traffic Engineers and Consulting Engineers described

above. Such determinations may be based, without limitation, by a pro rata method based on such financial results.

All proceeds received by the Authority in connection with a Transfer may be applied by the Authority to any lawful purpose designated by resolution of the Authority.

Annual Budget. The Authority is required to prepare and adopt on or before January 31 of each Fiscal Year the Annual Budget for such Fiscal Year. The Authority may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year. Copies of the Annual Budget and of any amended Annual Budget shall be promptly filed with the Trustee, for inspection by Bondholders.

Operation and Maintenance of the Tollway System. The Authority covenants at all times to operate or cause to be operated the Tollway System properly and in a sound and economical manner and to maintain, preserve, reconstruct and keep the Tollway System or cause the Tollway System to be so maintained, preserved, reconstructed so that at all times the operation of the Tollway System may be properly and advantageously conducted.

Maintenance of Insurance. The Authority is required to maintain, to the extent reasonably obtainable, the following kinds of insurance in amounts recommended by the Consulting Engineers or determined by the Authority: multi-risk insurance on the facilities of the Tollway System; use and occupancy insurance covering loss of Revenues by reason of necessary interruption, total or partial, in the use of facilities of the Tollway System; public liability insurance covering injuries to persons or property; during the construction or reconstruction of any portion of the facilities of the Tollway System, such insurance as is customarily carried by others with respect to similar structures used for similar purposes, provided that the Authority shall not be required to maintain any such insurance to the extent that such insurance is carried for the benefit of the Authority by contractors.

The Authority, with the approval of the Consulting Engineers, may adopt self insurance programs in lieu of maintaining any of the foregoing types of insurance. Each self insurance program shall include an actuarially sound reserve fund, if any, as recommended by the Consulting Engineers, out of which claims are to be paid. The adequacy of such fund shall be evaluated not later than ninety (90) days after the end of each insurance year. Deficiencies in any such reserve fund shall be made up in accordance with the recommendations of the Consulting Engineers. In the event a self insurance program is discontinued, the actuarial soundness of any related reserve fund, if any, as recommended by the Consulting Engineers, shall be maintained. With respect to any workers' compensation self insurance program, any such reserve fund shall be held as required by law.

Events of Default

Each of the following events constitutes an "Event of Default" with respect to Senior Bonds under the Indenture:

- (1) default in the due and punctual payment of the principal or Redemption Price of any Senior Bond, when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise; provided, however, that the failure to

retire the entire scheduled amount of Bonds through the application of any Sinking Fund Installment shall not constitute an Event of Default;

(2) default in the due and punctual payment of interest on any Senior Bond, when and as such interest shall become due and payable;

(3) default in the performance or observance by the Authority of the toll covenant;

(4) receipt of a written declaration of an Event of Default by Holders of not less than 10% of the principal amount of the Senior Bonds (or at least 50% of the principal amount of any Series of Senior Bonds) upon receipt of the Trustee of a notice of the acceleration of the maturity of any Junior Bonds as provided in the Indenture;

(5) default in the performance or observance by the Authority of any other of the covenants, agreements or conditions in the Indenture or in any Bonds, and such default shall continue for a period of sixty (60) days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Holders of not less than 20% in principal amount of the Senior Bonds Outstanding;

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

(7) if any part of the Tollway System shall be damaged or destroyed to the extent of impairing its efficient operation and materially and adversely affecting the Revenues, and the Authority shall not have taken reasonable steps to promptly repair, replace, reconstruct or provide a reasonable substitute for the damaged or destroyed part of the Tollway System; or

(8) if an order or decree shall be entered, with the consent or acquiescence of the Authority, appointing a receiver or receivers of the Tollway System, or any part thereof, or of the tolls or other revenues therefrom; or if such order or decree entered without the consent or acquiescence of the Authority shall not be vacated or stayed within ninety (90) days after the entry thereof.

If an Event of Default occurs and is not remedied, unless the principal of all Senior Bonds shall have already become due and payable, either the Trustee (by notice in writing to the Authority) or the Holders of not less than a majority in aggregate principal amount of the Senior Bonds Outstanding (by notice in writing to the Authority and the Trustee), may declare the principal of all the Senior Bonds then Outstanding, and the interest accrued on them, to be due and payable immediately.

Application of Revenues and Other Moneys After Default. If an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all moneys, securities and funds then held by the Authority in any Fund, Account, Sub-Account or revolving fund pursuant to the terms of the Indenture, and (ii) all Revenues as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and Revenues and the income therefrom as follows and in the following order: (1) to the payment of the reasonable and proper charges and expenses of the Trustee; (2) to the payment of the amounts required for reasonable and necessary Operating Expenses and for the reasonable renewals, repairs and replacements of the Tollway System necessary to prevent loss of Revenues; (3) to the payment of the principal of, Redemption Price, and interest on the Bonds then due in the priority set forth in the Indenture. If the principal of all the Senior Bonds shall have been declared due and payable, the Trustee shall apply available sources of payment first to the ratable payment of the principal and interest then due and unpaid upon the Senior Bonds, and second to the ratable payment of the principal and interest then due and unpaid upon the Junior Bonds.

Proceedings Brought by Trustee. If an Event of Default shall happen and shall not have been remedied, then the Trustee may proceed, and upon written request of the Holders of not less than 20% in principal amount of Senior Bonds Outstanding, shall proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the Indenture as the Trustee shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

The Holders of not less than a majority in principal amount of Senior Bonds at the time Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the enforcement of any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have the power, but unless requested in writing by the Holders of a majority in principal amount of the Senior Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under the Indenture and to preserve or protect its interests and the interests of the Bondholders.

Notwithstanding any provision of the Indenture, the Act provides that owners of any bonds issued by the Authority may bring civil actions to compel the observance by the Authority or by any of its officers, agents, or employees of any contract or covenant made by the Authority with the owner of such bonds. Further, the Act permits, notwithstanding any provision of the Indenture, owners of any bonds to bring civil actions to compel the Authority and any of its officers, agents or employees, to perform any duties required to be performed for the benefit of the owners of such bonds by the provisions of the resolution authorizing their issuance, or by the Act or to enjoin the Authority and any of its officers, agents or employees from taking any action in conflict with such contract or covenant.

Supplemental Indentures

The Authority and the Trustee may without the consent of, or notice to, any of the Bondholders, enter into Supplemental Indentures not inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes: (1) to authorize Senior Bonds or Junior Bonds; (2) to close the Indenture against, or impose additional limitations or restrictions on the issuance of Bonds or other notes, bonds, obligations or other evidences of indebtedness; (3) to impose additional covenants or agreements to be observed by or to impose other limitations or restrictions on the Authority; (4) to surrender any right, power or privilege reserved to or conferred upon the Authority by the Indenture; (5) to confirm, as further assurance, any pledge of or lien upon the Revenues or any other moneys, securities or funds; (6) to cure any ambiguity, omission or defect in the Indenture; (7) to provide for the appointment of a successor Fiduciary; and (8) to make any other change that, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders.

Until such time as no Senior Bonds issued prior to the adoption of the Amendatory Supplemental Indenture remain Outstanding, except for Supplemental Indentures described in the preceding paragraph, any modification or amendment of the Indenture and of the rights and obligations of the Authority and of the Holders of the Bonds thereunder may be made by a Supplemental Indenture, with the written consent of the Holders of at least two-thirds in principal amount of Priority Bonds and of at least a two-thirds in principal amount of the Refunding Bonds Outstanding at the time such consent is given. In case less than all of the several series of Bonds then Outstanding are affected by the modification or amendment, the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time may give such consent. At such time as no Bonds issued prior to the adoption of the Amendatory Supplemental Indenture remain Outstanding, any such Supplemental Indenture may be made with the written consent of the Holders of at least a majority in principal amount of Senior Bonds and of the Holders of at least a majority in principal amount of the Junior Bonds Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Notwithstanding any other provision of the Indenture, in issuing any Bonds the Authority may consent to any modification or amendment to the Indenture that may be adopted by consent of the required percentage of Holders of Bonds. That consent shall, upon the issuance of those Bonds, constitute the irrevocable consent of the Holders of those Bonds.

Defeasance

If the Authority shall pay or cause to be paid or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then

the Indenture and all covenants, agreements and other obligations of the Authority to the Bondholders, shall thereupon be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the escrow agent at or prior to their maturity or redemption date shall be deemed to have been paid if the Authority shall have delivered to or deposited with the escrow agent (a) irrevocable instructions to pay or redeem all of said Bonds, (b) irrevocable instructions to publish or mail the required notice of redemption of any Bonds so to be redeemed, and (c) either moneys in an amount that shall be sufficient or direct obligations of or obligations unconditionally guaranteed by the United States of America the principal of and the interest on which when due will provide moneys that, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be.

Tenth Supplemental Indenture

The Reoffered Bonds were authorized and issued pursuant to the Tenth Supplemental Indenture and the Indenture. The terms of the Reoffered Bonds are generally described in this Reoffering Circular under the caption "**DESCRIPTION OF THE REOFFERED BONDS.**"

Rights of Bond Insurer

The Bond Insurer is deemed to be the sole Bondholder of any Reoffered Bonds for purposes of exercising all rights and remedies under the Indenture, except the giving of notice of default to Bondholders, upon the occurrence of an Event of Default for as long as the Bond Insurer has not failed to comply with its payment obligations under the Policy and there has not occurred a Bond Insurer Event of Default (other than a default based on the ratings of the Bond Insurer) or a Suspension Event (other than a default based on the ratings of the Bond Insurer). The written consent of the Bond Insurer is also required in connection with any amendments or supplements to the Indenture (other than certain supplemental indentures authorizing additional Senior Bonds or Junior Bonds) and in connection with the removal of the Trustee and the appointment of any successor Trustee.

APPENDIX C

BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Reoffered Bonds. The Reoffered Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Reoffered Bonds, each in the aggregate principal amount of each 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("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, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Reoffered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Reoffered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Reoffered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners may wish to ascertain that the nominee holding the Reoffered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest payments on the Reoffered 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 Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, 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 Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A beneficial owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the applicable Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Reoffered Bonds, on DTC's records, to the applicable Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Reoffered Bonds are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered Bonds to the Remarketing Agent's DTC account.

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

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and neither the Authority nor the Remarketing Agents take any responsibility for the accuracy of such information.

Neither the Authority nor any Fiduciary will have any responsibility or obligation to DTC, any Participants in the Book-Entry System or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC or any Participant; (ii) the payment by DTC or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bonds; (iii) the delivery of any notice by DTC or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Reoffered Bonds; or (v) any other action taken by DTC or any Participant.

In reading this Reoffering Circular it should be understood that while the Reoffered Bonds are in the Book-Entry System, references in this Reoffering Circular to registered owners should be read to include the Beneficial Owner, but (a) all rights of ownership must be exercised through DTC and the Book-Entry System and (b) notices that are to be given to registered owners by the Authority or the Trustee will be given only to DTC.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

SPECIMEN BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER: The Illinois State Toll Highway Authority

Policy No.: 209884-N

BONDS: \$766,200,000 in aggregate principal amount of
Toll Highway Variable Rate Senior Refunding
Revenue Bonds, 2008 Series A-1 and 2008
Series A-2

Effective Date: February 7, 2008

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

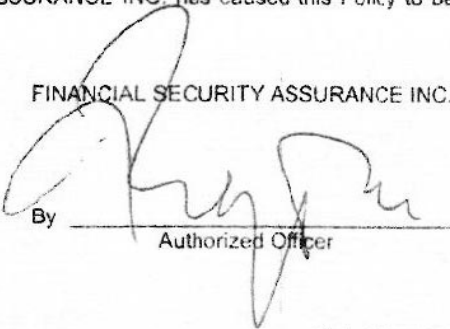
Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By  Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)



**FINANCIAL
SECURITY
ASSURANCE®**

**ENDORSEMENT NO. 1 TO
MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: The Illinois State Toll Highway Authority

Policy No.: 209884-N

BONDS: \$766,200,000 in aggregate principal amount of
Toll Highway Variable Rate Senior Refunding
Revenue Bonds, 2008 Series A-1 and 2008
Series A-2

Effective Date: February 7, 2008

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "Due For Payment" as used in the Policy when referring to the principal of a Bond shall not include the date upon which principal is due and payable in respect of Bonds upon the redemption thereof pursuant to and in accordance with Section 4.10(b) of the Tenth Supplemental Indenture, dated as of February 1, 2008, between the Issuer and The Bank of New York Trust Company, N.A., as successor Trustee.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By 

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 626NY (NC 9/02)



**FINANCIAL
SECURITY
ASSURANCE®**

**ENDORSEMENT NO. 2 TO
MUNICIPAL BOND
INSURANCE POLICY
(Bank Bonds)**

ISSUER: The Illinois State Toll Highway Authority

Policy No.: 209884-N

BONDS: \$766,200,000 in aggregate principal amount of
Toll Highway Variable Rate Senior Refunding
Revenue Bonds, 2008 Series A-1 and 2008
Series A-2

Effective Date: February 7, 2008

Notwithstanding the terms and provisions contained in this Policy, it is further understood that, with respect to Bank Bonds, as defined in the Tenth Supplemental Indenture, dated as of February 1, 2008 (the "Tenth Supplemental Indenture"), by and between the Issuer and The Bank of New York Trust Company, N.A., as successor trustee (the "Trustee"), (i) the term "interest" shall include scheduled interest due and payable on Bank Bonds (including Excess Bank Bond Interest, as defined in the Liquidity Facility, but excluding any interest on Excess Bank Bond Interest) at an interest rate equal to the rate payable on Bank Bonds, but not in excess of the lesser of (x) the maximum rate permitted by applicable law and (y) 15% per annum and (ii) the term "Due For Payment" as used in the Policy shall further mean the date upon which principal is due and payable in respect of Bank Bonds upon the scheduled mandatory redemption thereof pursuant to and in accordance with Section 4.10(c)(ii) of the Tenth Supplemental Indenture. Defined terms used herein and not otherwise defined shall have the meaning assigned to them in the Tenth Supplemental Indenture.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By 

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 626NY (TX 8/02)

APPENDIX E-1

FORM OF OPINION OF CO-BOND COUNSEL

[Date of Remarketing of Reoffered Bonds]

The Illinois State Toll Highway Authority
Downers Grove, Illinois

The Bank of New York Mellon Trust
Company, N. A., as trustee
Chicago, Illinois

RE: The Illinois State Toll Highway Authority
Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1a,
2008 Series A-1b and 2008 Series A-2

Ladies and Gentlemen:

We have acted as co-bond counsel to The Illinois State Toll Highway Authority (the "Authority") in connection with the transaction described in this opinion. On February 7, 2008 (the "Date of Issuance"), the Authority issued its Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1 (the "Series 2008A-1 Bonds"), in the aggregate principal amount of \$383,100,000 and its Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2 (the "Series 2008A-2 Bonds;" together with the Series 2008A-1 Bonds, the "Bonds"), in the aggregate principal amount of \$381,100,000 (\$287,300,000 aggregate principal amount of which was refunded on a current basis on July 1, 2010 and is no longer outstanding) pursuant to the terms of an Amended and Restated Trust Indenture effective March 31, 1999 (the "Amended and Restated Indenture"), and a Tenth Supplemental Indenture Providing For: Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A, dated as of February 1, 2008 (the "Tenth Supplemental Indenture;" the Amended and Restated Indenture as supplemented and amended to the date hereof, the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (as successor in trust to the J.P. Morgan Trust Company, N. A.), as trustee (the "Trustee"). On the Date of Issuance, the Authority:

(i) obtained a municipal bond insurance policy from Financial Security Assurance Inc. (succeeded by Assured Guaranty Municipal Corp.) (the "Insurer") guaranteeing the payment of the principal of and interest on the Bonds when due (the "Policy");

(ii) entered into a Standby Bond Purchase Agreement dated as of February 1, 2008 (the "Standby Purchase Agreement") among the Authority, the Trustee and Dexia Credit Local, acting through its New York Branch (the "Standby Purchaser"), providing liquidity support for the Bonds;

(iii) entered into a Local Currency – Single Jurisdiction ISDA Master Agreement, Schedule and Credit Support Annex, each dated as of December 19, 2007 and the related Confirmation dated December 19, 2007 (each becoming effective on the Date of Issuance) between the Authority and The Bank of New York (the "Bank of New York Swap") relating to the Series 2008A-1 Bonds;

(iv) entered into a Local Currency - ISDA Master Agreement, Schedule and Credit Support Annex, each dated as of December 19, 2007 and the related Confirmation dated December 19, 2007 (each becoming effective on the Date of Issuance) between the Authority and Deutsche Bank AG (the "Deutsche Bank Swap") relating to the Series 2008A-1 Bonds;

(v) entered into a Local Currency - ISDA Master Agreement, Schedule and Credit Support Annex, each dated as of December 19, 2007 and the related Confirmation dated December 19, 2007 (each becoming effective on the Date of Issuance) between the Authority and Merrill Lynch Capital Services, Inc. (the "Merrill Lynch Swap") relating to the Series 2008A-2 Bonds; and

(vi) entered into a Local Currency - ISDA Master Agreement, Schedule and Credit Support Annex, each dated as of December 19, 2007 and the related Confirmation dated December 19, 2007 (each becoming effective on the Date of Issuance) between the Authority and DEPFA Bank plc (the "DEPFA Swap") relating to the Series 2008A-2 Bonds, which has been terminated.

On the Date of Issuance Perkins Coie LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois, delivered their approving opinions as co-bond counsel (the "Co-Bond Counsel Opinions") relating to the Bonds.

Terms used herein that are defined in the Indenture shall have the meanings ascribed thereto in the Indenture.

On the date hereof:

(i) the Standby Purchase Agreement is expiring in accordance with its terms;

(ii) the Authority and the Trustee are entering into an Amended and Restated Tenth Supplemental Indenture Providing For: Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A dated as of February 1, 2011 (the "Amended and Restated Tenth Supplemental Indenture") between the Authority and the Trustee which provides for, among other things, the creation of two subseries of Series 2008A Bonds designated as "Series 2008A-1a" and "Series 2008A-1b";

(iii) the Authority, the Trustee and JPMorgan Chase Bank, National Association ("JPMorgan Chase"), are entering into two Standby Bond Purchase Agreements each dated as of February 1, 2011 (the "JPMorgan Chase Standby Purchase Agreements") pursuant to which JPMorgan Chase will provide liquidity support for the Series 2008A-1a Bonds and for the Series 2008A-2 Bonds, respectively; and

(iv) the Authority, the Trustee and PNC Bank, National Association ("PNC"), are entering into a Standby Bond Purchase Agreement dated as of February 1, 2011 (the "PNC Standby Purchase Agreement") pursuant to which PNC will provide liquidity support for the Series 2008A-1b Bonds.

The Authority has further designated that the Bonds shall bear interest in a Weekly Mode commencing on the date hereof. The actions described in the preceding two sentences are hereinafter collectively referred to as the "Transaction." No changes to the terms of the Bonds or the Indenture, other than those contained in the Amended and Restated Tenth Supplemental Indenture, the JPMorgan Chase Standby Purchase Agreements and the PNC Standby Purchase Agreement, have been made or are currently contemplated to be made in the future.

We have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, records and other instruments and such matters of law as we have deemed necessary for the purposes of this opinion, including particularly the following:

- (i) the Indenture;
- (ii) the Amended and Restated Tenth Supplemental Indenture;
- (iii) the JPMorgan Chase Standby Purchase Agreements; and
- (iv) the PNC Standby Purchase Agreement.

On the basis of that examination, we are of the opinion that:

1. The Transaction, in and of itself, will not adversely affect the validity of the Bonds or cause the interest on the Bonds to become includable in the gross income of the owners thereof for federal income tax purposes.

2. The Authority has full power and authority and has taken all necessary action to authorize the execution and delivery of the Amended and Restated Tenth Supplemental Indenture, the JPMorgan Chase Standby Purchase Agreements and the PNC Standby Purchase Agreement.

3. The Amended and Restated Tenth Supplemental Indenture, the JPMorgan Chase Standby Purchase Agreements and the PNC Standby Purchase Agreement have each been duly authorized, executed and delivered by and on behalf of the Authority and, assuming the due authorization, execution and delivery thereof by the other parties thereto, the Amended and Restated Tenth Supplemental Indenture, the JPMorgan Chase Standby Purchase Agreements and the PNC Standby Purchase Agreement constitute binding agreements of the Authority enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, that enforcement by an equitable or similar remedy, is subject to general principles of law and equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief, and as to provisions with respect to which the Authority is obligated to indemnify or provide indemnification or contribution for any party, as to which we render no opinion.

The opinions set forth above are limited to the matters expressly stated therein. We have assumed the correctness of the Co-Bond Counsel Opinions and, except as stated above, we have not been requested, nor have we undertaken, to review any matter relating to the Transaction or the validity of the Bonds or the tax-exempt status of the interest on the Bonds. This opinion is based on law and facts in effect on and prior to the date hereof with respect to the Bonds and we assume no obligation to advise you of changes thereto occurring in the future. This opinion is for the sole benefit of the addressees. No other person may rely upon this opinion without our prior written consent.

Respectfully submitted,

APPENDIX E-2

OPINIONS OF INITIAL CO-BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

February 7, 2008

The Illinois State Toll Highway Authority
Downers Grove, Illinois

The Bank of New York Trust Company, N.A.,
as Trustee
Chicago, Illinois

Dexia Credit Local, acting through
its New York Branch
New York, New York

Goldman, Sachs & Co.
as Representative of the Underwriters
named in the Bond Purchase Agreement,
dated February 6, 2008

Financial Security Assurance Inc.,
as Bond Insurer
New York, New York

Re: The Illinois State Toll Highway Authority
Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by The Illinois State Toll Highway Authority (the "*Authority*") of its \$383,100,000 aggregate principal amount Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1 (the "*2008A-1 Bonds*"). The 2008A-1 Bonds are being issued pursuant to an Amended and Restated Trust Indenture effective March 31, 1999, amending and restating a Trust Indenture dated as of December 1, 1985 (the "*Amended and Restated Indenture*"), between the Authority and The Bank of New York Trust Company, N.A., as successor to J.P. Morgan Trust Company, N.A., as successor to The First National Bank of Chicago, as trustee (the "*Trustee*"), and a Tenth Supplemental Indenture Providing For Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A, dated as of February 1, 2008 (the "*Tenth Supplemental Indenture*" and collectively with the Amended and Restated Indenture, as supplemented and amended to the date hereof, being referred to herein as the "*Indenture*"). The 2008A-1 Bonds are issued as Senior Bonds pursuant to the Toll Highway Act of the State of Illinois, as amended (the "*Act*"), a resolution adopted by the Authority on May 31, 2007 and amended on December 20, 2007 (together, the "*Bond Resolution*") and the Indenture. The 2008A-1 Bonds are dated the date of issuance thereof, are being issued in fully registered form, mature on January 1, 2031 and bear interest on the dates set forth in the Tenth Supplemental Indenture. As and to the extent described in the Tenth Supplemental Indenture, the manner of determining the interest rate on the 2008A-1 Bonds may be established from time to time at a Weekly Rate, a Flexible Rate, an

ARS Rate, a Term Rate or a Fixed Rate. The 2008A-1 Bonds will bear interest upon issuance at a Weekly Rate until converted to a different Interest Mode in accordance with the terms of the Tenth Supplemental Indenture.

Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

As support for the payment of the purchase price equal to certain interest on and the aggregate principal amount of 2008A-1 Bonds tendered for purchase as described in the Indenture, the Authority has delivered a Standby Bond Purchase Agreement dated as of February 1, 2008 (the "*Liquidity Facility*"), among the Trustee, Dexia Credit Local, acting through its New York Branch (the "*Liquidity Provider*") and the Authority, pursuant to which the Liquidity Provider agrees to provide funds to the Trustee for the purchase of 2008A-1 Bonds tendered for purchase pursuant to the Indenture.

The remarketing agent for the purpose of remarketing any 2008A-1 Bonds tendered for purchase by the owners thereof pursuant to the Indenture shall initially be Citigroup Global Markets Inc. (the "*Remarketing Agent*"), pursuant to a Remarketing Agreement, dated as of February 1, 2008, between the Authority and the Remarketing Agent (the "*Remarketing Agreement*").

Subject to the terms and conditions set forth in the Tenth Supplemental Indenture, the 2008A-1 Bonds are subject to optional and sinking fund redemption pursuant to Sinking Fund Installments and optional and mandatory tender prior to maturity.

The 2008A-1 Bonds are issued for the purpose of (i) refunding the Refunded Bonds in advance of maturity and (ii) paying costs related to the issuance of the 2008A-1 Bonds.

In our capacity as co-bond counsel, we have examined, among other things, the following:

- (a) a certified copy of the proceedings of the Authority adopting the Bond Resolution and authorizing, among other things, the execution and delivery of the Tenth Supplemental Indenture and the issuance of the 2008A-1 Bonds;
- (b) a certified copy of the Bond Resolution;
- (c) an executed counterpart of the Indenture;
- (d) an executed counterpart of the Liquidity Facility;
- (e) an executed counterpart of the Remarketing Agreement;
- (f) an executed counterpart of the Refunding Escrow Agreement dated as of February 1, 2008, by and between the Authority and the Trustee (the "*Escrow Agreement*")
- (g) the Municipal Bond Insurance Policy (the "*Bond Insurance Policy*") issued on the date hereof by Financial Security Assurance Inc. (the "*Bond Insurer*"); and

(h) such other certifications, documents, showings and related matters of law as we have deemed necessary in order to render this opinion.

Based upon the foregoing we are of the opinion that:

1. The Authority has full power and authority and has taken all necessary corporate action to authorize the execution and delivery of the Tenth Supplemental Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement and the issuance of the 2008A-1 Bonds.

2. The Indenture has been duly and lawfully executed and delivered by the Authority and, assuming the due authorization, execution and delivery by, and the binding effect on, the Trustee, the Indenture is valid and binding upon the Authority and enforceable in accordance with its terms.

3. The Liquidity Facility and the Remarketing Agreement have been duly and lawfully executed and delivered by the Authority and, assuming the due authorization, execution and delivery by, and the binding effect on, the Liquidity Provider and the Remarketing Agent, respectively, the Liquidity Facility and the Remarketing Agreement are valid and binding upon the Authority and enforceable in accordance with their respective terms.

4. The Escrow Agreement has been duly and lawfully executed and delivered and, assuming the due authorization, execution and delivery by, and the binding effect on, the Trustee as Escrow Agent thereunder, the Escrow Agreement is valid and binding upon the Authority and enforceable in accordance with its terms.

5. The Indenture creates the valid pledge and lien which it purports to create on and in the Revenues, Funds, Accounts and moneys, securities and properties held or set aside under the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture.

6. The 2008A-1 Bonds have been duly and validly authorized and issued in accordance with applicable law, including the Act, and the Indenture and the 2008A-1 Bonds, to the amount named, are valid and legally binding obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Indenture.

7. The form of 2008A-1 Bond prescribed for said issue in the Tenth Supplemental Indenture is in due form of law.

8. The 2008A-1 Bonds, together with the \$383,100,000 aggregate principal amount Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2, being issued by the Authority on the date hereof simultaneously with the issuance of the Series 2008A-1 Bonds, are payable ratably and equally together with all Senior Bonds, as heretofore and as may hereafter be issued, solely and only from and secured by a pledge of and lien on Net Revenues of the Tollway System and amounts on deposit in certain Funds, Accounts and Sub-Accounts

established under the Indenture. The 2008A-1 Bonds do not represent or constitute debt of the Authority or of the State of Illinois within the meaning of any constitutional or statutory limitation or pledge of the faith and credit of the Authority or the State of Illinois nor grant the owners thereof any right to have the Authority or the State of Illinois levy any taxes or appropriate any funds for the payment of the principal of, premium, if any, or interest on the 2008A-1 Bonds.

9. Subject to the condition that the Authority comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), under present law, the 2008A-1 Bonds are not "private activity bonds" under the Code, and interest on the 2008A-1 Bonds is excludable from gross income of the owners thereof for federal income tax purposes. Interest on the 2008A-1 Bonds will not be included as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2008A-1 Bonds will be included in "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax for such corporations. Failure to comply with certain of these covenants could cause interest on the 2008A-1 Bonds to be included in gross income retroactive to the date of issuance of the 2008A-1 Bonds. Ownership of the 2008A-1 Bonds may result in other federal tax consequences to certain taxpayers. We express no opinion regarding any such collateral consequences arising with respect to the 2008A-1 Bonds.

In rendering our opinion on tax exemption, we have relied upon certifications of the Authority and certain other parties with respect to certain matters solely within their knowledge relating to the facilities to be financed or refinanced with the 2008A-1 Bonds, the application of proceeds of the 2008A-1 Bonds and certain other matters pertinent to the tax exempt status of the 2008A-1 Bonds. Additionally, in rendering this opinion, we have relied on the mathematical computation of the yield on the 2008A-1 Bonds and on certain obligations acquired with the proceeds thereof by Samuel Klein and Company, independent certified public accountants.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

The rights of the registered owners of the 2008A-1 Bonds and the enforceability of provisions of the 2008A-1 Bonds, the Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the 2008A-1 Bonds, the Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

No opinion is expressed at this time as to the effect of any change in Interest Mode for the 2008A-1 Bonds upon the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes.

Very truly yours,

Perkins Gik LLP

BURKE BURNS & PINELLI, LTD.

ATTORNEYS AT LAW

SUITE 4300

THREE FIRST NATIONAL PLAZA
CHICAGO, ILLINOIS 60602-4229

EDWARD J. BURKE
MARY PATRICIA BURNS
VINCENT D. PINELLI
MARY ANN MURRAY
STEPHEN F. WELCH
ELLEN B. EPSTEIN
DONALD F. HARMON
AMANDA RIPP
ADRIANA R. GABRIEL
BLANCA R. DOMINGUEZ
CHRISTOPHER J. HALES

TELEPHONE
(312) 541-8600

FACSIMILE
(312) 541-8603

February 7, 2008

The Illinois State Toll Highway Authority
Downers Grove, Illinois

The Bank of New York Trust Company, N.A.,
as Trustee
Chicago, Illinois

Dexia Credit Local, acting through
its New York Branch
New York, New York

Goldman, Sachs & Co.
as Representative of the Underwriters
named in the Bond Purchase Agreement,
dated February 6, 2008

Financial Security Assurance Inc.,
as Bond Insurer
New York, New York

Re: The Illinois State Toll Highway Authority
Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by The Illinois State Toll Highway Authority (the "*Authority*") of its \$383,100,000 aggregate principal amount Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1 (the "*2008A-1 Bonds*"). The 2008A-1 Bonds are being issued pursuant to an Amended and Restated Trust Indenture effective March 31, 1999, amending and restating a Trust Indenture dated as of December 1, 1985 (the "*Amended and Restated Indenture*"), between the Authority and The Bank of New York Trust Company, N.A., as successor to J.P. Morgan Trust Company, N.A., as successor to The First National Bank of Chicago, as trustee (the "*Trustee*"), and a Tenth Supplemental Indenture Providing For Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A, dated as of February 1, 2008 (the "*Tenth Supplemental Indenture*" and collectively with the Amended and Restated Indenture, as supplemented and amended to the date hereof, being referred to herein as the "*Indenture*"). The 2008A-1 Bonds are issued as Senior Bonds pursuant to the Toll Highway Act of the State of Illinois, as amended (the "*Act*"), a resolution adopted by the Authority on May 31, 2007 and amended on December 20, 2007 (together, the "*Bond Resolution*") and the Indenture. The 2008A-1 Bonds are dated the date of issuance thereof, are being issued in fully registered form, mature on January 1, 2031 and bear interest on the dates set forth in the Tenth Supplemental Indenture. As and to the extent described in the Tenth Supplemental Indenture, the manner of determining the interest rate on the 2008A-1 Bonds may be established from time to time at a Weekly Rate, a Flexible Rate, an

BURKE BURNS & PINELLI, LTD.

The Illinois State Toll Highway Authority
The Bank of New York Trust Company, N.A.,
as Trustee
Goldman, Sachs & Co.,
as Representative
Financial Security Assurance Inc.
Dexia Credit Local, acting through
its New York Branch
February 7, 2008
Page 2

ARS Rate, a Term Rate or a Fixed Rate. The 2008A-1 Bonds will bear interest upon issuance at a Weekly Rate until converted to a different Interest Mode in accordance with the terms of the Tenth Supplemental Indenture.

Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

As support for the payment of the purchase price equal to certain interest on and the aggregate principal amount of 2008A-1 Bonds tendered for purchase as described in the Indenture, the Authority has delivered a Standby Bond Purchase Agreement dated as of February 1, 2008 (the "*Liquidity Facility*"), among the Trustee, Dexia Credit Local, acting through its New York Branch (the "*Liquidity Provider*") and the Authority, pursuant to which the Liquidity Provider agrees to provide funds to the Trustee for the purchase of 2008A-1 Bonds tendered for purchase pursuant to the Indenture.

The remarketing agent for the purpose of remarketing any 2008A-1 Bonds tendered for purchase by the owners thereof pursuant to the Indenture shall initially be Citigroup Global Markets Inc. (the "*Remarketing Agent*"), pursuant to a Remarketing Agreement, dated as of February 1, 2008, between the Authority and the Remarketing Agent (the "*Remarketing Agreement*").

Subject to the terms and conditions set forth in the Tenth Supplemental Indenture, the 2008A-1 Bonds are subject to optional and sinking fund redemption pursuant to Sinking Fund Installments and optional and mandatory tender prior to maturity.

The 2008A-1 Bonds are issued for the purpose of (i) refunding the Refunded Bonds in advance of maturity and (ii) paying costs related to the issuance of the 2008A-1 Bonds.

In our capacity as co-bond counsel, we have examined, among other things, the following:

- (a) a certified copy of the proceedings of the Authority adopting the Bond Resolution and authorizing, among other things, the execution and delivery of the Tenth Supplemental Indenture and the issuance of the 2008A-1 Bonds;
- (b) a certified copy of the Bond Resolution;

The Illinois State Toll Highway Authority
The Bank of New York Trust Company, N.A.,
as Trustee
Goldman, Sachs & Co.,
as Representative
Financial Security Assurance Inc.
Dexia Credit Local, acting through
its New York Branch
February 7, 2008
Page 3

- (c) an executed counterpart of the Indenture;
- (d) an executed counterpart of the Liquidity Facility;
- (e) an executed counterpart of the Remarketing Agreement;
- (f) an executed counterpart of the Refunding Escrow Agreement dated as of February 1, 2008, by and between the Authority and the Trustee (the "*Escrow Agreement*");
- (g) the Municipal Bond Insurance Policy (the "*Bond Insurance Policy*") issued on the date hereof by Financial Security Assurance Inc. (the "*Bond Insurer*"); and
- (h) such other certifications, documents, showings and related matters of law as we have deemed necessary in order to render this opinion.

Based upon the foregoing we are of the opinion that:

1. The Authority has full power and authority and has taken all necessary corporate action to authorize the execution and delivery of the Tenth Supplemental Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement and the issuance of the 2008A-1 Bonds.
2. The Indenture has been duly and lawfully executed and delivered by the Authority and, assuming the due authorization, execution and delivery by, and the binding effect on, the Trustee, the Indenture is valid and binding upon the Authority and enforceable in accordance with its terms.
3. The Liquidity Facility and the Remarketing Agreement have been duly and lawfully executed and delivered by the Authority and, assuming the due authorization, execution and delivery by, and the binding effect on, the Liquidity Provider and the Remarketing Agent, respectively, the Liquidity Facility and the Remarketing Agreement are valid and binding upon the Authority and enforceable in accordance with their respective terms.
4. The Escrow Agreement has been duly and lawfully executed and delivered and, assuming the due authorization, execution and delivery by, and the binding effect on, the Trustee as Escrow Agent thereunder, the Escrow Agreement is valid and binding upon the Authority and enforceable in accordance with its terms.

The Illinois State Toll Highway Authority
The Bank of New York Trust Company, N.A.,
as Trustee
Goldman, Sachs & Co.,
as Representative
Financial Security Assurance Inc.
Dexia Credit Local, acting through
its New York Branch
February 7, 2008
Page 4

5. The Indenture creates the valid pledge and lien which it purports to create on and in the Revenues, Funds, Accounts and moneys, securities and properties held or set aside under the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture.

6. The 2008A-1 Bonds have been duly and validly authorized and issued in accordance with applicable law, including the Act, and the Indenture and the 2008A-1 Bonds, to the amount named, are valid and legally binding obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Indenture.

7. The form of 2008A-1 Bond prescribed for said issue in the Tenth Supplemental Indenture is in due form of law.

8. The 2008A-1 Bonds, together with the \$383,100,000 aggregate principal amount Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2, being issued by the Authority on the date hereof simultaneously with the issuance of the Series 2008A-1 Bonds, are payable ratably and equally together with all Senior Bonds, as heretofore and as may hereafter be issued, solely and only from and secured by a pledge of and lien on Net Revenues of the Tollway System and amounts on deposit in certain Funds, Accounts and Sub-Accounts established under the Indenture. The 2008A-1 Bonds do not represent or constitute debt of the Authority or of the State of Illinois within the meaning of any constitutional or statutory limitation or pledge of the faith and credit of the Authority or the State of Illinois nor grant the owners thereof any right to have the Authority or the State of Illinois levy any taxes or appropriate any funds for the payment of the principal of, premium, if any, or interest on the 2008A-1 Bonds.

9. Subject to the condition that the Authority comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under present law, the 2008A-1 Bonds are not "private activity bonds" under the Code, and interest on the 2008A-1 Bonds is excludable from gross income of the owners thereof for federal income tax purposes. Interest on the 2008A-1 Bonds will not be included as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2008A-1 Bonds will be included in "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax for such corporations. Failure to comply with certain of these covenants could cause interest on the

BURKE BURNS & PINELLI, LTD.

The Illinois State Toll Highway Authority
The Bank of New York Trust Company, N.A.,
as Trustee
Goldman, Sachs & Co.,
as Representative
Financial Security Assurance Inc.
Dexia Credit Local, acting through
its New York Branch
February 7, 2008
Page 5

2008A-1 Bonds to be included in gross income retroactive to the date of issuance of the 2008A-1 Bonds. Ownership of the 2008A-1 Bonds may result in other federal tax consequences to certain taxpayers. We express no opinion regarding any such collateral consequences arising with respect to the 2008A-1 Bonds.

In rendering our opinion on tax exemption, we have relied upon certifications of the Authority and certain other parties with respect to certain matters solely within their knowledge relating to the facilities to be financed or refinanced with the 2008A-1 Bonds, the application of proceeds of the 2008A-1 Bonds and certain other matters pertinent to the tax exempt status of the 2008A-1 Bonds. Additionally, in rendering this opinion, we have relied on the mathematical computation of the yield on the 2008A-1 Bonds and on certain obligations acquired with the proceeds thereof by Samuel Klein and Company, independent certified public accountants.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

The rights of the registered owners of the 2008A-1 Bonds and the enforceability of provisions of the 2008A-1 Bonds, the Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the 2008A-1 Bonds, the Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

No opinion is expressed at this time as to the effect of any change in Interest Mode for the 2008A-1 Bonds upon the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes.

Very truly yours,

Burke Burns & Pinelli, Ltd.

February 7, 2008

The Illinois State Toll Highway Authority
Downers Grove, Illinois

The Bank of New York Trust Company, N.A.,
as Trustee
Chicago, Illinois

Dexia Credit Local, acting through
its New York Branch
New York, New York

Goldman, Sachs & Co.
as Representative of the Underwriters
named in the Bond Purchase Agreement,
dated February 6, 2008

Financial Security Assurance Inc.,
as Bond Insurer
New York, New York

Re: The Illinois State Toll Highway Authority
Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by The Illinois State Toll Highway Authority (the "*Authority*") of its \$383,100,000 aggregate principal amount Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2 (the "*2008A-2 Bonds*"). The 2008A-2 Bonds are being issued pursuant to an Amended and Restated Trust Indenture effective March 31, 1999, amending and restating a Trust Indenture dated as of December 1, 1985 (the "*Amended and Restated Indenture*"), between the Authority and The Bank of New York Trust Company, N.A., as successor to J.P. Morgan Trust Company, N.A., as successor to The First National Bank of Chicago, as trustee (the "*Trustee*"), and a Tenth Supplemental Indenture Providing For Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A, dated as of February 1, 2008 (the "*Tenth Supplemental Indenture*" and collectively with the Amended and Restated Indenture, as supplemented and amended to the date hereof, being referred to herein as the "*Indenture*"). The 2008A-2 Bonds are issued as Senior Bonds pursuant to the Toll Highway Act of the State of Illinois, as amended (the "*Act*"), a resolution adopted by the Authority on May 31, 2007 and amended on December 20, 2007 (together, the "*Bond Resolution*") and the Indenture. The 2008A-2 Bonds are dated the date of issuance thereof, are being issued in fully registered form, mature on January 1, 2031 and bear interest on the dates set forth in the Tenth Supplemental Indenture. As and to the extent described in the Tenth Supplemental Indenture, the manner of determining the interest rate on the 2008A-2 Bonds may be established from time to time at a Weekly Rate, a Flexible Rate, an

ARS Rate, a Term Rate or a Fixed Rate. The 2008A-2 Bonds will bear interest upon issuance at a Weekly Rate until converted to a different Interest Mode in accordance with the terms of the Tenth Supplemental Indenture.

Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

As support for the payment of the purchase price equal to certain interest on and the aggregate principal amount of 2008A-2 Bonds tendered for purchase as described in the Indenture, the Authority has delivered a Standby Bond Purchase Agreement dated as of February 1, 2008 (the "*Liquidity Facility*"), among the Trustee, Dexia Credit Local, acting through its New York Branch (the "*Liquidity Provider*") and the Authority, pursuant to which the Liquidity Provider agrees to provide funds to the Trustee for the purchase of 2008A-2 Bonds tendered for purchase pursuant to the Indenture.

The remarketing agent for the purpose of remarketing any 2008A-2 Bonds tendered for purchase by the owners thereof pursuant to the Indenture shall initially be Lehman Brothers Inc. Securities LLC (the "*Remarketing Agent*"), pursuant to a Remarketing Agreement, dated as of February 1, 2008, between the Authority and the Remarketing Agent (the "*Remarketing Agreement*").

Subject to the terms and conditions set forth in the Tenth Supplemental Indenture, the 2008A-2 Bonds are subject to optional and sinking fund redemption pursuant to Sinking Fund Installments and optional and mandatory tender prior to maturity.

The 2008A-2 Bonds are issued for the purpose of (i) refunding the Refunded Bonds in advance of maturity and (ii) paying costs related to the issuance of the 2008A-2 Bonds.

In our capacity as co-bond counsel, we have examined, among other things, the following:

- (a) a certified copy of the proceedings of the Authority adopting the Bond Resolution and authorizing, among other things, the execution and delivery of the Tenth Supplemental Indenture and the issuance of the 2008A-2 Bonds;
- (b) a certified copy of the Bond Resolution;
- (c) an executed counterpart of the Indenture;
- (d) an executed counterpart of the Liquidity Facility;
- (e) an executed counterpart of the Remarketing Agreement;
- (f) an executed counterpart of the Refunding Escrow Agreement dated as of February 1, 2008 by and between the Authority and the Trustee (the "*Escrow Agreement*");
- (g) the Municipal Bond Insurance Policy (the "*Bond Insurance Policy*") issued on the date hereof by Financial Security Assurance Inc. (the "*Bond Insurer*"); and

(h) such other certifications, documents, showings and related matters of law as we have deemed necessary in order to render this opinion.

Based upon the foregoing we are of the opinion that:

1. The Authority has full power and authority and has taken all necessary corporate action to authorize the execution and delivery of the Tenth Supplemental Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement and the issuance of the 2008A-2 Bonds.

2. The Indenture has been duly and lawfully executed and delivered by the Authority and, assuming the due authorization, execution and delivery by, and the binding effect on, the Trustee, the Indenture is valid and binding upon the Authority and enforceable in accordance with its terms.

3. The Liquidity Facility and the Remarketing Agreement have been duly and lawfully executed and delivered by the Authority and, assuming the due authorization, execution and delivery by, and the binding effect on, the Liquidity Provider and the Remarketing Agent, respectively, the Liquidity Facility and the Remarketing Agreement are valid and binding upon the Authority and enforceable in accordance with their respective terms.

4. The Escrow Agreement has been duly and lawfully executed and delivered and, assuming the due authorization, execution and delivery by, and the binding effect on, the Trustee as Escrow Agent thereunder, the Escrow Agreement is valid and binding upon the Authority and enforceable in accordance with its terms.

5. The Indenture creates the valid pledge and lien which it purports to create on and in the Revenues, Funds, Accounts and moneys, securities and properties held or set aside under the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture.

6. The 2008A-2 Bonds have been duly and validly authorized and issued in accordance with applicable law, including the Act, and the Indenture and the 2008A-2 Bonds, to the amount named, are valid and legally binding obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Indenture.

7. The form of 2008A-2 Bond prescribed for said issue in the Tenth Supplemental Indenture is in due form of law.

8. The 2008A-2 Bonds, together with the \$383,100,000 aggregate principal amount Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1, being issued by the Authority on the date hereof simultaneously with the issuance of the Series 2008A-2 Bonds, are payable ratably and equally together with all Senior Bonds, as heretofore and as may hereafter be issued, solely and only from and secured by a pledge of and lien on Net Revenues of the Tollway System and amounts on deposit in certain Funds, Accounts and Sub-Accounts

established under the Indenture. The 2008A-2 Bonds do not represent or constitute debt of the Authority or of the State of Illinois within the meaning of any constitutional or statutory limitation or pledge of the faith and credit of the Authority or the State of Illinois nor grant the owners thereof any right to have the Authority or the State of Illinois levy any taxes or appropriate any funds for the payment of the principal of, premium, if any, or interest on the 2008A-2 Bonds.

9. Subject to the condition that the Authority comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the “Code”), under present law, the 2008A-2 Bonds are not “private activity bonds” under the Code, and interest on the 2008A-2 Bonds is excludable from gross income of the owners thereof for federal income tax purposes. Interest on the 2008A-2 Bonds will not be included as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2008A-2 Bonds will be included in “adjusted current earnings” of certain corporations for purposes of computing the alternative minimum tax for such corporations. Failure to comply with certain of these covenants could cause interest on the 2008A-2 Bonds to be included in gross income retroactive to the date of issuance of the 2008A-2 Bonds. Ownership of the 2008A-2 Bonds may result in other federal tax consequences to certain taxpayers. We express no opinion regarding any such collateral consequences arising with respect to the 2008A-2 Bonds.

In rendering our opinion on tax exemption, we have relied upon certifications of the Authority and certain other parties with respect to certain matters solely within their knowledge relating to the facilities to be financed or refinanced with the 2008A-2 Bonds, the application of proceeds of the 2008A-2 Bonds and certain other matters pertinent to the tax exempt status of the 2008A-2 Bonds. Additionally, in rendering this opinion, we have relied on the mathematical computation of the yield on the 2008A-2 Bonds and certain obligations acquired with the proceeds thereof by Samuel Klein and Company, independent certified public accountants.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

The rights of the registered owners of the 2008A-2 Bonds and the enforceability of provisions of the 2008A-2 Bonds, the Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the 2008A-2 Bonds, the Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

No opinion is expressed at this time as to the effect of any change in Interest Mode for the 2008A-2 Bonds upon the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes.

Very truly yours,

Perkins Coie LLP

BURKE BURNS & PINELLI, LTD.

ATTORNEYS AT LAW

SUITE 4300

THREE FIRST NATIONAL PLAZA

CHICAGO, ILLINOIS 60602-4229

EDWARD J. BURKE
MARY PATRICIA BURNS
VINCENT D. PINELLI
MARY ANN MURRAY
STEPHEN F. WELCH
ELLEN B. EPSTEIN
DONALD F. HARMON
AMANDA RIPP
ADRIANA R. GABRIEL
BLANCA R. DOMINGUEZ
CHRISTOPHER J. HALES

TELEPHONE
(312) 541-8600

FACSIMILE
(312) 541-8603

February 7, 2008

The Illinois State Toll Highway Authority
Downers Grove, Illinois

The Bank of New York Trust Company, N.A.,
as Trustee
Chicago, Illinois

Dexia Credit Local, acting through
its New York Branch
New York, New York

Goldman, Sachs & Co.
as Representative of the Underwriters
named in the Bond Purchase Agreement,
dated February 6, 2008

Financial Security Assurance Inc.,
as Bond Insurer
New York, New York

Re: The Illinois State Toll Highway Authority
Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by The Illinois State Toll Highway Authority (the "*Authority*") of its \$383,100,000 aggregate principal amount Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-2 (the "*2008A-2 Bonds*"). The 2008A-2 Bonds are being issued pursuant to an Amended and Restated Trust Indenture effective March 31, 1999, amending and restating a Trust Indenture dated as of December 1, 1985 (the "*Amended and Restated Indenture*"), between the Authority and The Bank of New York Trust Company, N.A., as successor to J.P. Morgan Trust Company, N.A., as successor to The First National Bank of Chicago, as trustee (the "*Trustee*"), and a Tenth Supplemental Indenture Providing For Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A, dated as of February 1, 2008 (the "*Tenth Supplemental Indenture*" and collectively with the Amended and Restated Indenture, as supplemented and amended to the date hereof, being referred to herein as the "*Indenture*"). The 2008A-2 Bonds are issued as Senior Bonds pursuant to the Toll Highway Act of the State of Illinois, as amended (the "*Act*"), a resolution adopted by the Authority on May 31, 2007 and amended on December 20, 2007 (together, the "*Bond Resolution*") and the Indenture. The 2008A-2 Bonds are dated the date of issuance thereof, are being issued in fully registered form, mature on January 1, 2031 and bear interest on the dates set forth in the Tenth Supplemental Indenture. As and to the extent described in the Tenth Supplemental Indenture, the manner of determining the interest rate on the 2008A-2 Bonds may be established from time to time at a Weekly Rate, a Flexible Rate, an

BURKE BURNS & PINELLI, LTD.

The Illinois State Toll Highway Authority
The Bank of New York Trust Company, N.A.,
as Trustee
Goldman, Sachs & Co.,
as Representative
Financial Security Assurance Inc.
Dexia Credit Local, acting through
its New York Branch
February 7, 2008
Page 2

ARS Rate, a Term Rate or a Fixed Rate. The 2008A-2 Bonds will bear interest upon issuance at a Weekly Rate until converted to a different Interest Mode in accordance with the terms of the Tenth Supplemental Indenture.

Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

As support for the payment of the purchase price equal to certain interest on and the aggregate principal amount of 2008A-2 Bonds tendered for purchase as described in the Indenture, the Authority has delivered a Standby Bond Purchase Agreement dated as of February 1, 2008 (the "*Liquidity Facility*"), among the Trustee, Dexia Credit Local, acting through its New York Branch (the "*Liquidity Provider*") and the Authority, pursuant to which the Liquidity Provider agrees to provide funds to the Trustee for the purchase of 2008A-2 Bonds tendered for purchase pursuant to the Indenture.

The remarketing agent for the purpose of remarketing any 2008A-2 Bonds tendered for purchase by the owners thereof pursuant to the Indenture shall initially be Lehman Brothers Inc. Securities LLC (the "*Remarketing Agent*"), pursuant to a Remarketing Agreement, dated as of February 1, 2008, between the Authority and the Remarketing Agent (the "*Remarketing Agreement*").

Subject to the terms and conditions set forth in the Tenth Supplemental Indenture, the 2008A-2 Bonds are subject to optional and sinking fund redemption pursuant to Sinking Fund Installments and optional and mandatory tender prior to maturity.

The 2008A-2 Bonds are issued for the purpose of (i) refunding the Refunded Bonds in advance of maturity and (ii) paying costs related to the issuance of the 2008A-2 Bonds.

In our capacity as co-bond counsel, we have examined, among other things, the following:

- (a) a certified copy of the proceedings of the Authority adopting the Bond Resolution and authorizing, among other things, the execution and delivery of the Tenth Supplemental Indenture and the issuance of the 2008A-2 Bonds;
- (b) a certified copy of the Bond Resolution;

The Illinois State Toll Highway Authority
The Bank of New York Trust Company, N.A.,
as Trustee
Goldman, Sachs & Co.,
as Representative
Financial Security Assurance Inc.
Dexia Credit Local, acting through
its New York Branch
February 7, 2008
Page 3

- (c) an executed counterpart of the Indenture;
- (d) an executed counterpart of the Liquidity Facility;
- (e) an executed counterpart of the Remarketing Agreement;
- (f) an executed counterpart of the Refunding Escrow Agreement dated as of February 1, 2008 by and between the Authority and the Trustee (the "*Escrow Agreement*");
- (g) the Municipal Bond Insurance Policy (the "*Bond Insurance Policy*") issued on the date hereof by Financial Security Assurance Inc. (the "*Bond Insurer*"); and
- (h) such other certifications, documents, showings and related matters of law as we have deemed necessary in order to render this opinion.

Based upon the foregoing we are of the opinion that:

1. The Authority has full power and authority and has taken all necessary corporate action to authorize the execution and delivery of the Tenth Supplemental Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement and the issuance of the 2008A-2 Bonds.
2. The Indenture has been duly and lawfully executed and delivered by the Authority and, assuming the due authorization, execution and delivery by, and the binding effect on, the Trustee, the Indenture is valid and binding upon the Authority and enforceable in accordance with its terms.
3. The Liquidity Facility and the Remarketing Agreement have been duly and lawfully executed and delivered by the Authority and, assuming the due authorization, execution and delivery by, and the binding effect on, the Liquidity Provider and the Remarketing Agent, respectively, the Liquidity Facility and the Remarketing Agreement are valid and binding upon the Authority and enforceable in accordance with their respective terms.
4. The Escrow Agreement has been duly and lawfully executed and delivered and, assuming the due authorization, execution and delivery by, and the binding effect on, the Trustee as Escrow Agent thereunder, the Escrow Agreement is valid and binding upon the Authority and enforceable in accordance with its terms.

The Illinois State Toll Highway Authority
The Bank of New York Trust Company, N.A.,
as Trustee
Goldman, Sachs & Co.,
as Representative
Financial Security Assurance Inc.
Dexia Credit Local, acting through
its New York Branch
February 7, 2008
Page 4

5. The Indenture creates the valid pledge and lien which it purports to create on and in the Revenues, Funds, Accounts and moneys, securities and properties held or set aside under the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture.

6. The 2008A-2 Bonds have been duly and validly authorized and issued in accordance with applicable law, including the Act, and the Indenture and the 2008A-2 Bonds, to the amount named, are valid and legally binding obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Indenture.

7. The form of 2008A-2 Bond prescribed for said issue in the Tenth Supplemental Indenture is in due form of law.

8. The 2008A-2 Bonds, together with the \$383,100,000 aggregate principal amount Toll Highway Variable Rate Senior Refunding Revenue Bonds, 2008 Series A-1, being issued by the Authority on the date hereof simultaneously with the issuance of the Series 2008A-2 Bonds, are payable ratably and equally together with all Senior Bonds, as heretofore and as may hereafter be issued, solely and only from and secured by a pledge of and lien on Net Revenues of the Tollway System and amounts on deposit in certain Funds, Accounts and Sub-Accounts established under the Indenture. The 2008A-2 Bonds do not represent or constitute debt of the Authority or of the State of Illinois within the meaning of any constitutional or statutory limitation or pledge of the faith and credit of the Authority or the State of Illinois nor grant the owners thereof any right to have the Authority or the State of Illinois levy any taxes or appropriate any funds for the payment of the principal of, premium, if any, or interest on the 2008A-2 Bonds.

9. Subject to the condition that the Authority comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under present law, the 2008A-2 Bonds are not "private activity bonds" under the Code, and interest on the 2008A-2 Bonds is excludable from gross income of the owners thereof for federal income tax purposes. Interest on the 2008A-2 Bonds will not be included as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2008A-2 Bonds will be included in "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax for such corporations. Failure to comply with certain of these covenants could cause interest on the

BURKE BURNS & PINELLI, LTD.

The Illinois State Toll Highway Authority
The Bank of New York Trust Company, N.A.,
as Trustee
Goldman, Sachs & Co.,
as Representative
Financial Security Assurance Inc.
Dexia Credit Local, acting through
its New York Branch
February 7, 2008
Page 5

2008A-2 Bonds to be included in gross income retroactive to the date of issuance of the 2008A-2 Bonds. Ownership of the 2008A-2 Bonds may result in other federal tax consequences to certain taxpayers. We express no opinion regarding any such collateral consequences arising with respect to the 2008A-2 Bonds.

In rendering our opinion on tax exemption, we have relied upon certifications of the Authority and certain other parties with respect to certain matters solely within their knowledge relating to the facilities to be financed or refinanced with the 2008A-2 Bonds, the application of proceeds of the 2008A-2 Bonds and certain other matters pertinent to the tax exempt status of the 2008A-2 Bonds. Additionally, in rendering this opinion, we have relied on the mathematical computation of the yield on the 2008A-2 Bonds and certain obligations acquired with the proceeds thereof by Samuel Klein and Company, independent certified public accountants.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

The rights of the registered owners of the 2008A-2 Bonds and the enforceability of provisions of the 2008A-2 Bonds, the Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the 2008A-2 Bonds, the Indenture, the Liquidity Facility, the Remarketing Agreement and the Escrow Agreement by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

No opinion is expressed at this time as to the effect of any change in Interest Mode for the 2008A-2 Bonds upon the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes.

Very truly yours,

Burke Burns & Pinelli, Ltd.



AECOM
303 East Wacker Drive
Suite 900
Chicago, IL 60601
www.aecom.com

312 373 7700 tel
312 938 1109 fax

APPENDIX F

February 1, 2011

Illinois State Toll Highway Authority
2700 Ogden Avenue
Downers Grove, IL 60515

Attention: Ms. Kristi Lafleur
Executive Director

Subject: Consulting Engineer's Report

Dear Ms. Lafleur,

AECOM Technical Services, Inc. is pleased to submit this report as the Consulting Engineer in anticipation of the proposed 2010 bond refunding, which will finance a portion of the costs associated with the Tollway's Congestion-Relief Program – "Open Roads for a Faster Future" (Congestion-Relief Program). This report provides a summary of the condition of the existing Tollway system and identifies the projects to be undertaken to rebuild and modernize the 50-year old, 286 mile system.

The Amended and Restated Trust Indenture Effective March 31, 1999, requires that prior to the issuance of additional Senior Bonds, the Consulting Engineer is to provide estimates of the Operating Expenses and Renewal and Replacement Deposits, the Construction Costs of the Project and the completion date of the Project that the bonds will be used to finance.

The construction costs and project schedules presented in the report were provided by the Tollway's Program Management Office (PMO), HNTB Corporation. The costs include final amounts for completed projects or forecasts of final costs by the PMO. The PMO has developed the forecasts based upon current construction contracts, construction cost estimates by consultant Design Section Engineers or concept cost estimates prepared by PMO staff. In addition, the Consulting Engineer has provided costs to the PMO for major maintenance projects associated with maintaining routes until the appropriate Congestion-Relief Program project is scheduled. The Consulting Engineer has reviewed the forecasts provided by the PMO and believes that forecasted costs are appropriate for the types of projects described and that the overall cost of the program at \$5.828 billion appears reasonable.

Utilizing information provided by Tollway Finance Department staff and project scopes and schedules from the PMO, we have developed estimates of Operating Expenses. Renewal and Replacement Deposit recommendations were developed based upon the types of projects included in the Congestion-Relief Program and other needs of the Tollway.

We wish to acknowledge the cooperation and assistance provided to us by the Tollway staff in the preparation of this report. We appreciate the opportunity to be of service to the Tollway.

Sincerely,

Mark M. Lucas, P.E.
Vice President



Consulting Engineer's Report

Prepared by:

AECOM

February 1, 2011

CONSULTING ENGINEER'S REPORT

Table of Contents

1.0	History and Status.....	1
2.0	Condition of the Existing Tollway System	3
2.1	Pavement.....	3
2.2	Roadway Appurtenances.....	9
2.3	Structures	12
2.4	Buildings and Facilities	15
2.5	Intelligent Transportation Systems (ITS)	18
3.0	Congestion-Relief Program – “Open Roads for a Faster Future”	20
4.0	The Project	22
4.1	Tri-State Tollway (I-94/I-294)	23
4.2	Jane Addams Memorial Tollway (I-90).....	25
4.3	Ronald Reagan Memorial Tollway (I-88)	27
4.4	Veterans Memorial Tollway (I-355) (Formerly North-South Tollway)	29
4.5	Open Road Tolling (ORT).....	30
4.6	Systemwide Improvements.....	30
4.7	Program Reserve Fund	31
5.0	Estimated Renewal and Replacement Deposits	33
6.0	Estimated Operating Expenses	34
7.0	Conclusion.....	39

List of Tables

Table 1:	CRS Rating System	5
Table 2:	Summary of Pavement Surface CRS Ratings from 2009 Annual Inspection, Lane Miles	5
Table 3:	Summary of Pavement RSL Values from 2009 Annual Inspection, Lane Miles	6
Table 4:	Bridge Health Index Number Descriptions	13
Table 5:	Bridge Deck Age	14
Table 6:	Congestion-Relief Program - Estimated Program Draws	21
Table 7:	Estimated Annual Renewal and Replacement Deposits	33
Table 8:	2010 Revised Budgeted Operating Expenses by Tollway Primary Function	34
Table 9:	Growth of the Tollway System as Measured by Lane Miles	36
Table 10:	Distribution of 2009 Annual Expenditures from Maintenance Management System	37
Table 11:	Estimated Operating Expenses	38

1.0 History and Status

The Illinois State Toll Highway Authority is a user-financed administrative agency of the State of Illinois whose purpose is to operate, maintain and service a system of toll roads located in northern Illinois. The Illinois State Toll Highway Authority began in 1953 as the Illinois State Toll Highway Commission, created by an act of the Illinois State legislature. The Illinois State Toll Highway Commission was directed by the legislature to construct the original 187 miles of the Tollway system that included the Tri-State, Northwest (now the Jane Addams Memorial) and East-West (now the Ronald Reagan Memorial) Tollways. These routes opened to traffic in 1958. On April 1, 1968 the Illinois State Toll Highway Commission became the Illinois State Toll Highway Authority, (hereafter referred to as the Tollway).

The Tollway has been an important component of the transportation network in northern Illinois. When it opened in 1958, it was envisioned as a high-speed bypass around the urban core of Chicago. However, over the last four decades, the Tollway system has evolved to not only continue this function, but to also serve both commercial and commuter-oriented traffic within the Chicago metropolitan region. Expansion of the system through the construction of extensions and new routes was initiated to keep pace with overall traffic growth in the region. Improvements have been made in coordination with and in response to transportation planning efforts at both the regional and state levels.

The Tollway has grown over the last four decades as a result of Legislative directives:

- In 1970, the Governor approved the construction of the Ronald Reagan Memorial Extension (originally called the East-West Extension), between IL Route 56 west of Aurora and US Route 30 near Sterling – Rock Falls, which added an additional 69.5 miles to the system. This extension was included in the original authorization for the Tollway system but was not included in the original construction. This route was opened to traffic in 1974.
- In 1984, the Illinois State legislature directed the Illinois State Toll Highway Authority to construct the Veterans Memorial Tollway (originally called the North-South Tollway), which added an additional 17.5 miles to the system. This route opened to traffic in 1989.
- In July 1993, the Illinois General Assembly authorized the Tollway to construct the South Extension of the Veterans Memorial Tollway from I-55 to I-57 (the portion from I-55 to I-80 opened to traffic in November 2007), the North Extension of the North-South Tollway from Lake-Cook Road to IL-120 in Grayslake and east to I-94, and the Richmond Extension from IL-120 in Grayslake to the Illinois-Wisconsin border near Richmond, Illinois. In 1995, the Tollway was further authorized to construct the Elgin-O'Hare Extension (presently being studied by the Illinois Department of Transportation) and the Western O'Hare Bypass.

Effective March 31, 1999, the "Amended and Restated Trust Indenture" (the "Indenture") renamed the Capital Improvement Program as the Improvement Program (I) and the Major Improvement Program as the Renewal and Replacement Program (RR). Improvement projects are those that add to or improve the existing Tollway infrastructure while Renewal and Replacement projects are those that maintain, repair or improve the existing infrastructure. Funding for these programs is provided entirely through user fees (i.e., tolls), concession revenues, interest earnings, and revenue bonds.

There are currently 286.5 miles of mainline roadway consisting of 1,663.2 mainline lane miles, 77.8 auxiliary lane miles, 266.8 ramp lane miles, 38.8 plaza cash lane miles, 105 interchanges, and 641 bridges.

In mid-2004, the Tollway unveiled a 10-Year Congestion-Relief Plan that addressed the condition of the existing infrastructure, congestion relief, the need of growing communities, and enhancement of local economies. As part of the long-range planning process, a comprehensive re-evaluation of the entire system and an extensive review of the condition of the Tollway's then 274-miles of roadways and structures were completed. Tollway staff met with various community leader groups to develop concepts and to validate ideas of the proposed 10-year program. The Congestion-Relief Plan was approved by the Tollway Board at the September 2004 Board meeting. Upon board approval, it became known as the Congestion-Relief Program (CRP).

The Tollway reassessed the CRP during the spring of 2007. A number of projects were reevaluated and were modified or enhanced due to the condition of the roadway and overpass bridges or to accommodate input from municipalities. Also, due to increased material and overall construction costs during the 2005 and 2006 construction seasons, the estimates for projects in design were adjusted. Finally, several significant additions were made to the CRP to address portions of the system and to provide access improvements to the Tollway. Based upon these CRP changes, the overall budget for the CRP was increased by approximately \$1.0 Billion and the schedule was lengthened by two years. The revised Congestion-Relief Program was approved by the Tollway Board at the September 7, 2007 Board meeting. Since that time, costs and schedules for projects have been modified based upon market dynamics. Any differences between the current CRP and the CRP described in the June 2010 Consulting Engineer's Report are discussed in section 4.0.

There has been success by the PMO and other staff in completing construction projects within budgeted amounts. Over 79% of anticipated construction expenditures have been invoiced as of the end of December 2010. Based upon information provided by the Tollway and PMO, The Consulting Engineer believes that the overall estimate of the cost of the CRP at \$5.828 billion appears reasonable.

In November 2008, the Tollway Board of Directors approved an additional \$1.8 billion capital program entitled Congestion-Relief Program Phase II – Tomorrow's Transportation Today ("TTT"). The program contained two major components: Green Lanes and Interchange Improvements. The goal of Green Lanes was to promote ride-sharing and transit options. Interchange improvements considered were (i) a new interchange at the crossing of the Tri-State (I-294) and I-57, (ii) an upgrade of the Jane Addams Memorial Tollway (I-90) interchange with I-290 and IL-53 and (iii) adding new or expanded arterial interchanges in conformance with the Tollway Cost Share Policy. The \$1.8 billion plan was intended to be financed by bonds backed by toll revenues including a toll increase for commercial vehicles to become effective in 2015 and variable toll rates to be established for single-occupant passenger vehicles using the Green Lanes. As of the date of this report, TTT has not begun. The Consulting Engineer was informed by Tollway Management that TTT is unlikely to continue in its current form. As a result, the Consulting Engineer has not considered any impact of TTT on the Tollway's future capital program and on the Consulting Engineer's estimates of Operating Expenses and Renewal and Replacement deposits presented in this report.

2.0 Condition of the Existing Tollway System

The Tollway continues to function as an essential component of the transportation network in northern Illinois. The mainline pavement has been the primary focus of CRP work within the Tollway system. To date, the mainline work falls under the following:

- 41% - Completed new construction, reconstruction or reconstruction and widening
- 10% - Rehabilitation work completed
- 44% - Rehabilitation work to be completed

Though significant progress has been made with regard to the Tollway infrastructure, there are still many challenges that remain. Although the original system continues to be maintained at high levels, some infrastructure elements are reaching the end of predictable usefulness due to the effects of age and increasing traffic volumes. The remaining original mainline pavement has had three to four cycles of pavement rehabilitations and/or asphalt overlays. The typical method of pavement rehabilitation has been to repair the concrete base and place or replace the bituminous overlay. This approach has an average life span of six to eight years. The original bridge decks have had asphalt overlays (now removed) and concrete overlays (existing) and have been widened to respond to the increasing traffic demand.

The geometry of the existing roadway system generally meets or exceeds Federal highway design criteria.

At the time of this report, final results of the 2010 Annual Inspection were not yet available. Field data collection for most roadway segments and facilities is complete, with analysis and condition report development currently underway. The condition of the existing system as described is based on the results of the 2009 Annual Inspection, dated December 17, 2010. Early results of the 2010 Annual Inspection indicate that the overall condition of the pavement and bridges has again improved due to projects related to portions of the CRP completed in 2009, as well as intermittent pavement projects on each of the four roadways. The condition of retaining walls, noise abatement walls and sign structures appear to remain relatively unchanged, while facilities have improved overall due to plaza upgrades as part of the implementation of Open Road Tolling and ongoing rehabilitations at the maintenance yard facilities.

As in previous years, the 2009 Annual Inspection was completed by the Consulting Engineer on the entire 286.5 miles of the Tollway System. Based on this inspection, the following conditions were reported for roadway pavement, roadway appurtenances, structures, and buildings and facilities. Any deficiencies noted will be addressed as part of the CRP. The items below that are identified as needing improvements in the near future or with minimal remaining service life are included within the CRP, and in many cases, have already been addressed.

2.1 Pavement

The original 187 miles of the Tollway system, including the Tri-State, Ronald Reagan Memorial and Jane Addams Memorial Tollways, were constructed using a pavement structure of 10 inches of concrete on a 4 inch granular base. This pavement has been rehabilitated 3 to 4 times in most locations, typically using bituminous overlays. Each subsequent overlay has experienced a shorter life cycle. The Ronald Reagan Memorial Extension was built in 1974, using a 14" jointed plain concrete section. It was rehabilitated in the early 1990's using a 2 1/4" bituminous overlay and resurfaced again in 2001 while the far west end was rubblized in 2005. Additional repairs were required during the last five years. The Veterans Memorial Tollway opened in 1989 and was constructed of jointed plain concrete pavement. The original mainline pavement constructed in 1989

received an overlay and rehabilitation in 2010. The Veterans Memorial Tollway south extension opened in 2007 and was constructed of jointed plain concrete pavement.

The roadway pavement throughout the Tollway system is inspected and evaluated annually. The inspection includes: a visual inspection, a structural evaluation and a pavement surface evaluation that detail areas to be repaired by contractors or by maintenance forces. The visual inspection of the condition of the Tollway's roadway system was performed during the spring and summer of 2009. The structural evaluation and pavement surface evaluation of the of the Tollway's roadway system was performed during the summer and fall of 2009. Based on the Consulting Engineer's professional opinion, at the time of the inspections, 47% of the Tollway's pavement will require major repair or replacement within the next eight years. The current CRP will replace or repair 95% of the entire system by the end of 2016.

Visual Inspection

The annual visual inspection consists of the recording of visible deficiencies of the pavement from edge-of-shoulder to edge-of-shoulder. Inspectors interview each maintenance section manager and document any concerns and then visually inspect all roadway pavements including bridge decks, shoulders, ramps, toll plazas, and gutter. Through the results of these interviews and subsequent inspections, work estimates and repair recommendations are prepared for use by the Tollway Maintenance, Engineering and Planning staff. Maintenance utilizes the inspection data for planning and estimating work to be completed by Tollway staff. Engineering utilizes the inspection data to ensure that necessary repairs are included in upcoming construction contracts. Planning utilizes the inspection data to aid in the determination and creation of future repair programs.

Structural Evaluation

The annual structural evaluation consists of extensive non-destructive Falling Weight Deflectometer (FWD) testing and pavement coring performed throughout the system to assess the structural integrity of the mainline pavement and to assist in identifying deficiencies. The FWD is used to determine pavement layer and subgrade structural parameters, to evaluate load transfer characteristics at pavement joints and to identify subsurface voids. The coring program is used to verify pavement layer thickness and to inspect material and bonding conditions.

Pavement Surface Evaluations

The annual pavement surface evaluation utilizes electronic and visual surveillance of the pavement surface to determine the extent of pavement distress. The Tollway utilizes a pavement inspection and evaluation system similar to that developed by the Illinois Department of Transportation (IDOT) which categorizes pavement conditions using Condition Rating System (CRS) values. The CRS values are a subjective measurement of pavement surface condition based on a 1 to 9 scale; with 9 representing a newly constructed or resurfaced pavement and 1 representing a completely failed pavement. CRS values are used for all IDOT routes. IDOT considers a CRS rating of less than 4.5 "poor". However, while a CRS of less than 4.5 is considered "poor", IDOT may consider it tolerable on a rural route. On the Tollway system and other higher level facilities, a CRS of 5.5 or less indicates a riding surface that has become uncomfortable and inconsistent with Tollway operations and user expectations. Therefore, a CRS of 5.5 or less on the Tollway system is a candidate for repairs or rehabilitation.

Based on the Tollway's maintenance and repair histories and pavement age, the Consulting Engineer considers pavement with a CRS value between 6.0 and 6.5 as "transitional" between "good" and "fair". This "transitional" pavement will likely require repairs in the following two to seven years due to the diminishing life span of repeated repair cycles. The following table provides a

summary of the CRS ratings used by the Tollway and the corresponding descriptive pavement conditions.

Table 1: CRS Rating System

CRS Rating	General Pavement Surface Condition
< 4.5	Poor
4.5 – 5.9	Fair
6.0 – 6.5	Transitional
6.6 to 7.4	Good
>7.5	Excellent

CRS values are determined by digitally recording surface conditions and measuring certain types of surface distress and rideability of pavements through the collection of electronic sensor data. This data is collected by a semi-automatic survey process which utilizes a survey vehicle outfitted with cameras that capture continuous images of the pavement surface and panoramic images of the roadway. The images and sensor data are processed by trained CRS rating personnel who assign CRS values. The following table provides a summary of the most recent CRS values:

Table 2: Summary of Pavement Surface CRS Ratings from 2009 Annual Inspection, Lane Miles

Tollway Route	Excellent >7.5	Good 6.6-7.4	Transitional 6.0-6.5	Fair 4.5-5.9	Poor 0-4.4	Not rated *
Tri-State	433.6	108.3	33.9	5.1	0.0	48.5
Edens Spur	0.1	3.3	0.8	11.9	0.5	0.5
Jane Addams Memorial	114.6	179.5	40.1	31.1	0.0	21.4
Ronald Reagan Memorial	338.2	107.7	8.1	1.1	0.0	14.6
Veterans Memorial	93.6	38.3	34.1	11.3	0.0	7.7
Total	980.1	437.1	117.0	60.5	0.5	92.7
% of Total	58%	26%	7%	4%	0%	5%

* Sections of Tollway not rated during 2009 due to ongoing construction work

Note: This evaluation does not include auxiliary or ramp lanes that are required for entering and exiting the Tollway. Due to this, route and system totals, may not match information in other sections of the report. Percentages may not total to 100% due to rounding.

Ramp lanes are evaluated on a three year basis due to the reduced traffic and anticipated improved condition compared to the mainline, though the Tollway may begin to monitor the ramps more closely since the CRP is not expected to address many of the system's ramps. Auxiliary lanes are generally in better condition than the adjacent mainline lanes due to reduced traffic and are generally improved in conjunction with the mainline lanes.

As previously stated, CRS ratings are a subjective measurement of the pavement surface condition. These ratings are only one indicator of overall pavement condition and if used alone can be misleading. A newly resurfaced roadway will likely be rated "excellent" even though the underlying concrete pavement and base could be largely deteriorated. In such a case the "excellent" rating will

very quickly deteriorate to a “transitional” or “poor” rating and the pavement will require additional work in a relatively short period of time. For Tollway sections, not reconstructed as part of the CRP, rated “good” to “excellent” in 2009 rapid deterioration from such ratings is anticipated.

Considering this, the Remaining Service Life (RSL) rating system was developed. The RSL takes into account current CRS ratings, traffic volumes, and pavement thickness information. This data is projected to determine how many theoretical years are remaining before a terminal level is reached and major repairs would be required. The RSL is developed using specific pavement performance models and historical condition data for a specific pavement type and assumed rehabilitation treatments. The RSL has been found to be a reliable indicator of pavement performance. However, if there is any deviation from the future rehabilitation treatments assumed in developing the performance model, then the model will no longer accurately predict pavement performance, and the RSL may be incorrect. The RSL has proven to be a useful tool to accurately portray the condition of the pavement throughout the system and hence allows for proactive planning of construction projects. The RSL indicates the anticipated time remaining before a pavement deteriorates to the point of requiring annual repair that is well beyond the capabilities of the Tollway’s Maintenance Division. New pavement with an expected life of 30 or more years should fall into the 13+ category. Pavement with a RSL of zero (0) years will require extensive intermittent pavement repairs and the comfort and convenience of the motoring public may be compromised. The following table provides a summary of the most recent RSL values:

Table 3: Summary of Pavement RSL Values from 2009 Annual Inspection, Lane Miles

Tollway Route	13+ years	9 - 12 years	5 – 8 years	3 – 4 years	1 – 2 years	0 years	Not rated *
Tri-State	423.4	15.8	36.9	58.1	37.2	9.6	48.5
Edens Spur	0.1	2.0	1.3	0.8	0.0	12.3	0.5
Jane Addams Memorial	98.2	2.5	6.0	55.5	170.3	35.2	19.1
Ronald Reagan Memorial	151.6	34.2	213.8	51.1	3.2	1.3	14.6
Veterans Memorial	70.2	27.4	34.3	19.6	14.5	11.3	7.7
Total	743.5	81.9	292.3	185.1	225.2	69.7	90.4
% of Total	44%	5%	17%	11%	13%	4%	5%

* Sections of Tollway not rated during 2009 due to ongoing construction work

Note: This evaluation does not include auxiliary or ramp lanes that are required for entering and exiting the Tollway. Due to the lack of auxiliary lane analysis, route and system totals, may not match information in other sections of the report. Percentages may not total to 100% due to rounding.

Summary of Pavement Condition

Tri-State Tollway (I-294/I-94)

The 78.5-mile Tri-State Tollway was constructed as part of the original pavement network in the late 1950’s. A portion of the roadway was reconstructed and rehabilitated in the early 1990’s while most of the roadway received a series of asphalt overlays. Each subsequent asphalt overlay experienced a shorter life than the previous. Significant reasons for the reduced asphalt overlay life have been

increased truck volumes, the presence of larger and heavier trucks as permitted by Illinois law, and deterioration of the original concrete pavements and base beneath the asphalt overlays. The areas that were not reconstructed or rehabilitated in the early 1990's have been recently reconstructed or will be by 2010 based on the current CRP.

For the purposes of this report, the Tri-State Tollway is separated into three sections. These are the South, Central, and North Tri-State Tollway.

South Tri-State Tollway (I-394 to 95th Street):

The majority of the pavement is generally rated in "excellent" condition (CRS) with an RSL rating of generally 13 years or more. The pavement from I-394 to 163rd Street has undergone reconstruction and widening which was completed in 2006. The pavement from 163rd Street to 95th Street has undergone reconstruction and widening which was completed in 2009.

Central Tri-State Tollway (95th Street to Balmoral Avenue):

The majority of the pavement is generally rated in "excellent" to "fair" condition (CRS) with an RSL rating ranging between 1 and 8 years. However, approximately 5.4% of the pavement in this section exhibits an RSL rating of 0 years. Approximately 20% of the pavement in this section was not rated due to construction maintenance of traffic. The pavement from 95th Street to Balmoral Avenue was widened and either reconstructed or partially reconstructed from 1992 to 1994. The partial reconstruction and widening included the reconstruction of the outside (third) lane in each direction on the existing six-lane facility and the addition of a new fourth lane in each direction. The remaining two inside lanes in each direction were left in place, rehabilitated, and resurfaced. Concrete repairs were completed in 2008, and should continue through 2011 as budget allows helping extend the life of the pavement and prepare the pavement for the rehabilitation programmed in 2012.

North Tri-State Tollway (Balmoral Avenue to Russell Road):

The majority of the pavement is generally rated in "excellent" to "good" condition (CRS) with an RSL rating of generally 13 years or more. The pavement from the O'Hare Interchange to the Deerfield/Edens Spur improvement limits and from Half-Day Road to the Wisconsin border was reconstructed and widened in 2009.

The Deerfield/Edens Spur improvement was a project completed in 2000 which included the removal of the original Plaza 25 (Deerfield), widening and reconstruction of the Tri-State Tollway in the vicinity of Deerfield Road, reconstruction of the west end of the Edens Spur, construction of a new mainline Toll Plaza 24 on the Edens Spur, and reconfiguration of the Deerfield Road interchange ramps.

Edens Spur (I-94)

The 5-mile Edens Spur was constructed as part of the original pavement network in the late 1950's. The Edens Spur was resurfaced in 1995, its west end was reconstructed in 1997, and Plaza 24 (Edens Spur) was constructed in 1998 and converted to ORT in 2006. The majority of the pavement is generally rated in "good" to "fair" condition (CRS) with an RSL rating of generally 0 years. The remaining pavement is generally rated in "good" to "fair" condition (CRS) with an RSL rating of generally 3 to 12 years. The Annual Inspection revealed deterioration consistent with projected performance. Resurfacing of the Edens Spur was originally programmed for 2011-2012 with annual intermittent pavement repair contracts performed until the resurfacing. However, based upon inspection data, the resurfacing was accelerated and completed in 2010.

Jane Addams Memorial Tollway (I-90)

The 76.5-mile Jane Addams Memorial Tollway was constructed as part of the original pavement network in the late 1950's. The pavement from Newburg Road to Rockton Road was reconstructed and widened in 2008 to 2009. Intermittent pavement repairs were conducted in the section east of

Newburg Road in 2008 and 2009. The Pavement from Elgin to Newburg Road was resurfaced in 2004. The pavement from the Kennedy Expressway to Barrington Road was rehabilitated in 2003.

The majority of the pavement east of Newburg Road is generally rated in “excellent” to “fair” condition (CRS) with an RSL rating of generally 0 to 4 years. The pavement from Newburg Road to Rockton Road generally rated in “excellent” condition (CRS) with an RSL rating of 13 or more years. The higher CRS ratings with respect to the low RSL ratings for a majority of the pavement can be attributed to the rehabilitation project from the Kennedy to Barrington Road completed in 2003 and the resurfacing from Elgin to Newburg Road completed in 2004. These projects, while improving the CRS ratings, did not address the deteriorating original concrete pavement and base. In addition, the resurfacing from Elgin to Newburg Road utilized material that has resulted in unpredictable failures that are difficult to identify for the annual intermittent repair contracts. Rehabilitation, which includes patching a percentage of the underlying pavement and resurfacing from the Kennedy Expressway to the Elgin Plaza, was originally programmed for 2011, though recently changed to more accurately reflect the needs of this section. The pavement from Barrington Road to Elgin Toll plaza will be rehabilitated and resurfaced in 2011 with the remaining portion programmed for 2015. The pavement west of the Elgin Plaza was originally programmed for rehabilitation in 2015, though recently changed to rehabilitate and resurface the pavement from US 20 to Genoa Road with the remaining pavement programmed for 2013. Reconstruction is anticipated to be programmed beyond the end of the current program in 2016. The Illinois Tollway works diligently through in-house Maintenance and external construction contracts to maintain the riding surface of the pavement however; the underlying concrete pavement and base continue to deteriorate. As described in Section 4.0, over 35% of the Pavement Improvements portion of system-wide Improvements is allocated for annual maintenance repairs on this pavement section through 2016. The Consulting Engineer recommends that a portion of the Program Reserve Fund (described in later sections) be preserved for additional pavement repairs.

Ronald Reagan Memorial Tollway (I-88)

The 26.8-miles of the Ronald Reagan Memorial Tollway east of Illinois Route 56 were constructed as part of the original pavement network in the late 1950's. The pavement from the Fox River to Illinois Route 59 was reconstructed in the 1990's. The pavement from Illinois Route 59 to Naperville Road was reconstructed and widened in 2006. The pavement from Naperville Road to the Eisenhower Expressway (I-290) and from Illinois Route 56 to the Fox River were reconstructed and widened in 2008 to 2009. The majority of the pavement is generally rated in “excellent” to “good” condition (CRS) with an RSL rating of generally 9 to 13 or more years. Approximately 8% of the pavement in this section was not rated due to construction maintenance of traffic. Concrete pavement repairs were completed in 2008 and should continue as budget permits from the Fox River to Illinois Route 59 to extend the pavement life within this section.

Ronald Reagan Memorial Extension (I-88)

The 69.5-mile Ronald Reagan Memorial Extension was constructed in the early 1970's as a western extension of the original Ronald Reagan Memorial Tollway west of Illinois Route 56. In 1991, 54.3 miles of this pavement was overlaid with asphalt and the remaining 15.2 miles was overlaid in 1994. The asphalt overlay was placed to a nominal 2¼” thickness, which was thinner than the typical asphalt overlay thickness of 3”. The thinner asphalt overlay was originally intended to act as a bond breaker for a future concrete overlay. However, the concrete overlay was never placed due to the poor performance of a similar concrete overlay installation on a section of the original Ronald Reagan Memorial Tollway. Instead, the asphalt overlay was left as the riding surface. This thinner asphalt overlay did not perform well since its original construction and required constant maintenance attention. In January 2001, the asphalt overlay between Route 251 and Route 56 failed and the Illinois Tollway initiated immediate emergency repairs. Adverse weather conditions during the course of these emergency repairs limited their effectiveness and life expectancy thus requiring

subsequent full-width, shoulder to shoulder resurfacing from Milepost 76.1 to Milepost 113.5 in the summer of 2001. The majority of this pavement is generally rated in “excellent” to “transitional” condition (CRS) with an RSL rating of generally 3 to 12 years. This section is programmed for resurfacing in 2012.

The 2004 Annual Inspection and preliminary development of intermittent quantities in 2005 revealed severe deterioration of the pavement west of Route 251. It was determined to accelerate the rubblization that was originally programmed in 2006. The rubblization consisted of milling the asphalt surface and breaking the original concrete pavement into softball-size and smaller pieces. A six inch thick asphalt concrete layer was then applied with the anticipation of removing two inches and placing an additional six inch asphalt overlay for a total thickness of ten inches in 2015. The majority of this pavement is generally rated in “excellent” to “good” condition (CRS) with an RSL rating of generally 5 to 8 years. This pavement is showing signs of distress not typically related to a pavement of this construction or age. Investigations continue to determine the cause and recommend repairs to help extend the life of this pavement to that of a typical rubblized pavement section. This pavement will be monitored in the coming years. The areas of pavement that were resurfaced but not rubblized, such as at bridges and large culverts, are deteriorating. Maintenance staff is working to make all necessary repairs and intermittent repairs are programmed to begin in 2010. The shoulders throughout this section are exhibiting similar spring heave issues as existed prior to the rubblization work. It is recommended that the final stage of placing the additional six inch thick asphalt layer be completed no later than 2015. This work is currently programmed for 2015-2016.

Veterans Memorial Tollway (I-355)

The 17.5-miles of the Veterans Memorial Tollway north of I-55 were opened to traffic in 1989. The pavement in this section has performed very well for almost two decades. The Annual Inspection found mid-slab breaks and other concrete deterioration typical to pavement of this age and design. It is recommended that concrete repairs be continued to help extend the remaining service life. Significant shoulder deterioration was repaired in 2003. The majority of this pavement is generally rated in “excellent” to “fair” condition (CRS) with an RSL rating of generally 0 to 12 years. The pavement from 75th Street to Ogden Avenue was widened and overlaid in 2008 to 2009 as part of CRP. The remaining pavement from 83rd Street to Army Trail Road was overlaid in 2010 as part of CRP.

Veterans Memorial Extension (I-355)

On November 11, 2007, the south extension of the Veterans Memorial Tollway was opened to traffic. The 12.3 mile, six lane extension serves Will County, and provides a regional connection that improves north-south mobility between Interstate 55 and Interstate 80. The jointed plain concrete pavement in this section is rated in “excellent” condition (CRS) with a RSL rating of 13 or more years.

2.2 Roadway Appurtenances

The roadway appurtenances inspected throughout the Illinois Tollway System consist of drainage systems, median barriers and guardrail, milepost markers, pavement markings, and right-of-way fencing. Findings of these visual inspections are summarized in the Consulting Engineer’s Annual Inspection Reports.

Drainage Systems

The drainage systems along the Tollway system are generally in fair condition. The majority of the embankment slopes are stable. Drainage structures and ditches should be cleared of vegetation and sediment and repaired or replaced to ensure proper drainage.

The culverts throughout the Tollway system are generally structurally sound. However, some have exposed reinforcement bars, misaligned wingwalls, honey-combing of the concrete surface, open joints, deterioration of the metal (corrugated metal pipe culverts) or require cleaning. The majority of the culverts are over fifty years old, with the exception of the culverts which have been replaced during reconstruction projects. Corrective repairs will either be performed by the Tollway's Maintenance Division or will be included in programmed rehabilitation projects.

Closed drainage systems are typical throughout the urban areas of the Tri-State Tollway and Veterans Memorial Tollway. Only limited inspections can be performed on closed drainage systems, therefore it is recommended to have these televised and/or flushed to obtain better inspection data and to determine the general condition of these systems. The rubblization performed on the Reagan Memorial Tollway Extension in Maintenance Section M-12 included the addition of a new underdrain beneath the outside shoulders throughout the section. This new underdrain will require periodic monitoring and cleaning by the Tollway's Maintenance Division.

A major concern regarding drainage structures continues to be the deterioration of Corrugated Metal Pipes (CMPs). The deteriorations typically occur along the flowline or at the joints of the pipe. This causes backfill material and soil to wash away through the pipe during rain events creating voids beneath the roadway. As the volume of these voids increases, the probability of roadway pavement slab settlement or failure also increases. The Illinois Tollway developed contracts to repair or replace pipes which were not included in current corridor CRP projects and the Consulting Engineer has confirmed with the designers that all CMPs were replaced or lined as assumed under newly reconstructed pavements or in current design contracts.

These CMPs, the majority of which date from the original construction of the Tollway, have been cited since before 2001 as a concern due to their potential for creating voids under pavements. Several locations required emergency repairs in 2007. Since 2001, major drainage issues occurred approximately once every other year, whereas 2007 had two non-construction related drainage emergencies, one of which required the unanticipated closing of a lane of traffic for several days. Based on the increased frequency of emergency repairs, the Tollway is working to develop a systemwide contract to address those aging and deteriorating CMPs that will not be replaced in upcoming widening or reconstruction contracts. A contract was issued in late 2007 to address immediate concerns on the Jane Addams Memorial Tollway. Two contracts to repair or line all CMPs with a diameter of three feet or larger which cross beneath pavement began in 2009 and are scheduled for completion in 2010. These contracts should address the major concerns for these larger CMPs. However, it is recommended that smaller diameter CMPs be addressed in future projects.

Tall grasses and weeds have become increasingly problematic throughout the Tollway system. The high vegetation disguises sinkholes, erosion, and blocked drainage structures and provides available cover for deer and other wildlife near active roadways. Ticks have also increasingly become a hazard for maintenance personnel and inspectors accessing the un-mowed right-of-way. It is recommended that the Illinois Tollway allow for mowing at least biannually. The first occurring either in late autumn when growth is virtually halted or early spring when vegetation growth is beginning and a second mowing mid-season. This will help control overgrowth, allow for twice yearly system-side visual inspection by maintenance personnel, reduce fall fire hazards and help make right-of-way maintenance easier.

Median Barriers and Guardrail

The concrete median barriers and guardrails throughout the Tollway system are generally in good to fair condition. The concrete median barriers and guardrails within the limits of CRP reconstruction projects have been upgraded as applicable. However, guardrail installations outside of these areas have generally not been upgraded, do not conform to the current Tollway standards, and in some

instance do not conform to the requirements of National Cooperative Highway Research Program (NCHRP) Report 350. Some of these guardrail installations have mechanical deficiencies which the Illinois Tollway Maintenance Staff works diligently to repair. Additionally, Tollway policy requires that any guardrail safety concerns or damages as a result of vehicular accidents be addressed within 24 hours, though procurement requirements for new material sometimes prohibit this.

Standards are regularly updated to reflect current crash test data and new technologies. The current Tollway guardrail standards were developed in conformance with the requirements of NCHRP Report 350. In 1993, NCHRP Report 350 was published by the NCHRP which conducts research in areas of highway planning, design, construction, operation and maintenance nationwide. NCHRP Report 350 presents uniform guidelines for the crash testing of highway safety features, recommends evaluation criteria for the assessment of the crash test results, and presents guidelines for the in-service evaluation of safety features. These guidelines are developed utilizing current technology and the collective judgment and expertise of experts in the field of roadside safety design.

The Federal Highway Administration (FHWA) does not require replacement of any safety appurtenance with new standards just for the sake of replacing. Installations of safety appurtenances are considered acceptable if they were installed according to the standard at the time. In other words, if the safety appurtenance was crash-worthy at the time of installation, then it is still considered crash-worthy.

Though the FHWA does not require that the safety appurtenances throughout the Illinois Tollway System be upgraded, the Tollway has no tort immunity as many governmental agencies do. The Tollway Risk Management Division works in conjunction with other departments to maintain loss control. Considering these factors and to protect the interests of the Tollway, it is recommended that all guardrail installations which do not conform to the NCHRP Report 350 be upgraded or programmed to be upgraded to the current Tollway standard within the next three years.

The median cable barriers throughout the Tollway system are generally in good condition. Median cable barrier systems are installed west of the Fox River on the Jane Addams Memorial Tollway and west of Route 31 on the Ronald Reagan Memorial Tollway. This cable barrier system consists of three tensioned cables extending between bridges and crossovers to minimize the occurrence of passenger cars crossing into oncoming traffic. The cable barrier is a relatively new safety device with few controlling Federal standards, though; all installations are inspected to ensure they meet the current industry practices. The Consulting Engineer will monitor the federal and state agencies for best practices and other policies regarding the cable barrier system.

Milepost Markers

The milepost markers throughout the Tollway system are generally in good to excellent condition. New standards are being developed for milepost markers across the nation per the Manual on Uniform Traffic Control Devices (MUTCD). Therefore, the Tollway's Maintenance Division has developed with a new milepost marker standard conforming to the MUTCD standards while meeting the needs of the field staff and patrons. These new markers were placed at a ¼ mile frequency instead of the current ½ mile increments on all routes.

The Illinois Tollway has also investigated re-numbering each route to ensure proper mile marker placement conforming to the Federal Guidelines for interstate numbering. Based on the results of this investigation, the I-94 and I-90 mile marker numbering was reversed in December 2009 and October 2010 respectively. This effort will eventually allow for exit numbering to be utilized on the Tollway system.

Pavement Markings

The pavement markings throughout the Tollway system are generally in fair to good condition. An annual pavement marking renewal program began in 1996 to improve the pavement marking visibility throughout the system. As part of this annual program, pavement markings are upgraded and maintained through the use of epoxy paint. The Tollway has engaged the Pavement Management Consultant, ARA, to perform retroreflectivity testing of several pavement marking materials with recessed and surface applications. The study, taking place on the Ronald Reagan Memorial Tollway, is expected to indicate future pavement marking practices to be utilized system-wide.

The reflective raised plowable pavement markers (RPMs) throughout the Tollway are generally in fair condition. The Tollway Maintenance staff replaces missing or damaged reflectors, and frames are replaced by contract. New RPMs have not been placed for several years while a study was conducted to review their use. The Tollway will resume the installation of RPMs in unlit sections of the system, though additional research is underway to determine if better products exist.

Right-of-Way Fencing

The right-of-way fencing throughout the Tollway system is generally in fair to good condition. Recent reconstruction projects have included the replacement of existing four foot high field right-of-way fencing with the current Tollway standard six foot high chain-link fencing. This type of fencing is more compatible with continued adjacent development and serves as a better barrier to pedestrians and animals from entering the Illinois Tollway property. The majority of right-of-way fencing on the Tri-State Tollway has been upgraded to the current Illinois Tollway standard chain-link fencing. Approximately half of the Jane Addams Memorial Tollway, a third of the Ronald Reagan Memorial Tollway, and all of the Veterans Memorial Tollway now has the current Illinois Tollway standard chain-link fencing. It is recommended that the original four foot high field fencing continue to be upgraded, where necessary, to the current Illinois Tollway standard six foot high chain-link fencing as major projects are programmed. In areas where no major projects are programmed within the next three years, it is recommended that right-of-way fence improvements be programmed in a repair contract.

2.3 Structures

The structural elements inspected throughout the Illinois Tollway System consist of bridges, large culverts, retaining walls, noise abatement walls, and overhead sign structures.

Bridges and Large Culverts

Bridges on the Tollway system are inspected at least every two years in accordance with Federal Highway Administration (FHWA) guidelines. Condition ratings are assigned to the deck, superstructure, and substructure components of each bridge inspected. The Federal guidelines do not include deck ratings in the determination of the overall bridge condition rating. Therefore, the deck is not usually the driving force behind replacement. However, the deck is important in the programming of repair work based on general aesthetics and rideability. The deck is also the most visible bridge component to the traveling motorist/patron. Since the Tollway is patron-oriented and bridge deck repairs, other than minor deterioration, are typically beyond the Maintenance Division's repair capabilities, the deck should be accounted for in the overall bridge condition rating.

Considering this, the Consulting Engineer created a Health Index in order to more appropriately quantify the condition of the bridges throughout the Tollway system. The Health Index (H.I.) is a weighted representation of the Deck, Superstructure and Substructure ratings based on field inspections and is intended to give an overall indication of the structural integrity of a bridge. The Health Index is a number on a scale from 0 to 100 with 100 being the best. It does not consider the

individual ratings of components such as joints, diaphragms or bearings, though these ratings are generally used to develop future repair contracts. The following table provides descriptions of the bridge Health Index numbers.

Table 4: Bridge Health Index Number Descriptions

H.I.	Description
≥90	No problems or some minor problems noted. No action required.
89 – 80	Some areas of minor deterioration. Minor repair by Maintenance or Contract would prevent additional deterioration.
79 – 70	Structural elements are sound but exhibit minor section loss or deterioration. Repair Contract likely needed within 5 years.
69 – 60	Advanced section loss. Repair Contract should be initiated within 2 years.
< 60	Advanced loss of section and deterioration. Local failures possible. Immediate attention needed

The FHWA defines culverts as bridges if they are at least 20 feet wide when measured in the direction of traffic. There are currently 55 culverts on the inventory lists of both the Illinois Tollway and the FHWA which are defined as bridges. These culverts are inspected every two years as part of the bridge inspections by Tollway personnel and the Consulting Engineer reviews the results of these inspections.

Culverts which are defined as bridges are assigned a Condition Rating similar to that of the bridges. A Health Index is then determined from this Condition Rating. The Health Index for culverts is directly related to the Condition Ratings used for the annual bridge inspections. This rating is an all encompassing review of the culvert elements and only recorded as a single rating value. In 2009, the Health Index calculation for culverts was changed to follow the same description as bridges.

A Health Index less than or equal to 70, indicates a bridge should be considered for repair or rehabilitation. A Health Index less than or equal to 60, indicates a bridge should be considered for rehabilitation or replacement. It should be noted that many bridges may be replaced as part of a roadway widening project as the most cost effective way to widen or lengthen an existing bridge.

The Tollway conducted the bridge inspections in 2008 and 2009, and the resultant “Structure Inspection Field Reports” were reviewed by the Consulting Engineer.

There are currently 641 structures classified as bridges throughout the Tollway system. Of these, there are six over-the-road oasis structures, one land bridge, 54 culverts, and 580 vehicular bridges. Of the 641 bridges on the system at the time of inspections;

- 300 were inspected and rated on condition in 2008,
- 281 were inspected and rated on condition in 2009,
- 5 new bridges were constructed and were included in the inventory, but were not inspected in 2008 or 2009,
- One bridge is a land bridge (i.e., a structural pavement slab constructed on piles) and although included in the Tollway bridge inventory, it is not included in the Federal inventory as a bridge. It is therefore not subject to the biennial bridge inspection. It is, however, included in the Annual Pavement Inspection Program,
- 54 culverts classified as bridges were inspected and rated in 2009.

Based on the findings of the 2008 and 2009 inspections, the bridges have been assigned the following Health indices:

- 495 (77.2%) have a Health Index greater than 90, requiring no action,
- 95 (14.8%) have a Health Index 80-89, needing minor maintenance,
- 38 (6.0%) have a Health Index 70-79, needing repairs within five years,
- 8 (1.2%) have a Health Index 60-69, needing repairs within two years,
- 0 (0%) have a Health Index less than 60, which requires immediate attention,
- 5 (1%) have not been evaluated as they are newly constructed.

Eight bridges have a health index indicating repairs are necessary within two years. Of the eight bridges, five are currently in construction contracts and three are under IDOT jurisdiction and inspected as a courtesy to the agency.

Bridge deck age is a good general indicator of the amount of bridge work that will be required in the future. The following table provides the number and percentage of bridge decks within various age categories. . The typical expected life of a concrete bridge deck is forty years. Nearly 30% of the bridge decks on the Tollway system are over forty years old. All bridge decks over 40 years old will be addressed before the end of the CRP. Only a portion of these will be replaced. Others will have minor or major repairs made as part of Systemwide Improvements described in a following section. Repairs are programmed based upon the condition assessment. Table 4 below identifies the deck age of the bridges on the Tollway system.

Table 5: Bridge Deck Age

	Age	Number of Decks	Percent of Total
Bridge Decks:	Over 40 Years	174	29.7%
	25 to 40 Years	81	13.8%
	1 to 25 Years	212	36.2%
	Under 1 Year	119	20.3%
Total		586*	100%

* Does not include 54 culverts

In 2009, the Consulting Engineer performed an in-depth inspection of 69 bridges throughout the Tollway System. These 69 bridges are among those most in need of repair as identified in the 2008 biennial inspection and are not already programmed in a repair contract. The in-depth inspection is conducted in addition to the biennial inspection. The intent of the in-depth inspection is to gather defect quantities for repair in order to develop anticipated costs and contracts for future bridge repair projects. The Consulting Engineer provided the Illinois Tollway with repair recommendations for the 69 bridges and a grouping of the bridges into recommended contracts for design and construction.

Retaining and Noise Abatement Walls

The retaining and noise abatement walls throughout the Tollway system are inspected on a four-year inspection cycle. There have been a number of retaining and noise abatement walls added over the last few years as part of the CRP. These retaining and noise abatement walls have not been included in the current overall inventory but will be phased into the inspection cycle. However, these new walls are expected to be in excellent condition for several years. Of the 483 total walls inspected between 2006 and 2009:

- 63 (13%) were rated in excellent condition,
- 331 (68%) were rated in good condition,
- 71 (16%) were rated in fair condition,
- 10 (2%) were rated in poor condition, and
- 3 (1%) were rated in critical condition.

The majority of retaining and noise abatement walls throughout the Tollway system are generally in good condition. There are 13 walls system-wide rated in poor or critical condition. Those listed in critical condition were repaired or replaced in 2009. The walls listed in poor condition have been programmed in current CRP or repair projects or have been programmed to be included in upcoming CRP contracts.

Overhead Sign Structures

The overhead sign structures throughout the Tollway system are inspected on a four-year inspection cycle. There are a total of 660 overhead sign structures located throughout the Tollway system. There have been a number of overhead sign structures added over the last few years as part of the CRP. These overhead sign structures have not been included in the current overall inventory but will be phased into the inspection cycle. However, these are expected to be in excellent condition for several years. Of the 479 overhead sign structures inspected between 2006 and 2009:

- 47 (10%) were rated in excellent condition,
- 302 (63%) were rated in good condition,
- 124 (26%) were rated in fair condition with minor problems, and
- 6 (1%) were rated in poor condition with a major problem.
- 0 (0%) were rated in critical condition.

The majority of overhead sign structures throughout the Tollway system are generally in excellent to fair condition. There are six overhead sign structures with major problems. Two of these are being addressed in current construction contracts. Two of the signs were classified as poor due to damage to the lighting system. Since lighting of these signs is no longer required, the lighting will not be replaced. The remaining two overhead sign structures should be addressed by Maintenance. Any items considered to be safety concerns would be identified as critical and would be repaired as soon as possible. No critical items exist on any sign structures.

2.4 Buildings and Facilities

The Consulting Engineer performs annual visual inspections of buildings and facilities located throughout the Tollway system. These inspections provide detailed data to assist in programming repairs and replacements of various building and facility components. Due to the over 100 Tollway facilities to be inspected of various complexities, the effort is scheduled as a multi-year task. Approximately, one quarter of Tollway owned buildings and facilities are inspected each year.

A majority of the inspected Tollway facilities are over fifty years old and are candidates for rehabilitation or replacement of their component systems. Renovation work over the years has enabled the facilities to continue to function. Architectural and site improvements have been made to maintenance facilities on an “as needed” basis through capital improvement projects. In addition, the I-PASS implementation program has enabled many upgrades, renovations, and replacement of toll plazas. Although the inspected facilities are functioning, the condition of the major systems (mechanical, electrical, HVAC, plumbing, roofing, etc.) continues to deteriorate resulting in inefficiencies and higher operational costs.

The Tollway Building Maintenance Division forces provide necessary day to day repairs of facilities to the extent possible. More intensive repair and rehabilitation work is performed under the Renewal and Replacement Program. All of the mainline toll plazas have been reconstructed or rehabilitated to accommodate ORT. The ORT work began in 2005 and was substantially completed in 2008.

Maintenance Facility Sites and Miscellaneous Facilities

The Illinois Tollway Maintenance Facility Sites consist of garages, offices, salt domes, gas pumping facilities, storage buildings, telecommunication towers and other components.

In 2006, the Consultant Engineer completed a Maintenance Yard Assessment for each Maintenance Facility Site throughout the system. These assessments reviewed the functionality, efficiency and condition of the sites and all facilities located within and made recommendations for improvement or replacement. Details of these assessments are available in the respective Assessment and Recommendation Report for each maintenance yard. These reports were utilized to develop a 10 year Facilities' Capital Program. A scope and schedule for the 10 year program has been approved, however, due to funding restrictions the budget is approved annually thus requiring annual review of the program and prioritization of the repairs.

In late 2007, the Tollway initiated a contract for a Maintenance Facilities Program Manager. This contract annually re-evaluates the work required at the Maintenance Facilities and prioritizes this work based on available funding. Work on the Maintenance Facilities began in late 2008 which included lighting, person facility, and chloride station upgrades.

In 2009, the following improvements were made at most of the appropriate Maintenance Facility buildings. The existing CO2 detection and exhaust systems were tested, repaired or replaced. The lighting systems in the Maintenance Shops were replaced with new more efficient lights with better color rendition. All Maintenance Yard garages with gabled roofs had the gutters and downspouts replaced and snow guards installed.

In 2001, it was first recommended to program deteriorated salt dome roofs throughout the system into a system-wide contract and to replace the vehicle facility at Maintenance Site M-1 in the next five years. To date, repairs at the M-2, M-4, M-7, M-11, M-12, and Illinois Route 251 salt domes have been completed. It is recommended that the salt dome roof at Maintenance Site M-8 be addressed as soon as possible due to the significant deterioration present.

The Illinois Tollway Miscellaneous Facilities consist of three stand alone salt domes (not located at a Maintenance Site) and one pump station. Of these facilities, the pump station and two of the salt domes were last rated in good condition requiring only continued routine maintenance. The salt dome at IL Route 251 was last rated in poor condition requiring major rehabilitation or replacement of the sub-components. The repairs to this salt dome were completed in 2009.

There are a total of 11 Maintenance Facility Sites and 11 Miscellaneous Facilities located throughout the Tollway system. Of those inspected during the most recent inspection cycles:

- 1 (5%) was last rated in excellent condition,
- 14 (64%) were last rated in good / satisfactory condition,
- 7 (32%) were last rated in poor condition, and
- 0 (0%) were last rated in critical condition.

The majority of Maintenance Facility Sites and Miscellaneous Facilities throughout the Tollway system were last rated in good condition. There are seven Maintenance Facility Sites and Miscellaneous Facilities system-wide last rated in poor condition. Repairs have begun to address the deficiencies at these facilities. These facilities will be monitored until repairs or replacement is completed.

Note: Percentages above may not total to 100% due to rounding.

Toll Plazas

There are a total of 72 toll plazas consisting of 22 mainline and 50 ramp toll plazas located throughout the Tollway system. Of those inspected during the most recent inspection cycles:

- 15 (21%) were last rated in excellent condition,
- 50 (69%) were last rated in good / satisfactory condition,
- 7 (10%) were last rated in poor condition, and
- 0 (0%) were last rated in critical condition.

The majority of Toll Plazas throughout the Tollway system were last rated in excellent to good condition. There are seven Toll Plazas system-wide last rated in poor condition. These facilities will be monitored until repair or replacement is completed.

Note: Percentages above may not total to 100% due to rounding.

Telecommunication Towers

There are a total of nine stand alone Telecommunication Towers which include a local control building housing fiber, IT and communication requirements located throughout the Tollway system. There are a total of 61 communication towers that relay data throughout the system and many are located at plazas or maintenance facilities where the communication is routed directly into a communications room within that facility and therefore inspected as part of that facility. Of those stand alone Telecommunications Towers inspected during the most recent inspection cycles:

- 4 (44%) were last rated in excellent condition,
- 3 (33%) were last rated in good / satisfactory condition,
- 1 (11%) were last rated in poor condition, and
- 0 (0%) were last rated in critical condition, and
- 1 (11%) was not rated.

The majority of Telecommunication Towers throughout the Tollway system were last rated in excellent to good condition. There is one Telecommunication Tower last rated in poor condition. This facility will be monitored until repairs or replacement is completed.

Note: Percentages above may not total to 100% due to rounding.

Oases

In 2002, the Tollway entered into a lease agreement with a private company for the operation of the seven Oases on the system. The lease agreement required the company to rehabilitate the oases. Oasis remediation work began in 2002 which included new fuel stations, car wash and convenience stores at all oases. All of the fuel stations and convenience stores were completed and opened in 2004. The Belvidere Oasis on the Jane Addams Memorial Tollway and the O'Hare Oasis on the Tri-State Tollway were completed and opened in 2004. The Hinsdale and Lake Forest Oases on the Tri-State Tollway; the DeKalb Oasis on the Ronald Reagan Memorial Tollway; and the Des Plaines Oases on the Jane Addams Memorial Tollway were completed and opened in 2005. The Chicago Southland Lincoln Oasis on the Tri-State Tollway was completed and opened in 2006. The facilities, fueling stations and car parking lots were upgraded as part of these projects; however, little or no work was completed in the adjacent truck parking lots. Additionally, inspections became the responsibility of the lessees upon completion of the rehabilitation projects. In 2009, at the request of the Tollway, the inspections of the Oases by the Consulting Engineer resumed.

All seven Oases are rated in good condition, requiring minor or no repair work, except for the truck parking lots which should be reconstructed or rehabilitated.

2.5 Intelligent Transportation Systems (ITS)

Deployment of Intelligent Transportation Systems (ITS) on the Tollway began in the late 1980s with the installation of Road Weather Information Systems (RWIS) for monitoring atmospheric and pavement conditions during inclement weather. The system was further expanded with the construction of a system-wide fiber optic communications network and the electronic tolling initiative in the late 1990s.

Since then, the Tollway ITS system has been expanded and enhanced to include a system-wide network of communications, monitoring, and traveler information tools. This has enhanced traffic and incident management capabilities and improved mobility, efficiency, and safety of the Illinois Tollway roads.

Today the Tollway ITS system includes the following components:

- System-wide fiber optics and communications equipment
- Electronic toll collection
- Vehicle detection – for measuring traffic volumes and speeds, and queues on exit ramps
- Closed circuit camera surveillance (CCTV) – for verifying and monitoring congestion and incidents
- Dynamic message signs (DMS) – for providing traveler information to the motoring public
- Remote Traffic Microwave Sensors (RTMS) – for measuring travel speeds and congestion
- Portable changeable message signs (PCMS) – for providing traveler information to the motoring public on a short-term basis or within construction zones
- Weigh-in-motion (WIM) – to assist overweight vehicle enforcement
- Road weather information systems (RWIS) – to assist management of snow and ice events

These components are integrated into a Traffic and Incident Management System (TIMS) which is monitored and controlled from a traffic operations center at the Central Administration building. The TIMS is a management platform that allows operators to monitor traffic conditions in real-time, manage response and clearance of incidents, monitor construction zones, and communicate with Illinois Tollway staff, the media, and the motorist.

In 2008 to 2009, the Tollway ITS system was further expanded with the deployment of over 90 CCTV cameras, 76 RTMS vehicle detectors, four ramp queue detectors, and two weigh-in-motion stations. Smart Work Zone functionality was integrated into the TIMS to better monitor and manage traffic and incidents within construction zones. A Smart Work Zone is the application of the Tollway's fundamental traffic and incident management practices and procedures on a focused area of the Tollway – a construction work zone – to enhance safety and mobility through that area. Traffic and Incident Management becomes even more crucial in work zones as capacity is already reduced, drivers have more information to process, conditions are subject to change regularly, safety of drivers and workers must be addressed and mobility must be maintained. Contending with and balancing these issues requires a clear picture of what is happening in the work zone. Wireless communications for video were successfully implemented on the North Tri-State Tollway which has laid the groundwork for continued expansion of the technology and its capabilities. Efforts continued for the modernization of the overall communications systems that will improve the reliability, speed, and flexibility of data communications and video transmission.

Work also began on modernization of the TIMS central management software. Modernization and

enhancement of the eight year old software is expected to increase the overall stability and performance of a system that has grown to manage hundreds of devices and over 500 events every day.

Recommendations for 2010 are focused on continued modernization and enhancement of key ITS system components. Specific initiatives are anticipated to include:

- Completion of the TIMS central management software modernization
- Completion of migration of existing communications systems to the Illinois Tollway's new Next Generation Network
- Enhanced physical security of roadside equipment
- Enhanced electrical protection of the ITS systems through grounding and lightning protection improvements

Additionally the Tollway will build on the success of the deployment of weigh-in-motion on the I-355 south extension and on I-90 by expanding the system on to the Tri-State Tollway with two sites on either end of the Tollway's backbone.

A final key initiative will be the expansion of the Tollway's partnership with Traffic.com. Traffic.com is currently partnered with the Tollway to provide traffic data to the Tollway through their traffic sensors installed on the Tollway. As part of the partnership, Traffic.com shares earned revenue with the Tollway as part of a revenue reinvestment agreement. During 2010, the Tollway and Traffic.com were to reinvest a portion of the earned revenue into expanding the sensor network to areas on the Tollway currently not covered.

3.0 Congestion-Relief Program – “Open Roads for a Faster Future”

In mid-2004, the Tollway unveiled a 10-Year Congestion-Relief Plan (CRP) that addressed the existing infrastructure, congestion relief, and the needs of growing communities and enhancement of local economies.

In order to provide maximum benefits to Tollway patrons as soon as possible, the CRP included an aggressive program of work in the first five years. The conversion of the entire system to allow Open Road Tolling and reconstruction and widening of a substantial portion of the roadway was planned as part of the first five years of the CRP. The CRP includes a significant increase in capital spending over historical amounts administered by the Tollway. Recognizing that a reorganization of certain functions, and additional manpower would be needed to implement the CRP, the Tollway selected HNTB Corporation to provide services as the Program Management Office (PMO). HNTB is a nationally recognized, multidisciplinary firm that provides transportation, bridge, aviation, architecture, urban design and planning, environmental engineering, water and construction services.

During the first half of 2007, the Department of Engineering and the Project Management Office in cooperation with the Department of Finance undertook a review of the status of the CRP. The review included an assessment of the schedule and scope of current projects, a review of cost estimates of remaining projects, and consideration for additional projects with respect to benefits provided to the Tollway and adjacent communities.

In September 2007, the Tollway Board of Directors approved a modification and extension of the Congestion-Relief Program. The term of the CRP, which was previously scheduled to begin in 2005 and end in 2014, was extended through 2016 to accommodate additional projects planned for 2015 and 2016.

Since the modification and extension of the CRP in 2007, no major construction project scope changes have occurred. In the fall of 2010, a number of projects were rescheduled based upon bridge repair schedules and priority of needs based on current condition. A number of projects have been completed and as projects have begun construction costs have been revised. Current estimated total costs for each segment are included and descriptions of any changes between the June 2010 Consulting Engineers Report and the current CRP for each segment are included in the project descriptions in Section 4.0.

The CRP continues to include three major areas of need that are a direct part of infrastructure improvement. Most projects fall into more than one of the areas and are proposed on all four routes of the Tollway. The major goals include:

- Fix the existing infrastructure by reconstructing (including rubblization) and rehabbing most of the system: 41% of the lane-miles will be reconstructed and 54% will be rehabilitated.
- Reduce travel times by widening 88.3 miles of the existing routes, and converting the entire system to open road tolling that allows I-PASS users to bypass traditional toll plazas entirely.
- Extend I-355 to the south from I-55 to I-80 to accommodate the needs of growing communities (completed).

Table 5 below provides the estimated annual program draw required to fund the current CRP. This table is based upon information provided by the PMO, which may vary slightly from internal Tollway information, with variation for the aggregate draws of 2005 through 2009 being less than 0.2%

Table 6: Congestion-Relief Program - Estimated Program Draws

Year	Congestion-Relief Program Estimated Program Draws (Million)
2005	\$373.1*
2006	\$934.6*
2007	\$1,049.4*
2008	\$1,132.0*
2009	\$898.5*
2010	\$319.4
2011	\$201.4
2012	\$269.7
2013	\$146.4
2014	\$91.9
2015	\$272.0
2016	\$137.4
2017 and Beyond	\$1.5**
Total	\$5,827.5***

* Actual

** Final payments and project closeouts will occur in 2017 and 2018, all project work will be complete by the end of 2016.

*** The CRP anticipates state and local reimbursements of approximately \$91.1 million, \$51.7 million of which have been received to date and \$39.4 million of which are anticipated to be received from 2011-2015. Credit for such reimbursements are not included in the above draws. Please note that the annual totals may not add to the CRP total due to rounding.

4.0 The Project

Bond proceeds and Tollway revenues will be used to fund the CRP. The following describes the projects that make up the overall CRP project, and so may be funded in whole or in part with bond proceeds. The Tollway's current expectation is to fund the remainder of the CRP from revenues and funds on hand. In order to reflect accurate cash flows, individual project costs and schedules have been updated from the Congestion-Relief Plan approved in September 2004 and as reported in the June 2005, May 2006, October 2007, October 2008, May 2009, November 2009 and June 2010 Consulting Engineer's Reports.

The CRP described in this report is very similar to the project presented in the June 2010 Consulting Engineer's Report with several project schedules being revised and the elimination of the design for the reconstruct and add lane on the Jane Addams Memorial Tollway (I-90) from the Kennedy Expressway to Newburg Road. The Program budget has been reduced from \$6.129B to \$5.828B. An additional eleven construction contracts totaling over \$27 million have been bid since that report, and are reflected in the costs associated with the estimated total cost for each project. The projects that were bid for construction provided current pricing information that was utilized to develop updated construction cost estimates for projects currently in various phases of design. The combination of having actual construction contract values as well as updated estimates has provided the Tollway with a more up to date overall CRP cost.

Most of the projects that combine to form the Open Road Tolling (ORT) program have been completed. These projects are described in section 4.5 under the title Open Road Tolling. These projects consist of both congestion relief due to the elimination of mainline toll plazas and the reconstruction of the mainline lanes through the plaza area.

The total costs presented in the following sections were provided by the Tollway's PMO and cover projects at various stages of completion. Projects that have been completed are represented by finalized expenditures (portions included in the CRP). For projects that are presently in construction, the PMO utilizes "estimate at completion" values for construction contracts and also incorporates other known costs (design and construction engineering, right of way, utility reimbursements, etc.) to develop an overall estimated cost. Projects at various stages of design utilize estimates developed by Design Section Engineers (design consultants to the Tollway) using standard practices for major highway projects. The estimates utilize an appropriate baseline date for costs for the various components of construction. Both five percent annual escalation to the midpoint of anticipated construction and standard contingency percentages based upon level of design completion are applied to the estimated cost. Other known or estimated costs for right-of-way and utility relocations/reimbursements are also included, along with known design engineering costs and known or estimated construction management costs. Projects that have yet to begin design, as well as projects that had scope changes during the final development of the revised CRP are estimated using "parametric estimating." These estimates consist of the type of estimating that was utilized during the initial development of the CRP. Costs for major portions of work are developed based upon recent bidding of other projects. Other costs are estimated using percentages of the major items. Appropriate contingency factors are included in order to account for unforeseen conditions and lack of even preliminary design.

The PMO has developed a variety of methods for verifying the accuracy of the various types of estimates. The Consulting Engineer believes that the cost tracking and estimating practices presently used by the PMO for the CRP are appropriate.

The Consulting Engineer relied on the PMO to provide the scopes of work and estimates of construction costs. It should be noted that under the Consulting Engineer contract, cost estimating services are provided to the Tollway and are directed by the PMO. The Consulting Engineer provided

the PMO with annual costs associated with major maintenance for segments of the system required before reconstruction or rehabilitation projects are implemented. These costs are included in the Systemwide Improvements (described in Section 4.6).

The project construction costs (for projects other than Systemwide Improvements) and durations were developed by the PMO and are predicated on the following basic assumptions:

1. Project construction will be in general conformance with past Tollway practices;
2. Project construction will be as described below with regard to scope and schedule;
3. Construction costs are in year of expenditure dollars;
4. No unforeseen conditions or circumstances or unusual price escalation not currently identified will occur.

Descriptions of specific elements of the CRP discussed in this report are presented in the following sections. Changes in the project scopes and/or scheduled construction from the June 2010 Consulting Engineer's Report are noted where applicable.

4.1 Tri-State Tollway (I-94/I-294)

I-394 to 167th Street - Reconstruct / Add Lane - COMPLETED

Length: 5.4 miles

Description: Reconstruct and widen from six (6) lanes to eight (8) lanes with the addition of merge lanes at select locations.

Benefits: Replacement of 47-year-old pavement with more durable 12" concrete (CRC); lane added in each direction to reduce traffic congestion

Work coordinated with IDOT (Illinois Department of Transportation) work on I-80

Construction period: 2005-2006

Total cost: \$ 277.6M

No scope changes from June 2010 Consulting Engineer's Report. Total cost adjusted from previously estimated \$277.8M due to contract close out.

159th Street to 95th Street - Reconstruct / Add Lane - CONSTRUCTION COMPLETE

Length: 11.3 miles

Description: Reconstruct and widen from six (6) lanes to eight (8) lanes with the addition of merge lanes at select locations

Benefits: Replacement of 49-year-old pavement with 12" concrete (CRC); lane added in each direction to reduce traffic congestion; ramps widened at 159th Street, 127th Street & Cicero Avenue and 95th Street interchanges to improve traffic flow

Construction period: 2007-2009

Total cost: \$ 428.4M

No scope changes from June 2010 Consulting Engineer's Report. Total estimated cost adjusted from \$429.8M due to contract close out.

95th Street to Balmoral Avenue - Pavement Resurfacing

Length: 22.3 miles

Description: Remove 2" of existing pavement and place 4" asphalt overlay with bridge repairs

Benefits: Improvement to riding surface to extend pavement life, improve customer service and ease travel; Resurface existing pavement for improved serviceability

Estimated construction period: 2012

Estimated total cost: \$ 103.3M

The project was rescheduled from 2011 to 2012. The estimated project cost was adjusted from \$133.2M in the June 2010 Consulting Engineer's Report. The current project does not include

necessary bridge improvements, which are included within Systemwide Bridge Improvements included in section 4.5.

Balmoral Avenue to Dempster Street - Reconstruct / Add Lane - CONSTRUCTION COMPLETE

Length: 4.3 miles

Description: Reconstruct and widen from six (6) lanes to eight (8) lanes with the addition of merge lanes at select locations

Benefits: Replacement of 48-year-old pavement with more durable 13" concrete (JPC); lane added in each direction to reduce traffic congestion

Construction period: 2006-2009

Total cost: \$ 304.9M

No scope changes from June 2010 Consulting Engineer's Report. Total estimated cost adjusted from \$304.4M due to contract close out.

Dempster Street to Lake Cook Road - Reconstruct / Add Lane - CONSTRUCTION COMPLETE

Length: 8.4 miles

Description: Reconstruct and widen from six (6) lanes to eight (8) lanes with the addition of merge lanes at select locations

Benefits: Replacement of 49-year-old pavement with more durable 12" concrete (JPC); lane added in each direction to reduce traffic congestion

Construction period: 2007-2009

Total cost: \$ 289.7M

No scope changes from June 2010 Consulting Engineer's Report. Total estimated cost adjusted from \$291.2M due to and contract close out.

Half Day Road to IL 137 (Buckley Road) - Reconstruct / Add Lane - CONSTRUCTION COMPLETE

Length: 7.9 miles

Description: Reconstruct and widen from six (6) lanes to eight (8) lanes with the addition of merge lanes at select locations

Benefits: Replacement of 49-year-old pavement with more durable 12" concrete (JPC); lane added in each direction to reduce traffic congestion

Construction period: 2007-2009

Total cost: \$ 230.3M

No scope changes from June 2010 Consulting Engineer's Report. Total estimated cost adjusted from \$230.2M due to contract close out.

IL 137 (Buckley Road) to Russell Road - Reconstruct / Add Lane, Reconstruct - CONSTRUCTION COMPLETE

Length: 15.1 miles

Reconstruct and widen from six (6) lanes to eight (8) lanes from IL 137 (Buckley Road) to south of IL 173 (Rosecrans Road) and Reconstruct from south of IL 173 (Rosecrans Road) to Russell Road

Benefits: Replacement of 49-year-old pavement with more durable 12" concrete (JPC); lane added in each direction to reduce traffic congestion;

Construction period: 2007-2009

Total cost: \$ 260.4M

No scope changes from June 2010 Consulting Engineer's Report. Total estimated cost adjusted from \$260.3M due to contract close out.

Edens Spur - Pavement Resurfacing and Noise Wall Construction

Length: 5.0 miles

Description: This project includes asphalt and concrete pavement restoration replacing the existing asphalt overlay with a new 4" asphalt overlay and joint replacement as necessary, along with diamond grinding to retexture the concrete pavement surface; Construction of one mile total length of noise wall along roadway; Bridge repairs.

Benefits: Improvement to riding surface to extend pavement life, improve customer service and ease travel; Improvement of quality of life for surrounding homes

Construction period: 2010

Estimated total cost: \$ 18.8M

The project was rescheduled from construction in 2011-2012 to coincide with bridge repairs. The estimated project cost was adjusted from \$22.6M in the June 2010 Consulting Engineer's Report.

Edens Spur to Half Day Road - Pavement Resurfacing

Length: 3.5 miles

Description: Diamond grinding to retexture pavement surface and joint replacement as necessary.

Benefits: Improvement to riding surface to extend pavement life, improve customer service and ease travel

Estimated construction period: 2012

Estimated total cost: \$ 8.4M

No scope or cost changes from June 2010 Consulting Engineer's Report

I-294 / I-57 Interchange - Interchange Improvement

Description: Construct a new interchange connecting I-294 to I-57

Benefits: Improves regional mobility by providing a direct access between I-294 and I-57 to reduce travel times for regional travel; Provides an opportunity to coordinate land use and transportation improvements by building a facility that best meets the planning goals adopted by regional, county and municipal government; Addresses local roadway network deficiencies; relieving local roads from traffic transferring between I-294 and I-57, reduces damage on local roads and improves safety within the local roadway network. This component of the CRP has been included since conception. The cost includes the Tollway portion only of a joint project with IDOT.

Estimated construction period: To Be Determined

Estimated total cost: \$ 46.2M (Tollway Portion Only)

No scope or cost changes from June 2010 Consulting Engineer's Report

4.2 Jane Addams Memorial Tollway (I-90)

Kennedy Expressway to IL 53 - Pavement Rehabilitation/Resurfacing

Length: 10.6 miles

Description: Concrete pavement restoration, remove 3" of existing pavement and place 5" asphalt overlay.

Benefits: Resurface existing pavement for improved serviceability; Improvement to riding surface to extend pavement life, improve customer service and ease travel

Estimated construction period: 2015

Estimated total cost: \$ 76.8M

No scope changes from June 2010 Consulting Engineer's Report. The construction cost has been adjusted from \$57.2M coinciding with the revision of the construction schedule from 2011.

IL 53 to Elgin Plaza - Pavement Rehabilitation/Resurfacing

Length: 14.4 miles

Description: Concrete pavement restoration, remove 4" of existing pavement and place 5" asphalt overlay.

Benefits: Resurface existing pavement for improved serviceability; Improvement to riding surface to extend pavement life, improve customer service and ease travel

Estimated construction period: 2011 – Between Barrington Road and Elgin Plaza / 2015 – Between IL Route 53 and Barrington Road

Estimated total cost: \$ 98.7M

No scope changes from June 2010 Consulting Engineer's Report. The construction cost has been adjusted from \$96.6M coinciding with the revision of the construction schedule from 2011 for the section between IL Route 53 and Barrington Road.

Elgin Plaza to Sandwald Road - Pavement Rehabilitation/Resurfacing

Length: 8.9 miles

Description: Concrete pavement restoration, remove 4" of existing pavement and place 5" asphalt overlay.

Benefits: Resurface existing pavement for improved serviceability; Improvement to riding surface to extend pavement life, improve customer service and ease travel

Estimated construction period: 2013

Estimated total cost: \$ 43.1M

No scope changes from June 2010 Consulting Engineer's Report. The construction cost has been adjusted from \$47.7M coinciding with the revision of the construction schedule from 2015.

Sandwald Road to Newburg Road - Pavement Rehabilitation/Resurfacing

Length: 27.9 miles

Description: Concrete pavement restoration, remove 4" of existing pavement and place 5" asphalt overlay.

Benefits: Resurface existing pavement for improved serviceability; Improvement to riding surface to extend pavement life, improve customer service and ease travel

Estimated construction period: 2011 / 2013 / 2015

Estimated total cost: \$ 128.8M

Since the June 2010 Consulting Engineer's Report, the construction cost has been adjusted from \$137.7M coinciding with the revision of the construction schedule from entirely in 2015. The scope and cost are currently under review and it is expected that potential scope revisions may reduce the cost of this improvement. If such cost reduction were to materialize, a portion of the reduction would be anticipated to be used to fund a bridge rehabilitation project at the I-294/I-90 interchange, while any remaining reduction in cost would be available to fund additional improvements throughout the system.

I-39 at I-90 Interchange - Interchange Improvement - CONSTRUCTION COMPLETE

Description: Reconfigure and reconstruct the Jane Addams Memorial Tollway / IL 39 interchange including the construction of a new flyover ramp and adjacent mainline pavement reconstruction.

Benefits: Replacement of 50-year-old pavement with full depth (15" and 12") HMA bituminous concrete, Construction of the ramp will ease congestion and improve safety; congestion at toll plaza improved through reconfiguration

Estimated construction period: 2008-2009

Estimated total cost: \$ 68.7M

No scope changes from June 2010 Consulting Engineer's Report. Total estimated cost adjusted from \$68.8M due to contract close out.

Newburg Road to Rockton Road - Reconstruct / Add Lane - CONSTRUCTION COMPLETE

Length: 14.3 miles

Description: Reconstruct and widen from four (4) lanes to six (6) lanes

Benefits: Replacement of existing pavement will provide prolonged roadway life and increase serviceability; Congestion relief through the expansion from four (4) to (6) lanes in each direction. Improves safety and mobility throughout corridor

Construction period: 2008-2009

Total cost: \$ 203.1M

No scope changes from June 2010 Consulting Engineer's Report. Total estimated cost adjusted from \$201.3M due to construction reductions and contract close out.

East Riverside Boulevard Interchange - Interchange Improvement

Description: Provide a full access interchange at East Riverside Boulevard in conjunction with local agencies.

Benefits: Improves regional mobility by relieving local roads from traffic, reduces damage on local roads, improves safety within the local roadway system

Estimated construction period: 2008-2009

Estimated total cost: \$ 10.0M (Tollway Portion Only)

No scope or cost changes from June 2010 Consulting Engineer's Report

Kennedy Expressway to Newburg Road – Master Plan and Design for Reconstruct / Add Lane

Length: 61.8 miles

Description: Design for the reconstruction and widening from the Kennedy Expressway to Newburg Road

Benefits: Provide design plans for future improvements; Provide for improved inter-modal coordination; Provides an opportunity to coordinate land use and transportation improvements by building a facility that best meets the planning goals adopted by regional, county and municipal government; Addresses local roadway network deficiencies; relieving local roads from longer trips, reduces damage on local roads and improves safety within the project corridor

Estimated design period: 2006-2016

Estimated total cost: \$ 14.7M

The design portion of the project within 2015-2016 has been removed from the scope identified in the June 2010 Consulting Engineer's Report. The estimated cost has been revised from \$151.7M.

4.3 Ronald Reagan Memorial Tollway (I-88)

York Road to IL Route 83 - Reconstruct / Add Lane - CONSTRUCTION COMPLETE

Length: 2.2 miles

Description: Reconstruct and widen from six (6) to eight (8) lanes from east of York Road to IL 83

Benefits: Replacement of 49-year-old pavement with more durable 13" concrete (JPC); Congestion relief through the expansion of the roadway from six (6) to eight (8) lanes; Improves safety and mobility throughout corridor

Construction period: 2007 – 2009

Total cost: \$ 175.0M

No scope changes from June 2010 Consulting Engineer's Report. Total estimated cost adjusted from \$175.5M due to contract close out.

IL Route 83 to Finley Road - Reconstruct / Add Lane - CONSTRUCTION COMPLETE

Length: 5.1 miles

Description: Reconstruct and widen from six (6) to eight (8) lanes from IL Route 83 to east of Finley Road

Benefits: Replacement of 50-year-old pavement with more durable 13" concrete (JPC); Congestion relief through the expansion of the roadway from six (6) to eight (8) lanes; Improves safety and mobility throughout corridor

Construction period: 2008 – 2009

Total cost: \$ 94.1M

No scope changes from June 2010 Consulting Engineer's Report. Total estimated cost adjusted from \$94.6M due to contract close out.

Finley Road to Washington Street - Reconstruct / Add Lane - CONSTRUCTION COMPLETE

Length: 5.7 miles

Description: Reconstruct and widen from six (6) to eight (8) lanes from east of Finley Road to Washington Street

Benefits: Replacement of 48-year-old pavement with more durable 13" concrete (JPC); Congestion relief through the expansion of the roadway from six (6) to eight (8) lanes; Improves safety and mobility throughout corridor

Construction period: 2006 – 2009

Total cost: \$ 218.6M

No scope changes from June 2010 Consulting Engineer's Report. Total estimated cost adjusted from \$219.3M due to contract close out.

Washington Street to IL Route 59 - Reconstruct / Add Lane - COMPLETED

Length: 3.6 miles

Description: Reconstruct and widen from six (6) to eight (8) lanes from Washington Street to IL 59 with additional ramp lanes at the IL 59 Interchange

Benefits: Replacement of 48-year-old pavement with more durable 12" concrete (JPC); Congestion relief through the expansion of the roadway from six (6) to eight (8) lanes; Improves safety and mobility throughout corridor

Construction period: July 2004 – December 2005

Total cost: \$ 45.9M

No scope or cost changes from June 2010 Consulting Engineer's Report.

Aurora Plaza to Deerpath Road including Fox River Bridge - Reconstruct / Add Lane - CONSTRUCTION COMPLETE

Length: 3.2 miles

Description: Reconstruct and widen from four (4) to six (6) lanes from the Aurora Plaza to Deerpath Road including a new Fox River Bridge and the addition of a 3rd ORT lane in each direction at the Aurora Plaza

Benefits: Replacement of old pavement with more durable 13" concrete (JPC); Congestion relief through the widening from four (4) to six (6) lanes; Improves safety and mobility throughout corridor; Congestion relief through additional ORT lanes at the Aurora Plaza

Construction period: 2007 – 2009

Total cost: \$ 133.7M

No scope changes from June 2010 Consulting Engineer's Report. Total estimated cost adjusted from \$135.8M due to contract close out.

Deerpath Road to IL 56 - Reconstruct / Add Lane

Length: 1.0 miles

Description: Reconstruct and widen from four (4) to six (6) lanes from Deerpath Road to IL Route 56

Benefits: Replacement of old pavement with more durable 13" concrete (JPC); Congestion relief through the expansion of the roadway from four (4) to six (6) lanes; Improves safety and mobility throughout corridor

Estimated construction period: 2012

Estimated total cost: \$ 17.3M

No scope changes from June 2010 Consulting Engineer's Report. The construction cost has been adjusted from \$19.9M coinciding with the revision of the construction schedule from 2015.

Deerpath Road to IL Route 251 - Resurface

Length: 38.1 miles

Description: Remove 2" of existing pavement and place 4" asphalt overlay

Benefits: Resurface existing pavement for improved serviceability; Improvement to riding surface to extend pavement life, improve customer service and ease travel

Estimated construction period: 2012

Estimated total cost: \$ 104.7M

No scope changes from June 2010 Consulting Engineer's Report. Estimated construction cost revised from \$96.9M based upon recent bidding history.

IL Route 251 to US Route 30 - Reconstruct / Rubblization - COMPLETED

Length: 32.0 miles

Description: Rubblize and resurface with 6" to 7" overlay from IL 251 to US 30.

Benefits: Reconstruct existing pavement for improved serviceability; Improvement to riding surface to extend pavement life, improve customer service and ease travel

Construction period: July 2005 – December 2005

Total cost: \$ 47.6M

No scope or cost changes from June 2010 Consulting Engineer's Report

IL Route 251 to US Route 30 - Resurface

Length: 32.0 miles

Description: Remove 2" of existing pavement and place 6" asphalt overlay; reconstruct pavement at crossroad bridges

Benefits: Resurface existing pavement for improved serviceability; Improvement to riding surface to extend pavement life, improve customer service and ease travel

Estimated Construction period: 2015 – 2016

Estimated Total cost: \$ 149.4M

No scope changes from June 2010 Consulting Engineer's Report. Estimated construction cost revised from \$152.0M based upon recent bidding history.

4.4 Veterans Memorial Tollway (I-355) (Formerly North-South Tollway)

I-55 to Army Trail - Pavement Resurfacing (Not Including 75th Street to I-88)

Length: 13.0 miles

Description: Resurface existing concrete pavement with 4" asphalt overlay from I-55 to 75th Street and from I-88 to Army Trail Road as well as bridge repairs

Benefits: Improvement to riding surface to extend pavement life; improve customer service and ease travel.

Construction period: 2010

Estimated total cost: \$ 58.4M

No scope or cost changes from June 2010 Consulting Engineer's Report.

75th Street to Ronald Reagan Memorial Tollway (I-88) - Overlay and Add Lane - CONSTRUCTION COMPLETE

Length: 4.5 miles

Description: Resurface existing concrete pavement with 4" asphalt overlay; widen from six (6) lanes to eight (8) lanes with the addition of merge lanes at select locations

Benefits: Improvement to riding surface to extend pavement life and improve customer service and ease travel; Congestion relief through the expansion of the roadway from six (6) to eight (8) lanes

Construction period: 2008-2009

Total cost: \$ 60.1M

No scope or cost changes from June 2010 Consulting Engineer's Report..

I-355 South Extension I-55 to I-80 - COMPLETED

Length: 12.5 miles

Description: Construction of a new limited access highway extending I-355 south from I-55 to I-80. The 300-foot right-of-way has six proposed interchange locations at I-55, 127th Street, 143rd Street/IL Rte. 171 (Archer Avenue), IL Rte. 7 (159th Street), US Rte. 6, and I-80. The extension will travel through 13 Municipalities/Townships in 3 counties, including: Bolingbrook, Downers Grove

Township, DuPage Township, Homer Glen, Homer Township, Lemont, Lemont Township, Lockport, Lockport Township, New Lenox, New Lenox Township, Romeoville and Woodridge.

Benefits:

- Improves access between residential area and regional job centers by reducing travel times from the project corridor to suburban job centers
- Reduces travel times, improves regional mobility; Improves regional mobility by providing a direct route between I-55 and I-80 to reduce travel times for regional travel
- Provides an opportunity to coordinate land use and transportation improvements by building a facility that best meets the planning goals adopted by regional, county and municipal government
- Addresses local roadway network deficiencies; relieving local roads from longer trips, reduces damage on local roads and improves safety within the project corridor.

Construction period: 2005-2007

Estimated total cost: \$ 715.9M

No scope changes from June 2010 Consulting Engineer's Report. Major project construction is complete. Additional expenditures are anticipated through 2011 for construction close out and wetland and related mitigation activities.

4.5 Open Road Tolling (ORT)

Open Road Tolling w/ Adjacent Mainline Reconstruction - COMPLETED

Description: Reconstruction or rehabilitation of 20 mainline plazas and adjacent mainline reconstruction to implement barrier-free, Open Road Tolling.

Benefits:

- Improved safety for motorists due to the elimination of traffic backups and separation of higher speed traffic.
- Improved travel times due to reduction of congestion and backups at plazas.
- Reduction of air pollution caused by traffic backups.
- Improved facilities for Tollway personnel.
- Improved safety at plazas due to reduction of traffic volume in the cash lanes.

Construction period: 2005-2007

Estimated total project cost: \$ 702.3M

No scope changes from June 2010 Consulting Engineer's Report. Major project construction is complete. Additional expenditures are anticipated through 2009 for construction close out and equipment needs. Total estimated cost adjusted from \$702.6M due to project closeout.

4.6 Systemwide Improvements

Bridge Improvements

Length: Systemwide

Description: Non-project specific funding provided for general bridge improvements based on historical spending and scheduled reconstruction/widening projects

Benefits: Improvement to system bridges in advance of reconstruction projects

Estimated construction period: 2005-2016

Estimated total cost: \$ 176.4M

Ongoing scope revisions from June 2010 Consulting Engineer's report. Total estimated cost has been revised from \$150.6M. Of the estimated expenditures for Bridge and Pavement Improvements between 2010 and 2016, over 35% is identified for the Jane Addams Memorial Tollway.

Plaza Improvements

Length: Systemwide

Description: Non-project specific funding provided for general plaza improvements based on historical spending

Benefits: Improvement to system plazas in advance of reconstruction projects

Estimated construction period: 2005-2016

Estimated total cost: \$ 11.9M

The estimated total cost has been revised from \$11.7M in the June 2010 Consulting Engineer's report due to revised estimates and contract closeout.

Interchange Improvements

Length: Systemwide

Description: Non-project specific funding provided for general interchange improvements based on historical spending; Earmarked funds based upon preliminary estimates and reimbursement agreements with lead agencies

Benefits: Improvement to system interchanges in advance of reconstruction projects; Tollway access improvement

Estimated construction period: 2005-2016

Estimated total cost: \$ 100.4M

The estimated total cost has been revised from \$100.3M in the June 2010 Consulting Engineer's report due to updated construction cost estimates.

Environmental / Program Management and Miscellaneous

Length: Systemwide

Description: Funding provided for general program management, other professional services, surveying, aerial mapping, and other small contracts not specifically related to individual projects elsewhere identified.

Benefits: Provides for management services and other contracts supporting the CRP.

Estimated total cost: \$ 134.5M

The estimated total cost has been revised from \$133.9M in the June 2010 Consulting Engineer's report.

Pavement Improvements

Length: Systemwide

Description: Non-project specific funding provided for general pavement improvements based on historical spending and scheduled reconstruction/widening projects

Benefits: Improvement to system pavement in advance of reconstruction projects

Construction period: 2005-2016

Estimated total cost: \$ 269.7M

Ongoing scope revisions from the June 2010 Consulting Engineer's report. The estimated total cost has been revised from \$174.2M. Of the estimated expenditures for Bridge and Pavement Improvements between 2010 and 2016, over 35% is identified for the Jane Addams Memorial Tollway, with additional non-specific funds available.

4.7 Program Reserve Fund

Program Reserve Fund

Length: Systemwide

Description: Non-project specific balance that is currently unassigned. Balance is due to construction closeout savings already reserved and projected savings from recent bidding history and revised forecasts. The majority of the balance is currently spread over the final four years of CRP.

Construction period: 2010-2016

Estimated total cost: \$ 0.0M

Reserve fund amount has been revised from \$259.2M in the June 2010 Consulting Engineer's report. Reserve funds and other project savings are now reflected in a reduction of the total CRP cost.

5.0 Estimated Renewal and Replacement Deposits

Section 204(1)(4) of the Indenture, provides that the Consulting Engineer shall provide estimates of Renewal and Replacement Deposits. The Renewal and Replacement Deposit is the “amount budgeted for deposit to or projected for deposit to the Renewal and Replacement Account for Renewal and Replacement Expenses, other than such budgeted or projected amounts which the Authority has determined will be available for Renewal and Replacement Expenses from the System Reserve Fund, the Improvement Fund, or from the proceeds of authorized borrowings or from installment purchases or leases.”

Table 6 below, provides estimates of Renewal and Replacement Deposits for each of the fiscal years 2011 through 2021. The Renewal and Replacement Deposits are based upon the following information provided to the Consulting Engineer prior to the issuance of this report:

- *Estimated capital expenditures of \$5.828 billion for the execution of the Congestion-Relief Program described in Section 4, which addresses the condition needs of the System as described in Sections 1 and 2*
- *The finance plan provided to the Consulting Engineer by the Tollway, which anticipates that the Congestion-Relief Program will be funded with approximately \$3.5 billion of bond proceeds and approximately \$2.3 billion of Tollway revenue*

In addition to the \$5.828 billion budgeted for the CRP, the Tollway’s Plan of Finance includes an estimated \$700 million for non-roadway capital needs during 2005 to 2016. Estimated Renewal and Replacement Deposits will fund portions of both the CRP and the non-roadway capital needs. The Trust Indenture requires projections for five years beyond the “in-service” date of the project.

Table 7: Estimated Annual Renewal and Replacement Deposits

Year	Renewal and Replacement Deposits
2011	\$174,000,000*
2012	\$185,000,000
2013	\$150,000,000
2014	\$150,000,000
2015	\$180,000,000
2016	\$170,000,000
2017	\$150,000,000
2018	\$150,000,000
2019	\$200,000,000
2020	\$200,000,000
2021	\$200,000,000

* The Consulting Engineer recommended depositing \$160 million into the renewal and replacement account in 2011. An additional \$14 million from revenues is estimated to be deposited.

6.0 Estimated Operating Expenses

Operating Expenses are the expenses that the Tollway will incur in the normal course of business for operation, maintenance and repairs of the Tollway System. In 2010, the Tollway's organizational structure consisted of 13 primary functions including: Executive/Board of Directors, Administration, Communications, Engineering, Finance, Information Technology, Inspector General (Investigations), Legal, Toll Operations, Procurement, Illinois State Police, Business Systems (formerly Open Road Tolling / Violations Enforcement) and Audit. Table 7 below identifies by primary function, the Revised Budgeted Operating Expenses for the Tollway in 2010. The total below represents a reduction of over 2.6% from the original 2010 budget and less than a 1.4% increase over the 2009 actual expenditures. The 2010 budget was revised on September 30, 2010.

Table 8: 2010 Revised Budgeted Operating Expenses by Tollway Primary Function

Department	2010 Budgeted Expenditures	% of Total Expenditures
Administration	\$4,141,189	1.6%
Communications	\$1,344,036	0.5%
Executive/Board of Directors	\$1,670,445	0.6%
Engineering	\$63,347,473	24.5%
Finance	\$41,767,759	16.2%
Information Technology	\$9,365,502	3.6%
Inspector General	\$658,765	0.3%
Legal	\$1,556,498	0.6%
Toll Operations	\$58,481,137	22.6%
Procurement	\$3,863,101	1.5%
State Police	\$25,193,648	9.8%
Business Systems	\$46,151,414	17.9%
Audit	\$765,230	0.3%
Total	\$258,306,197	100.0%

Note: Percentages may not add to 100% due to rounding.

The existing Tollway system to be maintained and operated includes 286 miles of limited access highways featuring a toll collection system incorporating mainline plazas and ramp plazas with the combined use of I-PASS, automatic coin collection and manual lanes. The system has been expanded to include the 12.5 mile extension of the Veterans Memorial Tollway; the widening of existing routes; and the construction of additional interchanges. Measured in terms of lane miles, the System will grow by approximately 15.9% from the initiation of the CRP. Additionally, the toll collection system has been converted to an Open Road Tolling system with cash lanes only for non I-PASS users.

As Table 7 shows, the departments of Engineering, Toll Operations and Business Systems make up over 24%, 22% and 17%, respectively, of the Operating Expenses. Toll Operations and Business Systems departments are the main elements for revenue collection functions. The Engineering Department is responsible for the design, construction and maintenance of the roadway. These three departments are also the departments that are most affected by the changes to the system resulting from the implementation of the CRP. Additional costs associated with the maintenance and operation of the expanded system are reflected in the increased operating costs of the Engineering Department. With the conversion of the toll collection system to Open Road Tolling, there has already been a reduction in the operating costs of the Toll Operations Department as the number of I-PASS lanes has increased and the number of automatic and manual lanes has decreased. Similarly, there has been an increased cost for Business Systems due to the increased usage of electronic toll collection and violation enforcement.

Toll Operations and Business Systems

The Department of Business Systems is responsible for overseeing the open road toll system and collecting toll revenue from toll violators, assessing fines and imposing sanctions. The Department's responsibilities include customer service associated with the issuance of I-PASS transponders and electronic toll collection. The Toll Operations Department is responsible for manual toll collection, which includes the collection and counting of all manually collected toll revenue. The 2011 budget identifies reducing the Toll Operations Department positions by over 9.0% from 2010 budget levels by eliminating vacancies. In addition, Building Maintenance functions were transferred from the Administration department into Toll Operations. The headcount for Toll Operations has decreased substantially since 2005 as the Open Road Tolling projects have opened and the total number of manned toll lanes has been reduced. The need for lane walkers has been eliminated. Staffing in Toll Operations is expected to continue to decline.

Engineering

The Engineering Department oversees three areas of operation:

- Design – Project plans and specifications are prepared for various construction and maintenance activities according to the capital improvement program schedule.
- Construction – Implements the construction phase of projects by ensuring quality construction and keeping them on schedule and within budget.
- Maintenance / Traffic – Maintains the roadway system by keeping roads clean, well lit, and safe in all weather conditions; managing incidents; and informing motorists of traffic and travel concerns.

As of November 2010, the Engineering Department had an actual headcount of 549 employees. Over 85% of the employees were within the Maintenance / Traffic unit.

The implementation of the CRP has had two effects on the Engineering Department. In the design and construction departments, additional engineers are required to administer the design and construction phases of the projects. The majority of this work has and will be performed by consulting engineers under contract with the Tollway, including the PMO and other firms serving as Design Section Engineers (DSE's) and Construction Managers (CM's). These costs are included within the CRP Budget.

The second effect of the CRP implementation is the increase in staffing needs within the Maintenance/Traffic unit. The Consulting Engineer reviewed the activities that are performed by the Maintenance/Traffic unit and assessed the general impact on each activity by the implementation of the CRP.

The increases in lane miles, route length and traffic volumes will all impact the requirements of the Maintenance/Traffic unit. Between 2005 and 2016, with the South Extension of the Veterans Memorial Tollway and the widening of existing routes, overall mainline lane miles will increase by approximately 15.9%. Table 8 below shows the anticipated growth of lane miles on the System due to the CRP.

Table 9: Growth of the Tollway System as Measured by Lane Miles

Tollway Route	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 to 2021
Tri-State	545.2	545.2	556.0	556.0	556.0	641.6***	641.6	641.6	641.6	641.6	641.6	641.6
Edens Spur	21.6	21.6	21.6	21.6	21.6	25.6***	25.6	25.6	25.6	25.6	25.6	25.6
Jane Addams Memorial	358.0	358.0	358.0	358.0	358.0	403.3***	403.3	403.3	403.3	403.3	403.3	403.3**
Ronald Reagan Memorial	437.5*	444.7*	444.7	444.7	444.7	474.7***	474.7	474.7	474.7	474.7	474.7	476.1
Veterans Memorial	111.5	111.5	111.5	169.3	169.3	195.8***	195.8	195.8	195.8	195.8	195.8	195.8
Total lane Miles	1473.8	1481.0	1491.8	1549.6	1549.6	1741.0***	1741.0	1741.0	1741.0	1741.0	1741.0	1742.4
% increase per year*		0.5	0.7	3.9	0.0	10.1	0.0	0.0	0.0	0.0	0.0	0.1
% increase over 2005*		0.5	1.2	5.1	5.1	15.8***	15.8***	15.8***	15.8***	15.8***	15.8***	15.9***

* Lane mile additions are listed in the calendar year after the widening has taken place. The 2006 Consulting Engineer's Report included the widening of the Ronald Reagan Memorial Tollway that was completed in 2005 as part of the system in 2005. Table 8 now includes this section as new in 2006.

** The Jane Addams Memorial Tollway is presently planned to be widened in the years after 2016. The design for widening and reconstruction is included within the CRP, but no schedule has been established for construction. Both Table 8 and the changes to staffing levels do not consider any widening of the Jane Addams Memorial Tollway.

*** The lane mile percentage increases for 2010 onward are approximately two percentage points less than the increases that would be calculated using the numbers in the chart. This is due to a more precise measurement of the System undertaken by the Consulting Engineer during the fall and winter of 2009/2010 which produced a System lane mile total of 1741.0, which is 34.2 miles greater than the previously assumed 2010 lane mile total of 1706.8. No determination has been made as to the makeup of the increase between 1) an underestimated measurement of the pre-CRP System and 2) additional increased lane miles added by the CRP. Therefore, the percentage increases in lane miles, both annually and versus 2005, are conservatively presented without regard to the additional lane miles resulting from the more precise measurement of the System in 2009/2010.

The Maintenance / Traffic unit is subdivided into the following groups (staffing levels as of November 2010):

- Roadway Maintenance had 355 staffed positions working from the 11 maintenance

facilities. They are responsible for activities such as roadway sweeping; litter collection; snow and ice control; minor pavement, guardrail, fence and bridge work; drainage system upkeep; roadside landscaping; traffic channelization; and motorist aid.

- Fleet Maintenance had 68 staffed positions and is responsible for the maintenance of all Tollway vehicles.
- Sign Shop had 19 staffed positions.
- Roadway Electric had 13 staffed positions.
- Traffic Operations had ten staffed positions in the traffic operations center.
- Dispatch had 29 staffed positions and dispatches services in response to calls for motorist aid.

Maintenance / Traffic uses a database called the Maintenance Management System (MMS) to track costs associated with the Roadway Maintenance group and the Roadway Signage and Lighting activities of the Traffic Operations group. From the MMS database, Tollway staff provided the Consulting Engineer with the 2009 annual expenditures broken down into 10 major activities, and further broken down into approximately 175 subactivities. Table 9 below details the distribution of 2009 expenditures from the MMS.

Table 10: Distribution of 2009 Annual Expenditures from Maintenance Management System

Code	Activity	% of Total Cost
000	General Overhead	4.79%
100	General Maintenance	13.63%
200	Roadway & Shoulders	4.15%
300	Bridges	0.69%
400	Roadside Drainage & Appurtenances	6.18%
500	Roadside Litter Control	14.08%
600	Snow & Ice Control	35.90%
700	Roadside Landscaping	6.30%
800	Traffic Services Maintenance	9.04%
900	Mechanical & Electrical	5.24%
Total		100%

According to Tollway personnel, staffing levels at maintenance facilities have been closely tied to the snow and ice control program because of the high level of service goals established by the Tollway. Although snow and ice control are a seasonal activity, staff are hired on a permanent basis rather than as temporary or seasonal help. Snow and ice control staff members are prohibited from using vacation time during winter. Historically, the staffing level needed for snow and ice control has been relatively equal to the needs for maintenance work throughout the year. In addition, other staff, including a portion of the building maintenance employees in the Toll Operations Department, are trained to be available for snow and ice control functions.

Overall, salary and wage costs are projected to escalate by 3.0% per year to account for inflation and turnover. The staffing level for Engineering is projected to increase as additional lane mileage is added as part of the CRP, although some engineering positions are assumed to be eliminated at the conclusion of the CRP. Operational services staffing levels are projected to decrease slightly

annually as cash transactions decline with increased usage of electronic collection. The inflation rate utilized for non-labor expenditures is 3.0%.

Retirement and Pension contributions, as a percentage of Salary and Wages, have risen significantly in recent years. For this estimate, the contribution for calendar year is 29.3% of covered payroll. For 2011, the contribution rate is assumed to be 32.8% of covered payroll. These percentages are based upon the average employer contribution rates set by the State Employees' Retirement System during those years. For 2012 and beyond, the employer contribution rate is assumed to be 35.3% of covered payroll, based upon the employer contribution rate set by the State Employees' Retirement System for the state's fiscal year 2012.

The Trust Indenture requires projections for five years beyond the "in-service" date of the project. Therefore, the Consulting Engineer has projected Operating Expenses, as defined in the Trust Indenture, for each of the fiscal years 2011 through 2021 as provided in Table 10 below.

Table 11: Estimated Operating Expenses

Year	Operating Expenses	Annual Increase
2011	\$254,994,000	-1.3%
2012	\$264,600,000	3.8%
2013	\$270,800,000	2.3%
2014	\$277,300,000	2.4%
2015	\$285,800,000	3.1%
2016	\$294,500,000	3.0%
2017	\$301,400,000	2.3%
2018	\$310,600,000	3.1%
2019	\$320,100,000	3.1%
2020	\$329,900,000	3.1%
2021	\$339,900,000	3.0%

The estimates for Operating Expenses prepared by the Consulting Engineer and included in this report have an average growth per year of just over 2.9% between 2011 and 2021. There are many factors that will dictate what the actual Operating Expenses experienced by the Tollway will be, and the Consulting Engineer cannot predict the outcome of these factors. The Consulting Engineer has compared the assumptions and forecasts provided by the Tollway against the proposed system expansion and operational changes and find them to be reasonable. Thus, these forecasts and assumptions have been included in the Consulting Engineer's analysis. However, the Consulting Engineer cannot predict unforeseen circumstances or unusual price escalations that are not currently identified and known; thus, the estimates above may vary from actual expenses.

7.0 Conclusion

This report complies with Section 204.1.(4) of the Amended and Restated Trust Indenture Effective March 31, 1999. It provides the estimates for Operating Expenses and Renewal & Replacement Deposits for five years beyond the in-service date (through 2021). It also provides the estimated cost of construction and the schedule of completion for the projects (as developed by the Tollway's PMO and reviewed for reasonableness by the Consulting Engineer) included in the Tollway's Congestion-Relief Program that may be partly or wholly funded from bond proceeds. Current professional practices and procedures commensurate with the scope of work and schedule of the Consulting Engineer's work were used in the development of this report.

Forecast costs at completion provided by the PMO for all of the listed projects vary in level of detail from final amounts of completed projects through concept cost estimates performed by PMO staff. There has been success in completing construction projects within budgeted amounts. Over 79% of anticipated construction expenditures have been invoiced as of December 2010. All remaining projects in final design have detailed construction costs estimates based upon recent bidding. Additional projects utilize parametric estimating. The forecasted costs have been reviewed. These estimates follow standard industry practices and contain appropriate contingency factors based upon level of completeness of the design. Projects that are scheduled for construction in the later years of the CRP have construction cost estimates that utilize an appropriate system for estimating construction costs based upon recent bidding information. Therefore, the overall estimate of the cost of the CRP at \$5.828 billion appears reasonable.

Market conditions and unforeseen events beyond the control of Consulting Engineer, the PMO, or the Tollway may affect the implementation and cost of the CRP and the future Operating Expenses of the Tollway as detailed herein. The Consulting Engineer presumes that the PMO will continually monitor the CRP and will make adjustments to the scopes and schedules of projects in order to control the cost of the CRP. On an annual basis, the Consulting Engineer's recommendation for the Renewal and Replacement deposit will reflect consideration of adjustments to the CRP by the PMO. Any party reviewing this report must take these factors into consideration.



February 1, 2011

Mr. Michael J. Colsch
Chief of Finance
Illinois State Toll Highway Authority
2700 Ogden Avenue
Downers Grove, IL 60515

Re: Traffic Engineer's Report

Dear Mr. Colsch:

Wilbur Smith Associates (WSA) is pleased to submit updated traffic and revenue estimates for the Illinois State Toll Highway Authority (Tollway). Estimates for the years 2010 through 2034 have been prepared in anticipation of a mandatory tender and remarketing of the Authority's outstanding \$700,000,000 Series 2007A Bonds and \$478,900,000 Series 2008A Bonds in connection with liquidity facility substitutions related to those bonds.

As the Illinois Tollway's Traffic Engineer, WSA monitors traffic and revenue trends, prepares Revenue Certificates and issues an Annual Toll Revenue Report. WSA also conducts various traffic and planning studies and provides technical support for Tollway planning and operations. In the spring of 2005, WSA conducted a comprehensive traffic and revenue study for the Illinois Tollway. WSA subsequently prepared five updates of these estimates, in spring 2006, fall 2007, fall 2008, spring 2009, fall 2009 and spring 2010. The estimates in this report provide an update of the June 2010 estimates.

ILLINOIS TOLLWAY SYSTEM DESCRIPTION

The Tollway operates a system of toll highways in northern Illinois that includes the Chicago suburban area. The Tollway system currently consists of 286.5 miles of limited access highways, all of which are part of the Interstate Highway System.

While traffic volumes have grown steadily for much of the Tollway's history, the toll rate structure remained essentially unchanged from 1983 through 2004. In September 2004, the Illinois Tollway Board adopted a plan for congestion relief (Open Roads for a Faster Future) along with a new toll structure to fund the improvements. The plan, now referred to as CRP-1, was subsequently updated and approved by the Illinois Tollway Board in September 2007. CRP-1 provides for relief of existing congestion and addition of new capacity to accommodate future traffic growth. A key component of the program was the reduction of delays at toll plazas through increased use of electronic toll payment, combined with financial incentives and "Open Road" tolling for electronic toll collection participants. The program also included a new 12.5-mile southern extension to the Veterans Memorial Tollway that opened to traffic on November 12, 2007, and additional mainline lanes for a significant portion of the system, the majority of

which were opened to traffic by December 2009. As of the date of this report, all of the capacity improvements included in CRP-1 have been completed except for approximately one mile of widening on the Ronald Reagan Memorial Tollway (I-88) west of Aurora.

SYSTEM OVERVIEW

The Illinois Tollway network includes the Jane Addams Memorial (formerly the Northwest Tollway), Tri-State, Ronald Reagan Memorial, and Veterans Memorial (formerly the North-South Tollway) Tollways. Figure 1 shows a map of Tollway routes.

The Jane Addams Memorial Tollway, designated as Interstate 90, begins just east of Chicago O'Hare International Airport and extends northwest to the Rockford area before turning north to Wisconsin, passing through Cook, Kane, McHenry, Boone, and Winnebago counties. A connection to the Kennedy Expressway at its eastern end provides a direct route to Chicago's northwest side and central business district. The eastern section of the route generally consists of a six-lane cross-section except for a short stretch that provides an eight-lane cross-section between Roselle Road and IL Route 53; the western section is four lanes in cross-section. In the far western section, the route carries the designation of I-39/90 from its junction with Interstate 39 to the Wisconsin state line and consists of a six-lane cross section.

The Tri-State Tollway provides the primary limited access circumferential route around the City of Chicago. Running in a largely north-south orientation through Cook and Lake Counties, the Tri-State Tollway carries the designations of Interstate 94, 294, and 80 along its route from southeast Wisconsin to northwest Indiana. As of January 2010, the route is eight lanes wide for all but the northern 1.5 miles and a few short segments with more than eight lanes.

The Ronald Reagan Memorial Tollway, designated as Interstate 88 for its entire length, begins at the junction of the Tri-State Tollway and the Eisenhower Expressway, near the Cook-DuPage county line, and runs west to the boundary of Whiteside and Lee counties. Most of the eastern section of the Ronald Reagan Memorial Tollway was recently reconstructed and widened to an eight-lane cross section as part of CRP-1. The western section (west of the Aurora Toll Plaza) is generally four-lanes, with some sections widened to six lanes as part of CRP-1. From its western terminus, the route continues as a toll free route with the I-88 designation. From the eastern end, a free route continues to downtown Chicago as the Eisenhower Expressway (I-290).

The Veterans Memorial Tollway provides a second circumferential route linking Chicago's northwest, west and southwest suburbs. Designated as Interstate 355, the Veterans Memorial Tollway extends south from its junction with Interstate 290 in DuPage County. The route was extended to Interstate 80 in Will County with the completion of a 12.5 mile southern extension in November 2007. The roadway generally provides a six-lane cross-section, and serves developed suburban areas in DuPage County and fast-developing residential areas in northern Will County. Part of the southern section of the original route, from 75th Street to Ogden Avenue, was widened to eight lanes in 2008-9.

This map of Illinois illustrates the locations of three major tollways and their various sections and extensions. The tollways are color-coded: Jane Addams Memorial Tollway (blue), Veterans Memorial Tollway (red), and Ronald Reagan Memorial Tollway (green). The map shows the following sections and extensions:

- Jane Addams Memorial Tollway:**
 - Western Section
 - Eastern Section
 - Northern Section
- Veterans Memorial Tollway:**
 - Northern Section
 - Southern Section
 - South Extension
- Ronald Reagan Memorial Tollway:**
 - Western Section
 - Eastern Section
- Tri-State Tollways:**
 - Northern Section
 - Central Section
 - Southern Section

The map also displays major highways (Interstates 55, 54, 58, 59, 64, 80, 90, 94, 98, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000).

The Tollway collects tolls at 22 mainline plazas and 51 ramp plazas. Attendants are available at all 22 mainline plazas and two of the ramp plazas for customers requiring change or receipts. The remaining 49 ramp plazas are unattended. With a few exceptions, tolls can be paid with cash or I-PASS, the Tollway electronic toll collection (ETC) program. A new ramp plaza at the new Eola Road interchange on the Ronald Reagan Memorial Tollway opened in November 2009. This plaza is the first plaza on the Tollway system to have cashless toll collection. Users of this plaza are required to pay all tolls electronically. The Tollway has also begun closing the attended toll booths at selected mainline toll plazas during the overnight hours when few transactions occur. Cash patrons at these locations are provided an envelope for payment along with instructions for online payment options.

February 1, 2011

report to I-PASS payment or electronic toll collection refer to electronic toll payment made with either I-PASS or other E-ZPass compatible transponders.

Toll rates on the Illinois Tollway were originally defined for ten vehicle classes. Table 1 shows vehicle class definitions and historic and current toll rates at typical mainline plazas. The basic passenger car rate at mainline plazas was \$0.30 in the first years of operation, increasing to \$0.35 in 1964. The rate dropped to \$0.30 in 1971; then subsequently increased to \$0.40 in 1983, where it remained through 2004. The Veterans Memorial Tollway opened in late 1989 with a higher basic toll rate of \$0.50 for passenger cars and proportionally higher tolls for other vehicle classes, reflecting its later construction and the higher cost of building in developed areas.

The current toll rate structure went into effect on January 1, 2005. Toll rates are now defined for four rate tiers. The passenger-vehicle rate tier is the same as the previous Class 1, and includes all two-axle vehicles with four or fewer tires. A small-truck rate tier, consisting of two-axle vehicles with six tires, replaces Class 2. The medium-truck rate tier includes the former Classes 3, 4, 7, and 8; and consists of three and four-axle vehicles, including two-axle vehicles towing one and two-axle trailers. A large-truck rate tier replaces former Classes 5, 6, 9, and 10; and consists of vehicles with five or more axles including two-axle vehicles towing three-axle trailers.

TABLE 1
TOLL RATE HISTORY

Vehicle Class		Previous Rates				Current Rates**		
Class	Description	1959-1963	1964-1970	1971-1983	1983-2004	Tier	Discount	Non-Discount
1	Automobile, motorcycle, single unit truck or tractor, two axles, four or less tires	\$0.30	\$0.35	\$0.30	\$0.40	1	\$0.40	\$0.80
2	Single unit truck or tractor, buses, two axles, six tires	0.40	0.45	0.30	0.50	2	1.00	1.50
3	Three axle trucks and buses	0.50	0.50	0.45	0.75	3	1.75	2.25
4	Trucks with four axles	0.50	0.60	0.60	1.00	3	1.75	2.25
5	Trucks with five axles	0.50	0.75	0.75	1.25	4	3.00	4.00
6	Trucks with six axles	0.50	0.90	0.90	1.50	4	3.00	4.00
7	Class 1 vehicle with one axle trailer	0.50	0.50	0.45	0.60	3	1.75	2.25
8	Class 1 vehicle with two axle trailer	0.50	0.60	0.60	0.80	3	1.75	2.25
9	Miscellaneous passenger car, special or unusual vehicles not classified above	0.50	0.90	1.00	1.40*	4	3.00	4.00
10	Miscellaneous commercial vehicle, special or unusual vehicles not classified above	-	-	-	1.75*	4	3.00	4.00

Typical rates at mainline plazas on Tri-State, Ronald Reagan, and Jane Addams Tollways.

* Class 9 rate was \$0.20 per axle for automobiles and Class 10 was \$0.25 per axle for trucks.

** Passenger cars equipped with I-PASS pay the discount rate, and cash users pay the non-discount rate. Commercial vehicles pay the discount rate from 10:00 PM to 6:00 AM, regardless of payment method.

As Table 1 shows, passenger car toll rates for I-PASS customers did not change under the 2005 toll rate structure, but cash toll rates for passenger cars doubled. At a typical mainline plaza with a 2004 passenger car toll of \$0.40, the cash toll is now \$0.80. The passenger car toll for I-PASS customers remains at \$0.40.

The new toll structure introduced a time-of-day pricing differential for commercial vehicles. Daytime rates (6:00 AM to 10:00 PM on weekdays and weekends) for small, medium and large commercial vehicles at typical mainline plazas are \$1.50, \$2.25, and \$4.00, respectively. Overnight (10:00 PM to 6:00 AM) rates for the three commercial vehicle classes are \$1.00, \$1.75, and \$3.00. From January, 2005 through December, 2008, commercial vehicles using I-PASS paid the overnight toll rate during daytime off-peak hours (9:00 AM to 3:30 PM and 6:30 PM to 10:00 PM on weekdays, 6:00 AM to 10:00 PM on weekends). Since January, 2009, commercial vehicles pay the discounted rate only during the overnight hours from 10:00 PM to 6:00 AM. Commercial vehicle rates at plazas with other rate schedules are roughly proportional to the I-PASS car rate with the exception of the Veterans Memorial Tollway, which has the same commercial vehicle rates as the rest of the system.

The traffic and revenue estimates in Tables 9 and 10 assume that the current toll rates shown in Table 1 will remain unchanged from 2011-2034.

HISTORIC TRAFFIC AND REVENUE TRENDS

Table 2 presents a summary of toll transactions and revenue trends on the Tollway system. For much of its history, Tollway system usage and toll revenue have grown steadily. The number of toll transactions has declined on an annual basis in only six years: 1980, 1999, 2005, 2006, 2008 and 2009. The 1980 decline coincided with what at the time was the most severe economic recession since World War II. The principal reasons for the 2005 decline were the toll rate increase that went into effect at the beginning of 2005 and the extensive construction activity that began in mid 2005 and continued into 2010.

Almost all of the transaction decrease in 2006 can be attributed to the conversion of two mainline toll plazas (Belvidere and Marengo) on the Jane Addams Memorial Tollway from bi-directional tolling to one-way tolling in February, 2006. Toll rates at these two plazas were doubled after the conversion so toll revenues were not significantly affected. From 2006 to 2007, however, transactions increased by 3.2 percent, primarily as a result of the completion of the conversion of all mainline toll plazas to Open Road Tolling (ORT) as part of CRP-1. Transactions declined slightly in 2008 due to a combination of high motor fuel prices and worsening economic conditions. In 2009, transactions again experienced a slight decline, due to a combination of a worsening economy and the elimination of the off-peak truck toll discount.

There have only been two years with declines in revenues: 1980 and 2006. The 1980 decline was the result of a severe recession. The decline in toll revenue in 2006 was primarily due to extensive construction activity. The preliminary 2010 toll revenue is approximately 6.2 percent higher than the 2009 figure, primarily due to greater capacity of the system and reduced construction impacts.

TABLE 2
TRANSACTION AND REVENUE TRENDS 1959-2010

Year	Annual System Transactions (thousands)	Average Daily Transactions	Annual Percent Change System Transactions	Annual System Revenue (thousands)	Annual Percent Change
1959	42,937	117,600	-	\$14,536	-
1964	79,726	217,800	13.2	\$31,172	16.5
1969	160,964	441,000	15.1	\$55,675	12.3
1970	177,103	485,200	10.0	\$56,908	2.2
1971	194,633	533,200	9.9	\$58,579	2.9
1972	205,390	561,200	5.5	\$61,242	4.5
1973	226,995	621,900	10.5	\$67,978	11.0
1974	232,806	637,800	2.6	\$70,310	3.4
1975	243,094	666,000	4.4	\$72,061	2.5
1976	264,655	723,100	8.9	\$79,553	10.4
1977	281,368	770,900	6.3	\$86,794	9.1
1978	300,791	824,100	6.9	\$92,868	7.0
1979	310,657	851,100	3.3	\$97,116	4.6
1980	309,289	845,100	(0.4)	\$95,452	(1.7)
1981	316,199	866,300	2.2	\$98,748	3.5
1982	317,501	869,900	0.4	\$99,152	0.4
1983	330,803	906,300	4.2	\$117,228	18.2
1984	350,994	959,000	6.1	\$157,327	34.2
1985	368,216	1,008,800	4.9	\$164,298	4.4
1986	402,381	1,102,400	9.3	\$179,161	9.0
1987	428,095	1,172,900	6.4	\$190,115	6.1
1988	464,740	1,269,800	8.6	\$208,213	9.5
1989	485,938	1,331,300	4.6	\$212,781	2.2
1990	543,047	1,487,800	11.8	\$241,079	13.3
1991	564,689	1,547,100	4.0	\$248,529	3.1
1992	575,623	1,572,700	1.9	\$254,144	2.3
1993	586,728	1,607,500	1.9	\$260,096	2.3
1994	632,294	1,732,300	7.8	\$282,143	8.5
1995	667,205	1,828,000	5.5	\$297,908	5.6
1996	692,054	1,890,900	3.7	\$308,567	3.6
1997	720,899	1,975,100	4.2	\$317,980	3.1
1998	724,500	1,984,900	0.5	\$323,523	1.7
1999	720,104	1,972,900	(0.6)	\$332,626	2.8
2000	736,310	2,011,800	2.3	\$343,945	3.4
2001	764,285	2,093,900	3.8	\$354,774	3.1
2002	792,836	2,172,200	3.7	\$363,235	2.4
2003	801,603	2,196,200	1.1	\$377,454	3.9
2004	823,145	2,249,000	2.7	\$391,586	3.7
2005	780,446	2,138,200	(5.2)	\$580,442	48.2
2006	764,125	2,093,500	(2.1)	\$567,500	(2.2)
2007	788,292	2,159,700	3.2	\$572,093	0.8
2008 **	777,882	2,125,400	(1.3)	\$583,647	2.0
2009 ***	775,353	2,124,300	(0.3)	\$592,064	1.4
2010 ****	817,090	2,238,600	5.4	\$628,755	6.2

* S. Extension of Veterans Memorial Tollway opened on November 12, 2007.

** First full year of Veterans Memorial Tollway operation.

*** Off-peak truck discount eliminated

**** Preliminary

Source: Illinois State Toll Highway Authority Comprehensive Annual Financial Reports (1959 through 2009).

Table 3 shows revenue trends by individual Tollway facility for the years 2003 to 2010. The new toll structure that went into effect at the beginning of 2005 was the primary reason for the revenue increase shown in 2005. In 2006, the Jane Addams Memorial Tollway declined in revenue compared to 2005 as a result of construction activity related to conversion of mainline plazas to “Open Road” tolling. Major sections of the Tri-State Tollway were under construction throughout the period from 2006-2009 with the attending revenue impacts. All major scheduled work on the Tri-State is now complete. The Ronald Reagan Memorial Tollway also had significant construction activity from 2006-2009, with all construction impacts ended by the end of 2009. On the Veterans Memorial Tollway, the south extension was completed in 2007, and the revenues increased in 2008 in spite of continuing construction on other sections that continued until late 2010. Overall, 2010 revenues reflected significant increases in system capacity, reduced construction impacts, and at least for the latter part of the year, a slowly recovering economy.

TABLE 3
REVENUE BY FACILITY 2003-2010

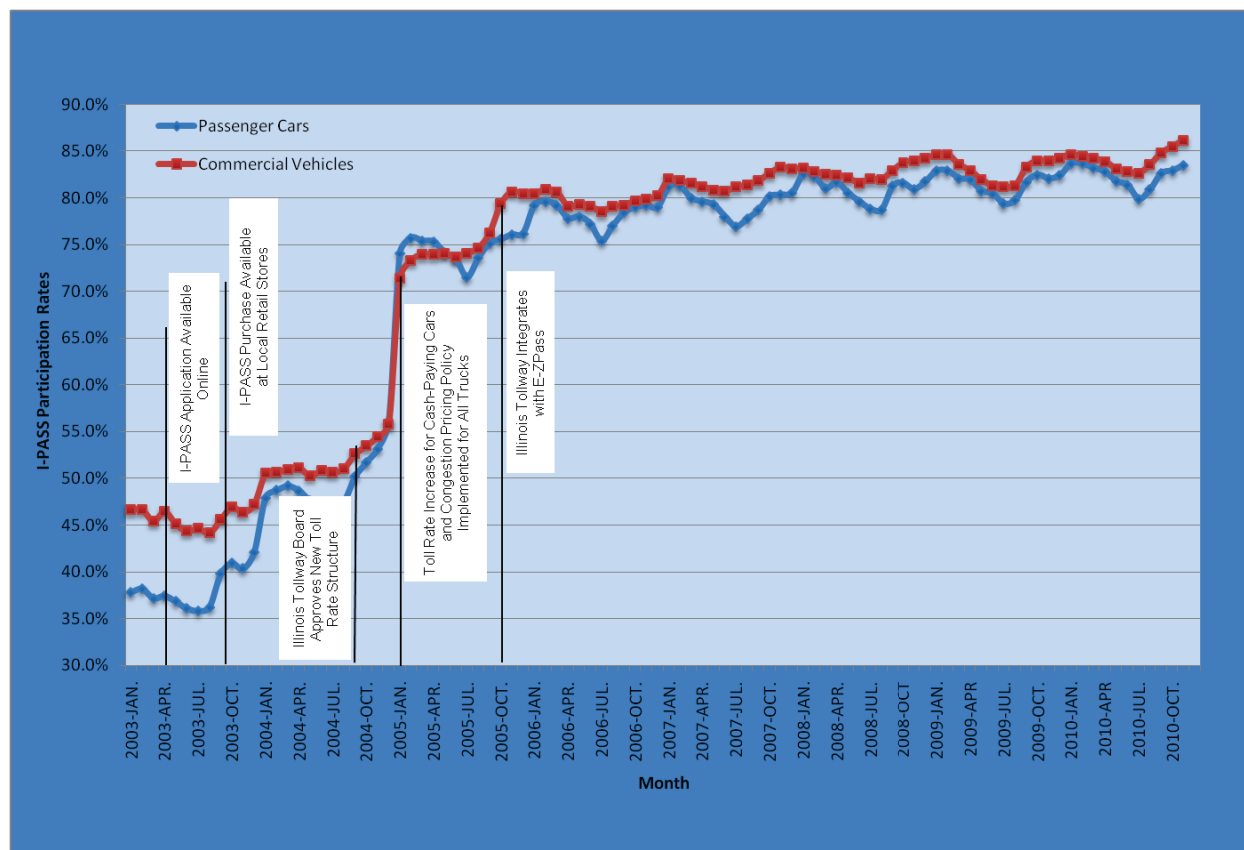
Year	Jane Addams Memorial Tollway		Tri-State Tollway		Ronald Reagan Memorial Tollway		Veterans Memorial Tollway		Over Dimension Vehicle	Tollway Total	
	Revenue (thousands)	% change	Revenue (thousands)	% change	Revenue (thousands)	% change	Revenue (thousands)	% change	Revenue (thousands)	Revenue (thousands)	% change
2003	\$82,155	2.9	\$179,442	4.0	\$61,680	6.6	\$53,857	2.2	320	\$377,454	3.9
2004	87,651	6.7	183,469	2.2	63,841	3.5	56,339	4.6	287	391,586	3.7
2005	136,060	55.2	285,115	55.4	91,533	43.4	65,484	16.2	249	580,442	48.2
2006	127,256	(6.5)	274,737	(3.6)	91,502	0.0	73,710	12.6	296	567,500	(2.2)
2007	130,297	2.4	274,853	0.0	92,058	0.6	74,611	1.2	274	572,093	0.8
2008	130,330	0.0	257,016	(6.5)	87,650	(4.8)	108,373	45.3	277	583,646	2.0
2009	129,394	(0.7)	258,653	0.6	89,831	2.5	113,823	5.0	364	592,064	1.4
2010 *	134,548	4.0	284,969	10.2	98,554	9.7	110,331	(3.1)	352	628,755	6.2

* Preliminary

Source: 2009 Comprehensive Annual Financial Report and internal Tollway documents

Tolls on the Tollway can generally be paid using either cash or I-PASS, the Tollway’s electronic toll collection system. Figure 2 shows the percentage of toll transactions that used I-PASS since January 2003 for passenger cars and commercial vehicles. Participation rates increased dramatically in the fall of 2004 coinciding with announcement and implementation of the new toll rate structure that provided certain discounts for electronic toll payment (I-PASS) versus cash toll payment. Participation rates have continued to increase slowly since 2004. The integration with E-ZPass in the fall of 2005, the electronic toll system used in many eastern states, boosted participation rates for commercial vehicles approximately five percentage points.

FIGURE 2
HISTORIC I-PASS USAGE RATES



REGIONAL DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS

Socio-economic factors in a toll facility's service area are key determinants of future usage. Tollway routes extend into a service area consisting of 14 counties. These counties include the nine Illinois counties of the Chicago-Naperville-Joliet Metropolitan Statistical Area (Cook, DuPage, DeKalb, Grundy, Kane, Kendall, Lake, McHenry and Will) and five adjoining counties (Boone, Lee, Ogle, Whiteside and Winnebago).

The current national economic recession continues to have an impact on the Tollway's service area and the State as a whole. Consequently, the demographic and economic forecasts for the 14-County service area have been reviewed to estimate – to the extent possible – the impacts of this economic decline. These impacts are more evident on the region's employment and economy than on its population.

Service Area Characteristics

The 14-county service area has a combined 2009 (last year for which U.S. Census estimates, by county, are available) population of approximately 9.214 million. This represents an increase of 0.473 million persons (5.4 percent, or an annual rate of 0.59 percent) over that of the 2000 Census population. The largest and most-populous county within the service area is Cook County, with a 2009 Census population estimate of 5.287 million, representing a slight decrease (1.7 percent) from its 2000 level. This was a slight increase, however, from the 2007 level. Cook County, which includes the City of Chicago, is a mature, fully-developed county. The decline in population is due, primarily, to reductions in average household size. The second most-populous county is DuPage County, with a 2009 population estimate of approximately 932,500. DuPage County is approaching full development. Accordingly, its rates of growth are starting to decrease; its 2000-2009 growth was 3.1 percent, lower than the service area as a whole.

Two of the counties within the service area were among the fastest-growing U.S. Counties with 10,000-or-more population, for the period 2000-2008¹. These counties are: Kendall, with a 2000-2008 growth of 89.6 percent (ranked as the #1 fastest-growing county in the U.S.); and Will, ranked #68, with a growth of 35.6 percent. Will County experienced the largest numeric growth in population (178,831) during the period 2000-2008 among the service area's 14 counties. The other counties, within the service area, with significant (more than 20,000) numeric population growth are: Kane County – 103,460, Lake County – 68,097, McHenry County – 58,564, Kendall County – 48,916, DuPage County – 26,367, and Winnebago County – 21,834. As Cook and DuPage Counties have approached full development, the region's population growth has pushed outward.

Land use and transportation planning for the seven counties (Cook, DuPage, Lake, Will, Kane, McHenry and Kendall) that comprise the Chicago urbanized area are undertaken by the Chicago Metropolitan Agency for Planning (CMAP). The Rockford Metropolitan Agency for Planning (RMAP) is responsible for transportation planning for Winnebago and Boone Counties, the core counties of the Rockford Metropolitan Statistical Area (MSA). The planning responsibilities for the other counties are with their counties and/or their planning commissions, if available. The Illinois Department of Commerce and Economic Opportunity (DCEO) generates county population forecasts which are used by counties which do not make their own local forecasts.

Population Forecasts

- Population forecasts for the 14-County service area were obtained from two sources: the public planning agencies referenced in the preceding paragraph and Woods & Poole Economics, Inc. (W&P).

The CMAP population and employment forecasts for Cook, DuPage, Kane, Lake, McHenry, and Will Counties were completed and officially approved on September 27, 2006, by the Northeastern Illinois

¹ Table 8: Population Estimates for the 100 Fastest Growing U.S. Counties with 10,000 or More Population in 2008: April 1, 2000 to July 1, 2008 (CO-EST2008-08), Population Division, U.S. Census Bureau, March 19, 2009.

Planning Commission (a CMAP predecessor agency). These forecasts were used as the input into the preparation of the “2030 Regional Transportation Plan for Northeastern Illinois”, whose latest update was approved October 9, 2008. In October 2010, CMAP adopted the GoTo 2040 Comprehensive Regional Plan and its component plans, including the 2040 Regional Transportation Plan. WSA has not undertaken a detailed analysis of the traffic and revenue implications of this plan; however, a preliminary review indicates that at least through 2030, CMAP’s population forecasts do not differ materially from the previously adopted estimates, at least on the county level. A comparison of the previous CMAP 2030 and updated W&P forecasts is presented later in this section.

The latest population forecasts, undertaken by the Rockford Metropolitan Agency for Planning (RMAP), for Boone & Winnebago Counties, were those prepared for its “Year 2035 Long-Range Transportation Plan for the Rockford Metropolitan Planning Area”. This Plan was approved and published in August 2005. RMAP has no plans for updating these forecasts until after the release of the detailed 2010 Census results.

Population forecasts for DeKalb, Grundy and Kendall counties were obtained from analysis conducted by the Illinois Department of Transportation and adopted by the Northeastern Illinois Planning Commission (NIPC) in 2005 for use in regional planning studies. The Lee, Ogle and Whiteside county population forecasts were obtained from Illinois Department of Commerce and Economic Opportunity. These publicly developed population forecasts do not reflect the conditions experienced in 2008, with the base year data for most of these forecasts being 2005 or earlier.

In October 2010, Woods & Poole Economics (W&P) released their latest forecasts in the Complete Economic and Demographic Data Source (CEDDS), used herein. The demographic base year for the 2010 W&P forecasts is the July 1, 2009 population estimates, by county, as published by the U.S. Bureau of the Census, on June 10, 2010.

For 2030, the 2010 W&P population forecast for the Tollway Service area as a whole is virtually unchanged from the 2009 forecast. The combined public agency forecast (CMAP, RMAP, IDOT and DCEO) for the Tollway service area is approximately 5.8 percent higher than the 2010 W&P series.

The W&P demographic forecast is generated through a traditional cohort-survival-migration model based on calculated fertility and mortality in each county or economic region. The migration component of the population model is estimated by balancing the demand for labor (generated through the employment model) with the supply derived from the population forecasts. The employment forecast model is described in the next section.

The 2010 W&P forecast is the lowest among those reviewed and which have been prepared after the 2000 Census. Prior to the release of the 2009 W&P forecasts, the U.S. Bureau of the Census released (on December 22, 2008) the July 1, 2008 population estimates, by state. Analysis of the Illinois components of change (birth, deaths, international migration, and domestic migration) reveal that, as the economic conditions worsened, international migration into Illinois slowed down. However, this decline in international in-migration was more than balanced by a slow-down in domestic out-migration from Illinois to the other states (most-notably to the southwestern and southeastern states). The net result is that

the population of Illinois grew by more persons during the period July 1, 2007 to July 1, 2008 than that of the average of the period 2000-2008. Accordingly, given past trends, and provided that the current economic downturn does not last more than the predicted 1-3 years, there should be no significant lowering of the population forecasts for the 14-County Tollway Region or its component sub-regions.

Table 4 shows the population trends and forecasts, by county, within the 14-County Tollway service area, as developed by the public agencies and W&P. The W&P forecasts are derived through demographic and econometric models and are not constrained by land availability. Accordingly, the W&P forecasts are reasonable at the level of an economic region (e.g. Metropolitan Area CMAP Region), but less so at the county level within a metropolitan area. Also shown in Table 4, are population forecasts, by county, for 2030 and 2034 that have been used by WSA to develop the traffic and revenue estimates in this report. These forecasts are constrained by the W&P regional totals, but reflect the planning principles implied in the CMAP, RMAP and other locally-generated forecasts, and are unchanged from the June 2010 update.

TABLE 4
FORECAST POPULATION CHANGE BY COUNTY

County	2000 Census (04-01-00)	2009 Census Estimate (07-01-09)	2030 CMAP, RMAP & Other Local Forecasts	2030 W&P Forecast (2010 Series) (a)	WSA 2030 Forecast	WSA 2034 Forecast
Cook	5,376,741	5,287,037	5,952,794 (1)	5,466,815	5,678,000	5,715,000
DeKalb	88,969	107,333	131,077 (3)	136,393	134,000	140,000
DuPage	904,161	932,541	1,003,702 (1)	1,186,158	1,005,000	1,015,000
Grundy	37,535	48,421	66,266 (3)	68,014	66,000	70,000
Kane	404,119	511,892	718,464 (1)	745,905	720,000	755,000
Kendall	54,544	104,821	190,150 (3)	170,568	190,000	205,000
Lake	644,356	712,567	841,860 (1)	919,130	850,000	862,000
McHenry	260,077	320,961	457,594 (1)	463,952	460,000	485,000
Will	502,266	685,251	1,076,446 (1)	1,045,357	1,100,000	1,162,000
Boone	41,786	54,020	63,440 (2)	70,457	67,000	70,000
Lee	36,062	34,919	38,923 (4)	36,717	37,000	37,500
Ogle	51,032	55,336	63,765 (4)	64,739	64,000	66,000
Whiteside	60,653	58,961	68,134 (4)	60,281	61,000	61,300
Winnebago	278,418	299,702	348,000 (2)	347,407	348,000	356,200
7-County CMAP Region	8,146,264	8,555,070	10,241,010 (1)	9,997,885	9,813,000	9,994,000
2-County RMAP Region	320,204	353,722	411,440 (2)	417,864	415,000	426,200
14-County Tollway Region	8,740,719	9,213,762	11,020,615	10,781,893	10,780,000	11,000,000

Sources:

- (1) Chicago Metropolitan Agency for Planning (CMAP), "2030 Forecasts of Population, Household and Employment", September 27, 2006. Retrieved from CMAP's Web Site, February 2, 2009.
- (2) "Year 2035 Long-Range Transportation Plan for the Rockford Metropolitan Planning Area", Rockford Area Transportation Study (predecessor agency of the Rockford Metropolitan Agency for Planning), August 2005, Table 2-5, p 13. The published forecast is for the combined Boone and Winnebago Counties; the county-specific forecasts are from the working papers for the 2035 Plan.
- (3) Illinois Department of Transportation study adopted by the Northeastern Illinois Planning Commission in 2005.
- (4) Illinois Department of Commerce and Economic Opportunity, "Population Projections", downloaded from Department's Web Site February 2, 2009.

Notes:

- (a) W&P forecasts do not take into consideration land constraints. These counties are not accommodating indicated high levels of population forecasts. Population not accommodated here will spill over to adjacent counties, where developable land is available. CMAP assumes that some of this spillover will go to Cook County, which is fully developed, but which does offer redevelopment opportunities.

Employment Forecasts

There is one significant factor that must be considered when comparing employment estimates and forecasts. Unlike population, there are varying definitions of employment. Employment estimates, in particular, are released on a frequent basis by various sources; many of which use different employment definitions. This makes comparisons difficult. The first step in any comparison, therefore, is to conform the data to a common base. The employment forecasts use three sources and, therefore, three definitions of employment. These sources are:

- **Bureau of Economic Analysis (BEA)** of the U.S. Department of Commerce - Used by W&P. This source provides the most-complete measure of the number of jobs; it includes all full-time and part-time jobs by place of work. This employment data covers wage and salary workers, proprietors, private household employees, and miscellaneous workers. The BEA data and the W&P forecasts are available only at the county level.
- **Bureau of Labor Statistics (BLS)** of the U.S. Department of Labor - The BLS employment data are generally much lower than the BEA data. The BLS data do not include farm workers, military, proprietors (self employed), household and miscellaneous employment. For June 2006, the employment as reported by BLS was 77 percent of that reported by W&P; furthermore, the gap is increasing. The BLS data is available by state, Metropolitan Statistical Area, and County; and is more current than BEA data.
- **Chicago Metropolitan Agency for Planning (CMAP)** - The regional control total for the CMAP is the BLS data, expanded to include farm and partial proprietor (self) employment. Small area estimates are generated using Illinois Department of Employment Security data, supplemented by other sources. At the county level, the CMAP data and forecasts are lower than W&P, but higher than BLS. CMAP data are available at five-year intervals, dating back to 1970 at the sub-county level.

The specific W&P economic forecasting methodology follows the standard “export-base” approach. Certain industrial sectors, at the regional level, are considered “basic”, producing output that is not consumed locally, but is exported to national and international markets. This methodology links the basic industries to the national economy. Growth in regional basic sectors is linked to the growth in the corresponding national sectors.

W&P, in generating recent series of forecasts, was cognizant of the economic slowdown, which had started in late 2007. Economic conditions continued to deteriorate through early 2010 and in its 2010 forecast, W&P lowered its 2030 employment estimate for the service area by a further 2.0%. The 2010 W&P employment forecasts for 2030 are lower for every county in the service area, and are now 7.9% lower than the WSA recommended 2030 employment forecast published in the June 2010 update. The 2010 W&P forecasts for the three largest job centers remain quite close to earlier WSA estimates, as shown in Table 5.

TABLE 5
COMPARISON OF 2008 - 2010 W&P EMPLOYMENT ESTIMATES
KEY EMPLOYMENT CENTERS

County	W&P 2008	W&P 2009	W&P 2010	WSA 11/09 Recommended	% Difference (2008/Rec.)	% Difference (2009/Rec.)	% Difference (2010/Rec.)
Cook	3,908,482	3,686,446	3,779,512	3,870,000	6.0%	-4.7%	-2.3%
DuPage	1,045,657	952,693	877,146	930,000	12.4%	2.4%	-5.7%
Lake	639,001	579,320	515,296	560,000	14.1%	3.5%	-8.0%
TOTAL	5,593,140	5,218,459	5,171,954	5,360,000	4.3%	-2.6%	-3.5%

Therefore, the Woods & Poole employment estimate for the key employment destinations in Northeastern Illinois, which are the principal destinations for commuters using the Illinois Tollway system, remains very close to the WSA June 2010 recommendation. A major difference remains in the forecast for Will County. The al Chalabi Group and CMAP maintain that there is a minimum number of jobs required to serve the population that is forecast for this region. W&P's forecasts do not reach that minimum.

Table 6 presents 2000 actual and 2008 estimated employment, the W&P forecasts (2010 series), the CMAP forecasts (September 2006), and other locally-generated county forecasts (for counties outside the CMAP Region). These forecasts are presented, as published, and in BEA-equivalent jobs, if different. The existing data are presented in the three definitional formats. The 2030 and 2034 employment forecasts used to develop the traffic and revenue estimates are shown in the last two columns.

TABLE 6
EMPLOYMENT DATA AND FORECASTS – VARIOUS AVAILABLE SOURCES

County	2000 Actual Employment			2008 Estimated Employment			2030 Employment Forecasts					Other Local Generated in BEA		WSA Forecasts	
	W&P/ BEA (a)	BLS (b)	CMAP (c)	W&P/ BEA (d)	BLS (b)	CMAP (e)	W&P 2010 Series (BEA Def) (a)	BLS (b)	CMAP (c)	CMAP in BEA Equivalent Jobs (e)	BEA Equivalent Jobs (f)	2030 in BEA Equivalent Jobs	2034 in BEA Equivalent Jobs		
Cook	3,351,990	2,716,109	2,818,334	3,320,347	2,533,427	n/a	3,779,512	n/a	3,305,003	4,099,821	n/a	3,870,000	3,965,000		
DeKalb	47,454	33,109	n/a	55,838	38,326	n/a	63,889	n/a	n/a	n/a	75,788	75,000	79,000		
DuPage	702,575	595,749	649,989	735,838	601,437	n/a	877,146	n/a	830,394	1,025,581	n/a	930,000	965,000		
Grundy	20,025	14,578	n/a	24,471	16,575	n/a	28,013	n/a	n/a	n/a	36,269	34,000	36,000		
Kane	241,766	198,180	206,107	269,832	212,255	n/a	362,239	n/a	352,208	423,442	n/a	405,000	435,000		
Kendall	21,667	16,094	n/a	33,938	25,125	n/a	40,461	n/a	n/a	n/a	91,248	78,000	90,000		
Lake	418,842	321,667	352,582	454,863	343,756	n/a	515,296	n/a	463,509	569,931	n/a	560,000	580,000		
McHenry	111,702	89,441	105,118	133,067	106,157	n/a	171,879	n/a	168,573	207,438	n/a	200,000	215,000		
Will	186,145	145,513	165,556	259,823	199,867	n/a	309,365	n/a	415,549	547,946	n/a	520,000	585,000		
Boone	18,905	14,339	n/a	22,027	15,626	n/a	24,231	n/a	n/a	n/a	27,310	29,000	30,000		
Lee	18,108	13,257	n/a	17,316	12,907	n/a	18,352	n/a	n/a	n/a	n/a	18,000	18,250		
Ogle	25,465	18,427	n/a	25,745	17,348	n/a	28,670	n/a	n/a	n/a	n/a	30,000	31,000		
Whiteside	31,115	23,697	n/a	29,307	21,129	n/a	33,846	n/a	n/a	n/a	n/a	30,000	30,250		
Winnebago	176,590	146,047	n/a	171,670	137,928	n/a	193,486	n/a	n/a	n/a	235,040	221,000	230,500		
7-County CMAP Region	5,013,020	4,066,659	4,297,686	5,173,770	3,996,899	n/a	6,055,898	n/a	5,535,236	6,874,159	n/a	6,485,000	6,745,000		
2-County RMAP Region	195,495	160,386	n/a	n/a	153,554	n/a	217,717	n/a	n/a	n/a	262,350	250,000	260,500		
Other 5 Counties	163,834	119,162	n/a	340,969	131,410	n/a	172,770	n/a	n/a	n/a	n/a	265,000	284,500		
14-County Tollway Region	5,372,349	4,346,207	n/a	5,554,082	4,281,863	n/a	6,446,385	n/a	n/a	n/a	n/a	7,000,000	7,290,000		

Sources:

- Woods & Poole Economics, Inc. (W&P), "2010 Complete Economic and Demographic Data Source (CEDDS)."
- Bureau of Labor Statistics Website, Quarterly Census of Employment and Wages, Illinois Counties.
- Chicago Metropolitan Agency for Planning (CMAP), "2030 Forecasts of Population, Households, and Employment", September 27, 2006.
- The last W&P "actual", statistics are for 2006. The W&P 2008 estimate is derived through comparative analysis with BLS employment data.
- This conversion was undertaken as part of an IDOT study.
- The forecasts for Boone and Winnebago Counties are from "Year 2035 Long Range Transportation Plan for the Rockford Metropolitan Planning Area", Rockford Area Transportation Study (predecessor agency of the Rockford Metropolitan Agency for Planning), August 2005, Table 9-4 p.98. Forecasts for other counties are from forecasts adopted by the Northeastern Illinois Planning Commission in 2005.

RECENT ECONOMIC ACTIVITY AND SHORT-TERM PROJECTIONS

The recession that began in December, 2007 and continued to worsen through the first half of 2009 continues to show signs of abating. Economic activity, as measured by gross domestic product (GDP), declined through mid-2009 and has since increased at a steady, if modest rate. Employment, on the other hand, has remained high, which has contributed to slower economic growth.

Turmoil in the financial markets stemming from the mortgage crisis that resulted in the failure of several large banks, the placement of Fannie Mae and Freddie Mac into conservatorship by the government, and the takeover of some investment banks by commercial banks brokered by the Federal Reserve Bank and the US Treasury Department has lessened significantly. Partly as a result of tightened lending standards and improved financial condition, banks' access to credit markets has improved greatly since late 2008. Challenges remain, however, as bank failures rose significantly again in 2010, and more failures are likely. Apart from losses in mortgages and consumer loans, banks and other financial institutions are facing significant losses from commercial real estate loans and investments in securities backed by such loans.

Consumer confidence remains steady, and significantly depressed from pre-recession levels. Recent surveys indicate continued high unemployment and general softness of the labor market have led to continued consumer pessimism. As declines in home values, pension and investment accounts have occurred over the past two years, even those who have not suffered income declines are more cautious spenders. The desire to decrease their debt and increase savings remains the dominant motivation of nearly all consumers.

In the labor market, the US unemployment rate began to increase in early 2007, with the rate of increase accelerating throughout 2008 and into 2009. In mid-2009 the US unemployment rate began to stabilize in a range of 9.4 to 10.1 percent, where it remains. The Congressional Budget Office expects unemployment to remain in this range well into 2011, dropping to 9.2 percent by the end of 2011, and 8.2 percent by the end of 2012, with a projected annual average of 5.3 percent for 2013-2016. In Illinois, the December 2010 unemployment rate stood at 9.3 percent, the ninth consecutive monthly drop. This compares to a national rate of 9.4 percent.¹

The oversupply of new housing and drop in existing home prices has been a continuing drag on the economic recovery. There are already signs that the construction of single family homes has stabilized. After bottoming out at 357,000 in January and February of 2009, starts and permits for single-family homes have since June remained in a range of 470,000 to 510,000 units per month. Similarly, prices of existing homes are showing signs of stabilizing. After dropping steadily throughout 2007 and 2008, the

¹ Illinois Department of Employment Security, not seasonally adjusted.

Standard and Poors/Case-Schiller 20 city home price index remained in a relatively narrow range throughout 2009. Locally, although the Chicago index marked its seventh straight monthly decrease, standing at 122.57 in March, nearly matching the 2009 low and a 3.0% year over year decline, the rate of decline had slowed and home purchases have increased slightly.

Short-term Economic Forecasts

Forecasts of future economic performance were reviewed from a variety of sources including the Federal Reserve Bank (Fed), the Congressional Budget Office (CBO), the US Department of Energy, Energy Information Administration (EIA), as well as private-sector forecasters. Table 7 summarizes relevant information from these sources.

The Fed, in its July 2010 monetary policy report, projected real Gross Domestic Product (GDP) to increase by 3.0 to 3.5 percent in 2010, followed by an increase of between 3.5 and 4.2 percent in 2011. In 2012, real GDP was projected to increase between 3.5 to 4.5 percent. Forecasts by the CBO for its Budget and Economic Outlook FY 2011-2020, dated August 2010, were slightly lower than the Fed projections, projecting real GDP to increase by 3.0 percent in 2010, followed by growth of 2.1 percent in 2011 and 3.4 percent in 2012.

Private sector forecasters were generally somewhat lower than the Fed. The Survey of Professional Forecasters, a quarterly survey of 43 private sector and academic economists conducted by the Philadelphia Federal Reserve, projected GDP growth in 2010-12 of 2.7, 2.5 and 2.9 percent, respectively.

Inflation pressures, reflected in forecasts of the Personal Consumption Expenditures (PCE) Index, are expected to remain low through 2012, tempered by continued high unemployment rates. There appears to be a consensus among forecasters that the unemployment rate will fall slowly through 2012.

TABLE 7
ECONOMIC FORECASTS

Measure/Source	Forecasts		
	2010	2011	2012
Real GDP			
	Fourth Quarter to Fourth Quarter (Percentage Change)		
Federal Reserve (July 2010)	3.0 to 3.5	3.5 to 4.2	3.5 to 4.5
Congressional Budget Office (August 2010)	3.0	2.1	3.4
Wells Fargo (November 2010)	2.7	2.3	3.0
Survey of Professional Forecasters (November 2010)	2.7	2.5	2.9
Inflation - PCE Index			
	Fourth Quarter to Fourth Quarter (Percentage Change)		
Federal Reserve (July 2010)	1.0 to 1.1	1.1 to 1.6	1.0 to 1.7
Congressional Budget Office (August 2010)	0.9	1.1	1.6
Wells Fargo (November 2010)	1.4	1.0	1.5
Survey of Professional Forecasters (November 2010)	1.2	1.4	1.8
Unemployment Rate			
	Calendar Year Average (Percent)		
Federal Reserve (July 2010)	9.2 to 9.5	8.3 to 8.7	7.1 to 7.5
Congressional Budget Office (August 2010)	9.5	9.0	8.1
Wells Fargo (November 2010)	9.7	9.7	9.0
Survey of Professional Forecasters (November 2010)	9.7	9.3	8.7
Retail Gasoline Price (Including Taxes)			
	Calendar Year Average		
EIA Short Term Energy Outlook (December 2010)	\$2.77	\$3.00	N.A.
Housing Starts			
National Association of Realtors (December 2010)	599,000	707,000	951,000
National Association of Homebuilders (November 2010)	605,000	739,000	1,078,000

Both the National Association of Realtors and the National Association of Home Builders project that housing starts will recover slightly in 2011 and rebound in 2012. The National Association of Realtors indicated in its December 2010 forecast that housing starts are anticipated to rebound strongly in 2012, with a 78 percent increase over projected 2010 housing starts.

Adjustments of the revenue forecasts due to the economy have two dimensions – depth and duration. A number of factors were reviewed in determining the depth of the economic adjustment, including future forecasts of GDP growth, unemployment rates, inflation, housing starts and prices. A heavier emphasis was placed on employment in determining the depth of the adjustment due to the economy, since employment (and hence unemployment rates) are historically more closely correlated with travel than GDP growth. The recent traffic and revenue performance on the Illinois Tollway facilities were also considered in determining the depth of the adjustments.

In determining the duration over which adjustments due to the economy are warranted, future forecasts of all of the factors above were considered. In addition, characteristics of the current recession were compared to prior recessions in determining the possible impacts. The 1981-82 recession, which was accompanied by a sharp decline in the housing market and unemployment rates of over 10 percent,

provided a comparative case study. In the 1981-82 recession, employment took approximately 30 months to return to peak levels prior to the recession. This provides a strong basis for the assumption that the effects of the current recession could persist for the next two years. In addition, economists have also estimated that the current recession has resulted in a significant erosion of household wealth, as represented by housing values and retirement savings invested in the stock market, of over 30 percent compared to 2004 levels. This will be a significant factor limiting the rate of recovery of the housing sector, which has driven much of the economic expansion in recent years.

Since our June 2010 report, the economy has continued to stabilize and, while unemployment remains high and is expected to continue to do so, passenger travel on the Tollway system, including commuter trips, has continued to recover from the low levels experienced early in 2009. Moreover, transaction data for 2010 indicates that commercial vehicle traffic is recovering. Revenues have not, however increased at the rate anticipated in earlier reports. In addition, as noted above, economic forecasts indicate a prolonged economic recovery. As a result, we have tempered expected revenue growth for the period from 2011 to 2020 to bring expected revenue in line with anticipated economic growth rates.

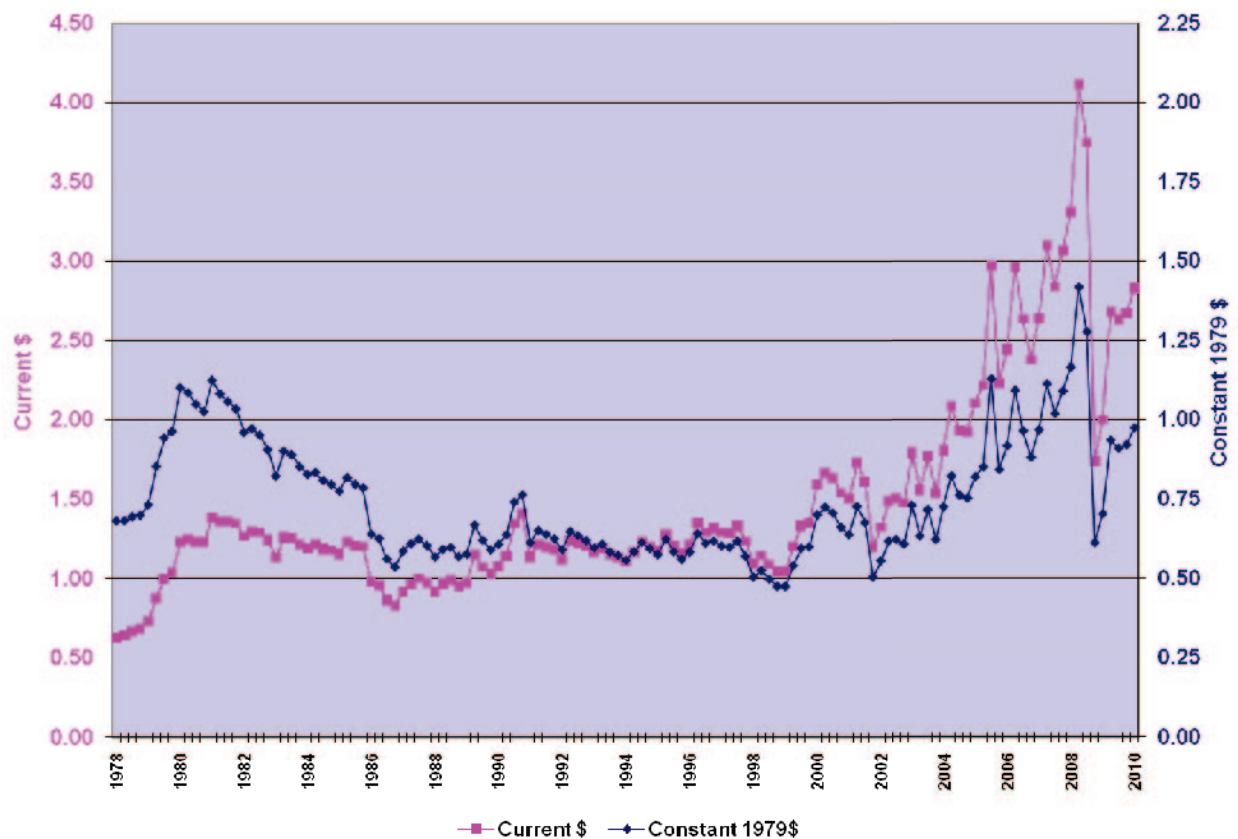
Motor Fuel Prices

A critical factor affecting the national and regional economy has been the volatility in energy prices. The national average price for unleaded regular gasoline peaked at \$4.114 per gallon in July 2008 before falling steadily to \$1.653 per gallon in December of that year. Since then, prices rose steadily until stabilizing in a range of \$2.50 to \$2.70 per gallon throughout the summer of 2009. Recently, local prices have followed a pattern that reflects historical seasonal variations. According to the December 2010 EIA Short Term Energy Outlook, EIA expects the monthly average regular-grade gasoline retail price to increase from an average of \$2.77 per gallon in 2010 to \$3.00 per gallon in 2011.

The wild fuel price fluctuations of 2008 and early 2009 appear to have ended, at least temporarily. During the past few quarters, the per gallon gasoline price has returned to the historic pattern of relative stability, remaining in a relatively narrow range of \$2.50 to just over \$3.00 per gallon. Figure 3 shows the past 30-year trend in average per gallon gasoline prices, by quarter. The last data point is for the 1st quarter of 2010. The graph shows that the real dollar price of gasoline fluctuated mostly in the fairly narrow range of \$.50 to \$1.15 in 1979 dollars. Recognizing that crude oil prices are extremely difficult to predict, and that projections are highly sensitive to a number of key assumptions, the December 2010 pre-release of the EIA's 2011 Annual Energy Outlook projects a range in crude oil prices from 2010 to 2035. The report's "reference case" projects real crude oil prices to increase to roughly \$125 (2009 dollars) per barrel. The report's "low oil price case" assumes greatly increased OPEC output and projects no increase in the real price of oil. Finally, the "high oil price case" assumes restrictions on economic access to non-OPEC conventional resources in countries such as Russia, Kazakhstan, and Brazil, combined with reductions in OPEC production. Under this case, real crude oil prices are expected to increase to approximately \$200 per barrel (2009 dollars).

The traffic and revenue estimates found herein assume that oil prices will track close to the “reference case”. If the overall inflation rate is about 3 percent, as we have assumed, then the real cost of motor fuel will increase relatively slowly. Given that demand for gasoline has been shown to be highly elastic over recent years, we do not anticipate that fuel price increases approximating the “reference case” will have a significant long term impact on Tollway revenue.

FIGURE 3
Average Per Gallon Gasoline Price 1978-2010
(Data Source: Bureau of Labor Statistics - Average All US Cities, All Grades)



ESTIMATED TRAFFIC AND REVENUE

Annual traffic and revenue estimates have been developed for the years 2010 through 2034. The estimates have been developed using Wilbur Smith Associates' toll travel demand analysis methodology, and are based on the long term population and employment forecast discussed in the section "Regional Demographic and Economic Characteristics." The estimates presented are revised downward from those presented in our June 2010 update due to the continued high unemployment levels and expectations that the economic recovery will be relatively slow.

With the completion of the Congestion Relief Program, the Tollway system can be characterized as a mature system that can be expected to have relatively modest increases in traffic and revenue. For the intermediate term, we expect traffic and revenue to increase generally in line with the overall economy. In the longer term, revenue increases will slow due to capacity constraints. The following factors will contribute to revenue increases in the intermediate term.

- Expected increases in general vehicle travel, both passenger cars and commercial vehicles, as the economy recovers from the recession.
- New patrons attracted to the Tollway system due to available capacity and higher travel speeds since completion of much of the Congestion Relief Program, and continuing high levels of congestion on competing routes.

Toll revenue estimates presented are "expected revenue," or the revenue that would result if each vehicle passing through a toll collection plaza paid exactly the published toll rate based on the vehicle's classification, time of day, and toll payment method. Expected revenue does not include the effects of overpayments, underpayments or toll evasion, and no analysis of these toll variance factors is included in this report. Historic revenue presented earlier herein reflect actual results and do include these factors.

The revenue estimates are based on the capital program approved by the Tollway board in September, 2007 (CRP-1), which has not changed materially since our previous update was prepared. The program calls for the addition of mainline lanes on various parts of the system. Figure 4 depicts where the lane additions and major interchange reconstruction projects are to be made and the year they will be in service.

FIGURE 4
ILLINOIS TOLLWAY MAJOR CAPITAL IMPROVEMENTS



The impact of construction activity on the temporary capacity of facilities is an important consideration in estimating traffic and revenue. Table 8 summarizes future construction projects on the Tollway. There are currently no significant projects scheduled by the Illinois Department of Transportation that are expected to impact Tollway operations. The impact of these projects during the indicated construction periods were taken into account in the traffic and revenue estimates.

TABLE 8
MAJOR SCHEDULED CONSTRUCTION PROJECTS 2011-2016

Location		Type of	Scheduled
From	To	Work	Construction
RONALD REAGAN MEMORIAL TOLLWAY			
IL-251	IL-56	Resurfacing	2012
IL-56	Deerpath Road	Add lane/reconstruction	2012
US-30	IL-251	Resurfacing	2016
TRI-STATE TOLLWAY			
95th Street	Balmoral Ave	Resurfacing	2012
Edens Spur	Half Day Road (IL-22)	Resurfacing	2012
JANE ADDAMS MEMORIAL TOLLWAY			
IL-53	Kennedy Expressway	Rehabilitate/resurfacing	2015
Barrington Road	IL-53	Rehabilitate/resurfacing	2015
Elgin Plaza 9	Barrington Road	Rehabilitate/resurfacing	2011
Sandwald Road	Elgin Plaza 9	Rehabilitate/resurfacing	2013
US-20	Sandwald Road	Rehabilitate/resurfacing	2013
Genoa Road	US-20	Rehabilitate/resurfacing	2011
Newburg Road	Genoa Road	Rehabilitate/resurfacing	2015
VETERANS MEMORIAL TOLLWAY			
None			

Source: Illinois Tollway

Status of Additional Capital Program

On November 20, 2008, the Tollway Board of Directors authorized an additional capital program and a corresponding commercial vehicle toll increase intended to provide revenues to finance that additional capital program. The additional capital program included two major interchanges, high occupancy vehicle/tolled lanes (“HOTs”) over designated portions of the system, and the possibility of several smaller local interchanges. No contracts have been let nor proposals solicited in connection with this additional capital program. It remains on hold and, according to Tollway management is unlikely to proceed in its originally proposed form. The new capital projects and toll rate changes from this Board action are not incorporated in the analysis and estimates presented in this report. The traffic and revenue estimates presented herein are based on the same capital program and toll rate structure as the June 2010 update, with adjustments for changes in traffic and economic conditions and expectations.

Illiana Expressway

On June 9th, 2010, the Illinois and Indiana governors signed a memorandum of understanding to jointly study the possible construction of a new east-west highway facility south of I-80 that would connect I-55 in Illinois with I-65 in Indiana. A feasibility study covering a portion of the route was completed in 2009.

Work on an environmental impact statement is planned to start in 2011. While a general corridor has been identified, no specific route has been selected. It is anticipated that if the roadway is constructed, it will be built as a toll facility. Wilbur Smith Associates has performed a preliminary analysis of the potential impacts of an Illiana Expressway and believes that if the roadway is operated as a toll facility it will have no overall negative impact on revenues on the existing Illinois Tollway system.

The revenue forecasts assume that the toll rate for passenger cars paying electronically will be one-half the cash toll rate. I-PASS participation is thus a factor in estimating future revenues. As discussed earlier, I-PASS participation for both passenger cars and commercial vehicles increased sharply at the end of 2004 through January 2005. I-PASS participation then stabilized through mid-March 2005, and grew slowly for the remainder of the year with some seasonal fluctuation. I-PASS passenger car participation decreases during the summer due to an increase in out-of-state and occasional recreational users. The slow growth has continued at a slowing rate. Little future growth is expected. I-PASS passenger car payment participation is expected to eventually stabilize at around 82 percent. Commercial vehicle participation is expected to reach 87 percent; however, as there are no toll discounts for commercial vehicles using I-PASS, the commercial vehicle participation is not relevant for revenue forecasts.

The traffic and revenue estimates for the Tollway presented in this document are predicated on the following basic assumptions:

1. Tolls will be collected through 2034 under the rate structure now in effect, as approved by the Tollway Board on September 30, 2004.
2. Capital improvements both on and off the Tollway will be as referenced herein.
3. Public transit projects and highway improvements on alternative routes to the Tollway in northeastern Illinois will be implemented in accordance with the schedules developed by the regions' metropolitan planning organizations, the Chicago Metropolitan Agency for Planning and the Rockford Metropolitan Agency for Planning, as part of their long-range plan development process.
4. Motor fuel will remain in adequate supply, and future increases in fuel prices will not substantially exceed the overall rate of inflation during the forecast period.
5. No local, regional or national emergency will arise that would abnormally restrict motor vehicle use.
6. Economic growth and development in northern Illinois will proceed according to the forecasts presented herein.

WSA believes the above basic assumptions are reasonable for purposes of this analysis. Any significant departure from these basic assumptions could materially affect estimates of traffic and toll revenue on the Tollway system.

Table 9 shows the estimated annual traffic and expected revenue for the years 2010 to 2034. System-wide totals as well as estimates for each of the routes in the system are given. All roadway capacity

improvements in CRP-1 are to be completed and in service by 2016. The average annual transaction growth rate between 2010 and 2016 is 2.94 percent. Average annual revenue growth for the same period is 3.25 percent. These growth rates are consistent with historical rates considering the programmed extensive expansion of mainline capacity in the more heavily used portions of the system. Annualized transactions and revenue growth rates for later years are lower, reflecting a maturing Tollway service area. From 2016 to 2034 the annual growth rates are 1.01 and 1.24 percent for transactions and revenue respectively.

Table 10 presents the traffic and revenue estimates for the two vehicle types; namely, passenger cars and commercial vehicles.

TABLE 9
ESTIMATED ANNUAL TRAFFIC AND EXPECTED REVENUE BY FACILITY
(Transactions and Revenue in Thousands)

Year	Reagan Memorial Tollway		Veterans Memorial Tollway		Jane Addams Memorial Tollway		Tri-State Tollway		Systemwide Total	
	Transactions	Revenues	Transactions	Revenues	Transactions	Revenues	Transactions	Revenues	Transactions	Revenues
2010	137,424	104,694	144,548	111,031	170,381	137,681	358,639	311,410	810,992	664,816
2011	155,586	116,831	153,773	109,433	164,827	135,460	370,920	326,011	845,107	687,734
2012	153,301	116,831	150,413	109,167	174,512	141,702	388,263	340,666	866,490	708,366
2013	157,060	120,218	155,982	113,310	179,970	147,478	401,108	352,154	894,120	733,159
2014	164,390	124,871	161,893	117,659	188,063	155,368	410,212	360,921	924,557	758,819
2015	167,884	130,841	166,140	121,444	189,800	165,458	422,113	364,353	945,938	782,096
2016	170,745	135,543	170,184	125,736	199,997	178,592	424,219	365,766	965,146	805,637
2017	174,375	139,126	173,353	128,895	212,017	192,340	428,039	369,445	987,785	829,806
2018	179,750	144,187	178,341	133,525	217,749	198,373	437,950	378,617	1,013,789	854,701
2019	185,249	149,337	183,524	138,331	223,656	204,555	448,244	388,119	1,040,673	880,342
2020	190,972	154,600	188,998	143,213	229,849	210,930	459,140	398,008	1,068,960	906,751
2021	193,296	157,155	189,957	145,604	231,983	213,626	461,965	401,027	1,077,201	917,411
2022	195,513	159,597	190,902	147,462	234,024	216,210	464,668	403,924	1,085,105	927,194
2023	197,635	161,877	191,831	149,254	235,983	218,631	467,268	406,584	1,092,718	936,347
2024	199,664	164,123	192,718	151,047	237,864	221,022	469,761	409,274	1,100,006	945,466
2025	201,611	166,282	193,580	152,468	239,673	223,328	472,163	411,875	1,107,026	953,953
2026	203,485	168,300	194,426	153,821	241,422	225,494	474,491	414,264	1,113,823	961,879
2027	205,286	170,306	195,237	155,201	243,108	227,651	476,737	416,712	1,120,367	969,869
2028	207,021	172,243	196,031	156,229	244,739	229,742	478,917	419,094	1,126,708	977,308
2029	208,697	174,117	196,810	157,577	246,319	231,773	481,040	421,418	1,132,866	984,885
2030	209,949	175,162	197,851	158,615	247,797	233,163	483,926	423,947	1,139,523	990,887
2031	210,999	176,037	198,841	159,408	249,036	234,329	486,346	426,067	1,145,221	995,841
2032	211,843	176,742	199,636	160,045	250,032	235,266	488,291	427,771	1,149,802	999,824
2033	212,478	177,272	200,235	160,526	250,782	235,972	489,756	429,054	1,153,251	1,002,824
2034	212,903	177,626	200,635	160,847	251,284	236,444	490,736	429,912	1,155,558	1,004,829

Average Annual Percent Change

Years	Reagan Memorial Tollway		Veterans Memorial Tollway		Jane Addams Memorial Tollway		Tri-State Tollway		Systemwide Total	
	Transactions	Revenues	Transactions	Revenues	Transactions	Revenues	Transactions	Revenues	Transactions	Revenues
2010-2016	3.68	4.40	2.76	2.09	2.71	4.43	2.84	2.72	2.94	3.25
2016-2034	1.23	1.51	0.92	1.38	1.28	1.57	0.81	0.90	1.01	1.24
2009-2034	1.84	2.23	1.38	1.56	1.63	2.28	1.32	1.35	1.49	1.74

NOTES: Toll Revenues are all expected revenue.

Assumes toll rate structure approved by ISTHA Board on September 30, 2004.

TABLE 10
TRAFFIC AND REVENUE ESTIMATES BY VEHICLE TYPE

Year	Passenger Car			Commercial Vehicle			Total	
	Transactions (,000)	Revenue (\$,000)	Revenue/ Transaction	Transactions (,000)	Revenue (\$,000)	Revenue/ Transaction	Transactions (,000)	Revenue (\$,000)
2010	725,452	362,232	0.50	85,540	302,583	3.54	810,992	664,816
2011	757,393	378,921	0.50	87,714	308,812	3.52	845,107	687,734
2012	775,224	387,219	0.50	91,266	321,147	3.52	866,490	708,366
2013	799,287	398,688	0.50	94,832	334,471	3.53	894,120	733,159
2014	826,044	410,821	0.50	98,513	347,998	3.53	924,557	758,819
2015	844,502	421,287	0.50	101,436	360,810	3.56	945,938	782,096
2016	860,555	430,232	0.50	104,590	375,405	3.59	965,146	805,637
2017	879,770	439,760	0.50	108,015	390,046	3.61	987,785	829,806
2018	902,413	451,671	0.50	111,376	403,030	3.62	1,013,789	854,701
2019	925,837	463,974	0.50	114,836	416,367	3.63	1,040,673	880,342
2020	950,510	476,619	0.50	118,450	430,133	3.63	1,068,960	906,751
2021	957,268	480,406	0.50	119,933	437,005	3.64	1,077,201	917,411
2022	963,741	484,030	0.50	121,365	443,164	3.65	1,085,105	927,194
2023	969,969	487,572	0.50	122,749	448,775	3.66	1,092,718	936,347
2024	975,913	490,896	0.50	124,093	454,570	3.66	1,100,006	945,466
2025	981,628	494,091	0.50	125,399	459,863	3.67	1,107,026	953,953
2026	987,154	496,866	0.50	126,669	465,012	3.67	1,113,823	961,879
2027	992,458	499,829	0.50	127,910	470,040	3.67	1,120,367	969,869
2028	997,587	502,690	0.50	129,122	474,618	3.68	1,126,708	977,308
2029	1,002,557	505,458	0.50	130,309	479,427	3.68	1,132,866	984,885
2030	1,008,301	508,410	0.50	131,222	482,476	3.68	1,139,523	990,887
2031	1,013,343	510,952	0.50	131,878	484,889	3.68	1,145,221	995,841
2032	1,017,396	512,996	0.50	132,406	486,828	3.68	1,149,802	999,824
2033	1,020,448	514,535	0.50	132,803	488,289	3.68	1,153,251	1,002,824
2034	1,022,489	515,564	0.50	133,068	489,265	3.68	1,155,558	1,004,829

Year	Average Annual Percent Change					
	Passenger Car		Commercial Vehicle		All Vehicles	
	Transactions	Revenue	Transactions	Revenue	Transactions	Revenue
2010-2016	2.89	2.91	3.41	3.66	2.94	3.25
2016-2034	0.96	1.01	1.35	1.48	1.01	1.24
2010-2034	1.44	1.48	1.86	2.02	1.49	1.74

NOTES: Toll Revenues are all expected revenue.

Assumes toll rate structure approved by ISTHA Board on September 30, 2004.

Disclaimer

Current professional practices and procedures were used in the development of these findings. However, there is always considerable uncertainty inherent in future traffic and revenue forecasts for any toll facility. Given the long record of successful operation of the Tollway system, this uncertainty is to some extent reduced in this case. Notwithstanding, there may sometimes be differences between forecasted and actual results caused by events and circumstances beyond the control of the forecasters. These differences could be material. In addition, it should be recognized that traffic and revenue forecasts in this document are intended to reflect the overall estimated long-term trend. Actual experience in any given year may vary due to economic conditions and other factors.

The study team, including our subconsultant, The al Chalabi Group, Ltd., gratefully acknowledges the cooperation and assistance provided by Tollway staff during the course of this study. As always, WSA appreciates the opportunity to be of continued assistance to the Tollway in performing this work.

Respectfully submitted,

WILBUR SMITH ASSOCIATES



Eugene Ryan
Vice President

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

