

In the opinion of Bond Counsel, interest on the Series 2010A Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the conditions described in “THE BONDS – Tax Matters” herein and interest on the Series 2010A Bonds is not subject to the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2010B Bonds is includable in the gross income of the holders thereof for purposes of federal income taxation. Under existing statutes, interest on the 2010 Bonds is exempt from personal and corporate income tax imposed by The State of Delaware. For a more complete discussion, see “THE BONDS – Tax Matters” herein.

\$43,480,000

**DELAWARE SOLID WASTE AUTHORITY
SOLID WASTE SYSTEM REVENUE BONDS
SERIES OF 2010**

CONSISTING OF

\$24,625,000

**SOLID WASTE SYSTEM REVENUE BONDS,
TAX-EXEMPT SERIES OF 2010A**

\$18,855,000

**SOLID WASTE SYSTEM REVENUE BONDS,
TAXABLE BUILD AMERICA BONDS (DIRECT PAY)
SERIES OF 2010B**

Dated:	Date of Delivery
Due:	June 1, as shown on the inside of the front cover
Interest Payable:	June 1 and December 1, commencing December 1, 2010
Denomination:	Integral multiples of \$5,000
Form:	Registered, book-entry only through the facilities of The Depository Trust Company
Optional and Extraordinary Optional Redemptions:	The 2010 Bonds are redeemable prior to maturity as set forth in “THE BONDS – Redemption” herein.
Security:	The 2010 Bonds are special obligations of the Delaware Solid Waste Authority (the “Authority”) payable from and secured by the revenues derived by the Authority from the Processing of System Solid Waste generated in the State of Delaware, subject to the prior payment of Operating Expenses, and by certain funds pledged under the Trust Indenture. See “THE BONDS – Security and Sources of Payment of the 2010 Bonds” herein. THE 2010 BONDS DO NOT CONSTITUTE A DEBT OF THE STATE OF DELAWARE OR OF ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF, OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE GENERAL TAXING POWER OR THE FAITH AND CREDIT OF THE STATE OF DELAWARE OR ANY SUCH POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY.
Purpose:	The proceeds of the 2010 Bonds will be used to fund a portion of the Authority’s capital improvement program, to fund a debt service reserve fund and to pay the costs associated with the issuance of the 2010 Bonds.
Series 2010B Bonds as Build America Bonds:	The Authority has elected to designate the Series 2010B Bonds as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 and to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the Series 2010B Bonds. See “THE BONDS – Introduction” and “– Description of the Bonds” herein.

**FOR MATURITY SCHEDULES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS
SEE INSIDE FRONT COVER**

The 2010 Bonds are offered when, as and if issued and received by the Underwriters, and are subject to the issuance of a legal opinion as to validity by Bond Counsel, Saul Ewing LLP, Wilmington, Delaware and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Ballard Spahr LLP, Wilmington, Delaware, and for the Authority by its general counsel, Parkowski, Guerke & Swayze, P.A., Dover, Delaware. It is expected that the 2010 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about June 23, 2010.

MESIROW FINANCIAL, INC**Citi****Roosevelt & Cross,
Incorporated****Stone & Youngberg**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

\$24,625,000 SOLID WASTE SYSTEM REVENUE BONDS, TAX-EXEMPT SERIES OF 2010A

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP[†]

Maturing June 1	Principal Amount	Interest Rate	Yield	CUSIP[†]
2011	\$ 2,940,000	2.000%	0.950%	246412 DT4
2012	3,190,000	3.000	1.250	246412 DU1
2013	3,285,000	3.500	1.700	246412 DV9
2014	3,400,000	3.000	2.100	246412 DW7
2015	3,505,000	2.000	2.400	246412 DX5
2017	3,650,000	3.000	3.070	246412 DZ0
2018	4,655,000	3.125	3.270	246412 EA4

**\$18,855,000 SOLID WASTE SYSTEM REVENUE BONDS,
TAXABLE BUILD AMERICA BONDS (DIRECT PAY) SERIES OF 2010B**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP[†]

Maturing June 1	Principal Amount	Interest Rate	Yield	CUSIP[†]
2016	\$ 2,650,000	4.420%	4.420%	246412 DY3
2019	3,905,000	4.970	4.970	246412 EB2
2020	4,000,000	5.120	5.120	246412 EC0
2021	4,000,000	5.270	5.270	246412 ED8
2022	4,300,000	5.370	5.370	246412 EE6

This Official Statement does not constitute an offer to sell, or a solicitation of an offer to buy, any of the 2010 Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or to make any representations, other than those contained herein, in connection with the offering of the 2010 Bonds, and, if given or made, such information or representation must not be relied upon. Neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the matters referred to herein since the date hereof.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the 2010 Bonds.

All quotations from and summaries and explanation of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the 2010 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the respective dates as of which information is given herein or the date hereof.

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

No dealer, broker, salesman or other person has been authorized by the Authority or the underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2010 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is distributed in connection with the sale of securities referred to herein and may not be reproduced or used in whole for any other purpose. In no instance may this Official Statement be reproduced or used in part.

IN CONNECTION WITH THE OFFERING OF THE 2010 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE 2010 BONDS SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

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Official Statement

of the

Delaware Solid Waste Authority

Relating to

\$43,480,000**Solid Waste System Revenue Bonds
Series of 2010**

consisting of

\$24,625,000**Solid Waste System Revenue Bonds,
Tax-Exempt Series of 2010A****\$18,855,000****Solid Waste System Revenue Bonds,
Taxable Build America Bonds (Direct Pay) Series
of 2010B****I. THE BONDS****Introduction**

The purpose of this Official Statement (which includes the cover page, the table of contents and the appendices hereto) of the Delaware Solid Waste Authority (the "Authority") is to furnish information in connection with the issuance of \$43,480,000 aggregate principal amount of the Authority's Solid Waste System Revenue Bonds, Series of 2010 (the "2010 Bonds") consisting of the \$24,625,000 Solid Waste System Revenue Bonds, Tax-Exempt Series of 2010A (the "Series 2010A Bonds") and the \$18,855,000 Solid Waste System Revenue Bonds, Taxable Build America Bonds (Direct Pay) Series of 2010B (the "Series 2010B Bonds"). The Series 2010A Bonds will be issued as tax-exempt obligations of the Authority under the Internal Revenue Code of 1986, as amended (the "Code"). The Series 2010B Bonds will be issued as taxable obligations of the Authority, and the Authority has elected to designate the Series 2010B Bonds as direct-pay "Build America Bonds" under Section 54AA of the Code.

The 2010 Bonds are being issued for the purpose of (i) financing various projects described in the Authority's Capital Improvement Program FY 2010-2016, (ii) funding the Debt Service Reserve Fund and (iii) paying the costs of issuing the 2010 Bonds.

The 2010 Bonds are being issued pursuant to Chapter 64, Title 7, Delaware Code, as amended (the "Act"), a resolution of the Authority adopted September 28, 2006, a resolution of the Authority adopted May 27, 2010, a Trust Indenture, dated as of December 1, 2006 (the "Original Indenture"), by and between the Authority and Wilmington Trust Company, Wilmington, Delaware, as trustee (the "Trustee"), as amended and supplemented by a First Supplemental Trust Indenture dated as of June 1, 2010 (the "First Supplemental Indenture," and together with the Original Indenture the "Indenture"). Pursuant to the Indenture, the Authority is authorized to issue Additional Parity Indebtedness in the future. The Authority's Solid Waste System Revenue Bonds, Series 2006, dated December 20, 2006 (the "2006 Bonds"), the 2010 Bonds and such future Additional Parity Indebtedness are hereinafter collectively referred to as the "Bonds."

The Authority is a body politic and corporate constituting a public instrumentality of The State of Delaware (the "State") duly established and organized under the Act. Among the functions of the Authority are the planning and administration of a comprehensive statewide program for the management, storage, collection, transportation, utilization, processing (including resource recovery) and disposal of Solid Waste and sewage sludge. The Authority owns and manages a solid waste disposal system that includes three landfills, four transfer stations, five residential collection stations, and a variety of recycling facilities. See "AUTHORITY OPERATIONS – The System" herein.

The Authority derives the major portion of its revenues from fees charged for the disposal of municipal solid waste and dry (construction and demolition) waste. Certain solid waste is disposed of pursuant to contracts with commercial and municipal haulers. The ability of the Authority to generate disposal revenues is subject to competitive factors. See “AUTHORITY OPERATIONS – The System” herein.

This Official Statement contains, among other topics, a description of the current Capital Improvement Program and the sources of funding therefor; the security for the 2010 Bonds; the terms of the 2010 Bonds; and the powers, responsibilities, membership and operations of the Authority. The 2010 Bonds, together with the 2006 Bonds and all Additional Parity Indebtedness, are secured under the Indenture by a pledge of and lien (subject to the payment of Operating Expenses) on the Pledged Revenues of the System. See “Security and Sources of Payment of the Bonds-Trust Estate” herein.

Capitalized words and terms used in this Official Statement and not defined herein shall have the same meanings ascribed to such words and terms as set forth in the Indenture. See “Appendix E: Certain Definitions.” References herein to the Indenture, the Act and the Bonds do not purport to be complete. Copies of the Indenture are available upon request to the Authority.

Purpose of Issue

The proceeds of the 2010 Bonds will be used to fund a portion of the current Capital Improvement Program of the Authority, including Sandtown Area F, Jones Crossroads Cell 5 and other secondary projects listed in the SWCIP. See “DEBT AND CAPITAL REQUIREMENTS – Solid Waste Capital Improvement Program” and “Current Capital Improvement Program” for a more complete description of the proposed capital projects. The current Capital Improvement Program is a portion of the Authority's long range Solid Waste Capital Improvement Program (“SWCIP”). The proceeds of the 2010 Bonds will also be used to fund the costs of issuance of the 2010 Bonds and the required deposit into the Debt Service Reserve Fund.

Sources and Uses of Funds

The Authority expects that the proceeds of the 2010 Bonds will be used as follows:

	Series 2010A Bonds	Series 2010B Bonds	Total 2010 Bonds
Sources			
Principal Amount of 2010 Bonds	\$ 24,625,000.00	\$ 18,855,000.00	\$ 43,480,000.00
Net Original Issue Premium.....	291,271.90	-	291,271.90
Total Sources	\$ 24,916,271.90	\$ 18,855,000.00	\$ 43,771,271.90
Uses			
Deposit to the Construction Fund	\$22,210,137.70	\$ 16,764,462.56	\$ 38,974,600.26
Deposit to the Debt Service Reserve Fund....	2,478,996.25	1,898,130.94	4,377,127.19
Costs of Issuance ⁽¹⁾	227,137.95	192,406.50	419,544.45
Total Uses	\$ 24,916,271.90	\$ 18,855,000.00	\$ 43,771,271.90

⁽¹⁾ Includes Underwriters’ discount, financial advisory fees, certain fees and expenses of various legal counsel, accountants, the Trustee and the rating agencies, printing costs and certain other fees and expenses.

Security and Sources of Payment of the Bonds

Trust Estate

The 2010 Bonds are special obligations of the Authority payable from and secured by a pledge of, lien on and security interest in all Pledged Revenues and all moneys and securities held by the Trustee pursuant to the

Indenture (other than any moneys and securities in the Rebate Fund and Operating, Insurance and Capital Reserve Fund), subject only to the right of the Authority to apply amounts for Operating Expenses under the provisions of the Indenture.

“Pledged Revenues” means all Revenues of the Authority, and “Revenues” means all Service Payments, Subsidy Payments, all receipts, revenue, income, rates, rents, service and user fees and other amounts received by or on behalf of the Authority for the Processing of System Solid Waste, or otherwise derived by the Authority from its ownership or operation of Authority Facilities, as well as all income, interest and profits received from the investment of money held in any fund established under the Indenture.

The Indenture provides that, upon the defeasance of the 2010 Bonds, the pledge of the Pledged Revenues and all rights granted by the Indenture will be discharged and satisfied as to the 2010 Bonds. See “Summary of Certain Provisions of the Indenture” in Appendix C.

The physical assets comprising the System are not pledged for the benefit of the Bonds. The Authority holds significant retained surpluses in the Operating, Insurance and Capital Reserve Funds, which, although held by the Trustee under the Indenture, are not pledged for the benefit of the Bonds. The Authority may, but is not required to, apply these funds and assets to the payment of the Bonds, if pledged assets are insufficient therefor.

THE 2010 BONDS DO NOT CONSTITUTE A DEBT OF THE STATE OF DELAWARE OR OF ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF, OTHER THAN THE AUTHORITY, AND NEITHER THE FAITH AND CREDIT OF THE STATE OF DELAWARE NOR THE FAITH AND CREDIT OF ANY POLITICAL SUBDIVISION THEREOF ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE 2010 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Flow of Funds

Under the Indenture, the Authority holds the Revenue Fund and the Operating Fund.

Under the Indenture, the Trustee holds the Construction Fund, the Debt Service and Sinking Fund, the Debt Service Reserve Fund, the Bond Redemption and Improvement Fund, the Rebate Fund and the Operating, Insurance and Capital Reserve Fund. No moneys or securities held in the Rebate Fund or the Operating, Insurance and Capital Reserve Fund are pledged as security for the Bonds nor will moneys and securities held in the Rebate Fund or Operating, Insurance and Capital Reserve Fund constitute a part of the Trust Estate.

Revenue Fund. The Authority is required to maintain a Revenue Fund in one or more banks or trust companies and, so long as no Event of Default shall have occurred and be continuing, is required to deposit into such Revenue Fund as soon as possible after receipt, but not less frequently than monthly, all Revenues. The money in the Revenue Fund shall be applied by the Authority for the purpose of making the deposits required to be made to the following Funds as set forth in the Indenture in the following order of priority: the Operating Fund, the Debt Service and Sinking Fund, the Debt Service Reserve Fund, the Bond Redemption and Improvement Fund, the Operating, Insurance and Capital Reserve Fund and such other funds or accounts as the Authority or the Trustee may from time to time create pursuant to the Indenture, whether within or outside of the Trust Estate.

Operating Fund. The Authority is also required to maintain in one or more banks or trust companies an Operating Fund, and during each Fiscal Year the Authority will from time to time transfer from the Revenue Fund to the Operating Fund such amounts as may be necessary to pay or reimburse the Authority for Operating Expenses. Any money held by the Authority in the Operating Fund at the end of any Fiscal Year, which is not required to pay accrued but unpaid Operating Expenses for such Fiscal Year, and not required to be retained as a reserve (in such amount as the Authority may deem prudent) may be transferred to the Trustee for deposit in the Bond Redemption and Improvement Fund.

Debt Service and Sinking Fund. After the transfer of funds from the Revenue Fund to the Operating Fund, the Authority must transfer, on the first business day of each month, from the Revenue Fund to the Debt Service and

Sinking Fund, Accrued Debt Service for such month. The moneys held from time to time in the Debt Service and Sinking Fund shall be applied by the Trustee to payment of the Debt Service Requirements on the Bonds.

Debt Service Reserve Fund. The Authority will establish a separate account for the 2010 Bonds within the Debt Service Reserve Fund, and deposit to such account at closing an amount not less than the Debt Service Reserve Requirement with respect to the 2010 Bonds. The Authority may satisfy the Debt Service Reserve Requirement with any combination of cash, Investment Securities, or a Credit Facility. To the extent the Trustee determines to make up any deficiency in debt service payments from moneys on deposit in the Debt Service Reserve Fund, the Trustee will draw funds from the appropriate account within the Debt Service Reserve Fund for any particular series of Bonds.

Remaining Moneys. The Authority, after satisfying the requirements of the Operating Fund, the Debt Service and Sinking Fund and the Debt Service Reserve Fund, may, but is not obligated to, deposit the money remaining in the Revenue Fund into the Bond Redemption and Improvement Fund and/or the Operating, Insurance and Capital Reserve Fund. The funds in the Bond Redemption and Improvement Fund must be used to satisfy any deficiency in the Debt Service and Sinking Fund or Debt Service Reserve Fund, and to the extent not so used may be applied to the purposes specified in the Indenture, including any legal corporate purpose of the Authority. The Operating, Insurance and Capital Reserve Fund is discussed below under “Other Reserves.”

For a complete discussion of the flow of funds and related accounts, see “Appendix C: Summary of Certain Provisions of the Indenture.”

Debt Service Reserve Fund

The Indenture creates a special fund known as the Debt Service Reserve Fund, which shall be held in trust by the Trustee. The First Supplemental Indenture creates a 2010 Account within the Debt Service Reserve Fund, which relates to the 2010 Bonds. Upon the issuance and delivery of the 2010 Bonds, there shall be transferred from the Settlement Account to the 2010 Account the amount set forth in the Indenture to meet the additional Debt Service Reserve Requirement with respect to the 2010 Bonds. The Debt Service Reserve Requirement may be satisfied in whole or in part by a Reserve Fund Credit Facility. See “Certain Definitions” in Appendix E for the definition of the term “Debt Service Reserve Requirement.”

Other Reserves

The Authority is required to fund an Operating, Insurance and Capital Reserve Fund, which shall be held by the Trustee. No moneys or securities held in the Operating, Insurance and Capital Reserve Fund will be pledged as security for the Bonds nor will moneys and securities held in the Operating, Insurance and Capital Reserve Fund constitute a part of the Trust Estate. Whenever there shall be a deficiency in the Debt Service and Sinking Fund or the Debt Service Reserve Fund, the Trustee shall, with the consent of the Authority, make good such deficiency from amounts held in the Operating, Insurance and Capital Reserve Fund; provided, however, all amounts held in the Bond Redemption and Improvement Fund shall be applied to make good such deficiency prior to transferring any amount held in the Operating, Insurance and Capital Reserve Fund. If there is no deficiency in any of said funds, the funds in the Operating, Insurance and Capital Reserve Fund shall be disbursed for certain capital and operating costs of the System as specified in the Indenture. See “Appendix C: Summary of Certain Provisions of the Indenture.”

The Indenture does not require the Authority to restore the balance in the Operating, Insurance and Capital Reserve Fund once depleted. However, under Authority policy, the Authority intends to maintain a minimum of six months of Operating Expenses in this Fund. See “FINANCIAL INFORMATION – Reserves” for current and historical balances in the Operating, Insurance, and Capital Reserve Fund.

The Indenture creates a special fund known as the Bond Redemption and Improvement Fund. This fund has no minimum balance and is not currently funded.

Rate Covenant

The Authority has covenanted in the Indenture that it will use its best business judgment to charge and collect tipping fees and user charges for the Processing of System Solid Waste, so long as any Bonds shall remain Outstanding, which shall, together with other available reserves or any other reserves pledged to secure the Indebtedness secured by the Indenture, be sufficient to provide for: (i) the reasonable Operating Expenses of the Authority; (ii) an amount equal to one hundred ten percent (110%) of the Debt Service Requirements of the Outstanding Bonds in such Fiscal Year; and (iii) any amount necessary to restore each account in the Debt Service Reserve Fund to the respective Debt Service Reserve Requirement as provided in the Indenture. See “Appendix C: Summary of Certain Provisions of the Indenture.”

Enforcement

The Authority shall take all reasonable measures permitted by law to enforce payment to it of all Pledged Revenues, and shall at all times, to the extent permitted by law, defend, preserve and protect the rights, benefits and privileges of the Authority and the Bondholders under the Indenture.

Additional Parity Indebtedness

Under the Indenture, the Authority may issue from time to time, and the Trustee shall authenticate, Additional Parity Indebtedness for any lawful corporate purpose. Additional Parity Indebtedness may be issued only upon receipt of (among other things) a certificate executed by an Authorized Representative of the Authority, to the extent permitted by the Indenture, stating that: (i) for any twelve consecutive month period of the 18 calendar months immediately preceding the month during which the Additional Parity Indebtedness is to be issued the Operating Revenues derived by the Authority were sufficient, together with other available reserves, to comply with the Rate Covenant; (ii) all deposits required to be paid into the Debt Service and Sinking Fund were made; and (iii) either the Debt Service Reserve Fund Requirement was maintained in accordance with the Indenture or will be so maintained upon the issuance of the relevant Additional Parity Indebtedness. If the Additional Parity Indebtedness is being issued to finance Authority Facilities or other Private Facilities for the Processing of System Solid Waste, a certificate duly executed by an Authorized Representative of the Authority is further required that shall set forth in detail based upon reasonable assumptions set forth therein, (1) an estimate of the Operating Revenues and Operating Expenses of the Authority for each of the three Fiscal Years immediately succeeding the completion of the facilities to be financed by such Additional Parity Indebtedness, calculated on the assumption that Revenues shall be charged and collected at the rates in effect on the date of such certificate or such higher rate as the individual executing the certificate and the Board of Directors of the Authority determines by resolution to be reasonable, (2) the Debt Service Requirements, including the debt proposed to be issued, for each such Fiscal Year, and (3) that the amount of estimated Operating Revenues for each such Fiscal Year as described above will be sufficient, together with other available reserves, to satisfy the Rate Covenant for each such Fiscal Year.

State Non-Impairment Covenant

In order to discharge its responsibilities, accomplish the purposes, perform the functions and exercise the powers set forth in the Act, the Authority is authorized to issue and sell its bonds and notes. The Act contains the covenant of the State with the holders of the Authority’s obligations which are supported in whole or in part by the fees and revenues of an Authority facility or project that the State will not, so long as any such obligations of the Authority remain outstanding or unpaid, (i) diminish or impair the power of the Authority to establish, levy and collect fees and other charges in connection therewith, or (ii) terminate the Authority or authorize any other authority or facility to undertake or assume the functions of the Authority, unless adequate provision is made by law for the protection of the holders of such obligations of the Authority.

Enforceability of Bondholder’s Remedies

The remedies available to the Registered Owners of the 2010 Bonds upon an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Indenture and

the 2010 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2010 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, insolvency, moratorium, or other laws or equitable principles affecting the rights and remedies of creditors generally.

Additional Fees and Charges

Under the Act, the Authority has the power and is obligated to collect sufficient additional fees and charges from the owners and occupants of all parcels of real estate served by it whenever necessary to pay all operating costs and debt service on the Bonds and other payments required under the Indenture. The Authority has never chosen to exercise this power.

Description of the 2010 Bonds

General Description of 2010 Bonds

The 2010 Bonds will be dated the date of issuance, will be issued in the aggregate principal amount, and will mature on the dates and will bear interest at the rates, set forth on the inside front cover page of this Official Statement. The 2010 Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or integral multiples thereof. Purchasers of the 2010 Bonds will not receive physical delivery of the 2010 Bond certificates, except under the limited circumstances described here. Amounts due on the 2010 Bonds will be paid by the Trustee to The Depository Trust Company ("DTC"), with such payment to be subsequently disbursed to the Beneficial Owners (hereinafter defined) of the 2010 Bonds, as further described herein. Interest on the 2010 Bonds is payable semiannually on each June 1 and December 1, commencing on December 1, 2010.

Series 2010B Bonds as Build America Bonds

The American Recovery and Reinvestment Act of 2009 ("ARRA") permits the Authority to issue the Series 2010B Bonds as "Build America Bonds" to finance capital expenditures for which it could issue tax-exempt bonds, and to elect to receive payments from the United States Treasury equal to 35% of the corresponding interest payable on such Series 2010B Bonds (the "Subsidy Payments"). The Code contains provisions relating to the use and investment of the proceeds of the Build America Bonds which must be met by the Authority subsequent to the issuance and delivery of the Series 2010B Bonds in order to receive the Subsidy Payments. Failure to meet these requirements by the Authority or make timely application for payment of the Subsidy Payments could cause the Authority not to receive the Subsidy Payments. Such Subsidy Payments are treated as Revenues and pledged to the payment of the Series 2010B Bonds. Subsidy Payments for the Series 2010B Bonds will be paid to the Authority and therefore the holders of Series 2010B Bonds are not entitled to a tax credit related thereto, and interest paid to holders of Series 2010B Bonds is subject to federal income tax.

In certain circumstances, the Subsidy Payments to be made to the Authority may be reduced (offset) by amounts determined to be applicable under the Code and Treasury Regulations. For example, offsets may occur by reason of any past-due, legally enforceable debt of the Authority to any Federal agency. The amount of any such offset is not predictable, and the Authority does not currently expect that any such offsets will apply to the credits the Authority expects to receive. Any such offset does not alter the Authority's obligation to pay principal and interest due on the Series 2010B Bonds.

The Subsidy Payments do not constitute a full faith and credit guarantee of the United States of America, but are required to be paid by the United States Treasury under ARRA. Future action of the United States Congress could reduce or eliminate the Subsidy Payments.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The 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 2010 Bond certificate will be issued for each maturity of the 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. So long as the 2010 Bonds are maintained in book-entry form, the following procedures will be applicable with respect to the 2010 Bonds.

Purchases of 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2010 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 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2010 Bonds is discontinued.

To facilitate subsequent transfers, all 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2010 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 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s, consenting or voting rights to those Direct Participants to whose accounts the 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

The Authority and the Trustee will have no responsibility or obligation to any Securities Depository, any Participants in the book-entry system, or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Participant or Beneficial Owner, respectively, in respect of the principal amount or redemption price of, or interest on, any 2010 Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the 2010 Bonds; or (v) any other action taken by the Securities Depository or any Participant.

Discontinuance of Book-Entry Only System

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

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

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

The 2010 Bonds may be transferred in the registration books upon delivery to the Trustee of the 2010 Bonds, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner of the 2010 Bonds to be transferred or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of such 2010 Bonds, together with the other information pertaining to the transferee set forth above. No transfer of any 2010 Bond will be effective until entered on the registration books.

In all cases of the transfer of a 2010 Bond, the Trustee will enter the transfer of ownership in the registration books and will authenticate and deliver in the name of the transferee or transferees a new fully registered 2010 Bond or 2010 Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of an agreement between the Authority and the Trustee.

Redemption Provisions

Optional Redemption. The Series 2010B Bonds maturing on and after June 1, 2021 are subject to redemption prior to maturity at the option of the Authority on or after June 1, 2020, as a whole or in part on any date and upon payment of the redemption price equal to 100% of the principal amount thereof, together with interest accrued to the date fixed for redemption.

Extraordinary Optional Redemption. The 2010 Bonds are subject to redemption prior to maturity at the option of the Authority, as a whole at any time, at a redemption price equal to 100% of the principal amount thereof together with accrued interest to the date of redemption, upon the occurrence of one or more of the following events:

(1) All or a substantial portion of Authority Facilities shall have been damaged or destroyed so as to have a material adverse impact on the Processing of System Solid Waste such that, in the reasonable judgment of the Authority as set forth in a resolution duly adopted by the Authority, the Authority is thereby prevented or is likely to be prevented from carrying on its normal operations with respect to the Processing of System Solid Waste; or

(2) Title to, or the temporary use of, all or a substantial portion of Authority Facilities shall have been or will be taken, condemned or sold, which taking, condemnation or sale has a material adverse impact with respect to the Processing of System Solid Waste such that, in the reasonable judgment of the Authority as set forth in a resolution duly adopted by the Authority, the Authority is thereby prevented or likely to be prevented from carrying on its normal operations with respect to the Processing of System Solid Waste; or

(3) As a result of changes in, or in the interpretation of, the Constitution of the United States or of the State of Delaware, applicable laws or as a result of legislative, executive or regulatory action or a final decree or judgment of any court, the Indenture has or will become void or unenforceable or impossible to perform in accordance with the intent and purpose of the parties as expressed therein or in the reasonable judgment of the Authority as set forth in a resolution duly adopted by the Authority, imposes unreasonable burdens or excessive liabilities upon the Authority by reason of the Processing of System Solid Waste; or

(4) Technological or other changes (including, without limitation changes in environmental requirements or requirements relating to the generation, purchase or sale of electricity or changes in availability of System Solid Waste) shall have occurred which, in the opinion of the Authority, render the operation or continued operation of all or a substantial portion of the Authority Facilities for the Processing of System Solid Waste no longer economic or desirable for its intended purposes.

Notice of Redemption. The Indenture provides that the Authority shall give the Trustee sixty (60) days notice of the date fixed for redemption or such shorter period that may be acceptable to the Trustee. The Trustee shall cause notice of such redemption to be mailed to the Registered Owners at least thirty (30) days prior to the date fixed for redemption of the 2010 Bonds called for redemption at their addresses as they appear on the registration books held by the Trustee. Notice having been so given and provisions having been made for redemption from funds on deposit with the Trustee, all interest on the 2010 Bonds or portions thereof called for redemption accruing after the date fixed for redemption shall cease to accrue.

If at the time of the notice of redemption the Authority shall not have deposited with the Trustee money sufficient to redeem all the 2010 Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption money with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such monies are so deposited.

Tax Matters

SERIES 2010A BONDS

Tax Exemption-Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities, which apply to the Series 2010A Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the Series 2010A Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority subsequent to the issuance and delivery of the Series 2010A Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority has made covenants to comply with such requirements.

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

Alternative Minimum Tax

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

Branch Profits Tax

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

S Corporations with Passive Investment Income

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

Social Security and Railroad Retirement Benefits

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

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

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

Property or Casualty Insurance Company

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

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium

The Series 2010A Bonds maturing on June 1, 2015, June 1, 2017 and June 1, 2018, inclusive, are herein referred to as the “Discount Bonds.” In the opinion of Bond Counsel, the difference between the initial public offering price of the Discount Bonds set forth on the cover page and the stated redemption price at maturity of each such Series 2010A Bond constitutes “original issue discount,” all or a portion of which will, on the disposition or payment of such 2010A Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a “constant interest method,” which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

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

The Series 2010A Bonds maturing on June 1, 2011, June 1, 2012, June 1, 2013 and June 1, 2014, inclusive, are hereinafter referred to as the “Premium Bonds.” An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

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

SERIES 2010B BONDS

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2010B Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change or possible differing interpretations. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. This summary focuses primarily on investors who will hold the Series 2010B Bonds as “capital assets” (generally, property held for investment within the meaning of Code Section 1221), but much of the discussion is applicable to other investors. Potential purchasers of the Series 2010B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2010B Bonds.

Taxability of Stated Interest and Principal

In general, interest payable to holders of the Series 2010B Bonds who are not exempt from federal income tax will be treated as ordinary income in the year paid, in the case of cash basis taxpayers, or the year accrued, in the case of accrual basis taxpayers. Principal payments on the Series 2010B Bonds, other than those attributable to any market discount, will be treated as a return of capital. See “THE BONDS – The Description of the 2010 Bonds – Series 2010B Bonds as Build America Bonds.”

Sale or Redemption of the Series 2010B Bonds

A holder's tax basis for a Series 2010B Bond is the price such holder pays for the Series 2010B Bond, reduced by (a) payments received other than "qualified periodic interest" and (b) amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2010B Bond, measured by the difference between the amount realized and the Series 2010B Bond's basis as so adjusted, will generally give rise to capital gain or loss if the Series 2010B Bond is held as a capital asset. In the case of a subsequent purchaser, a portion of any gain will generally be treated as ordinary income to the extent of any market discount accrued to the date of disposition which was not previously reported as ordinary income.

Backup Withholding

A holder of a Series 2010B Bond may, under certain circumstances, be subject to "backup withholding" at the applicable rate prescribed in the Code with respect to interest on the Series 2010B Bonds. This withholding generally applies if the holder of a Series 2010B Bond (a) fails to furnish the Trustee with its taxpayer identification number ("TIN"); (b) furnishes the Trustee an incorrect TIN; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or its securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is his correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to payments made to certain holders of the Series 2010B Bonds, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Holders of the Series 2010B Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The Trustee will report to the holders of the Series 2010B Bonds and to the IRS for each calendar year the amount of any "reportable payments" during such year and the amount of tax withheld, if any, with respect to payments on the Series 2010B Bonds.

Foreign Bondholders

Under the Code, interest with respect to Series 2010B Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the 30% United States withholding tax if the Trustee (or other person who would otherwise be required to withhold tax from such payments), is provided with an appropriate statement that the beneficial owner of a Series 2010B Bond is a nonresident. The withholding tax, if applicable, may be reduced or eliminated by an applicable tax treaty. However, interest that is effectively connected with a United States business conducted by a Nonresident holder of a Series 2010B Bond will generally be subject to the regular United States income tax.

INVESTORS WHO ARE NONRESIDENTS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES TO THEM OF OWNING SERIES 2010B BONDS.

THE FOREGOING SUMMARY AS TO SERIES 2010B BONDS IS NOT INTENDED AS AN EXHAUSTIVE RECITAL OF THE POTENTIAL TAX CONSEQUENCES OF HOLDING THE SERIES 2010B BONDS. PROSPECTIVE PURCHASERS OF THE SERIES 2010B BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE OWNERSHIP OF THE SERIES 2010B BONDS. BOND COUNSEL WILL NOT RENDER ANY OPINION WITH RESPECT TO ANY FEDERAL TAX CONSEQUENCES OF OWNERSHIP OF THE SERIES 2010B BONDS.

Delaware State Tax Opinion

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

II. AUTHORITY OPERATIONS

The Authority

Enabling Legislation

The Authority is a body politic and corporate constituting a public instrumentality of the State duly established and organized under the Act. The primary function of the Authority is to dispose of solid waste in an environmentally sound manner. Among the functions of the Authority are the planning and administration of a comprehensive statewide program for the management, storage, collection, transportation, utilization, processing (including resource recovery) and disposal of Solid Waste and sewage sludge.

Under the Act, the State has designated the Authority as the sole entity governmental or private, with the responsibility for planning and implementing Solid Waste, sewage sludge and resource recovery programs and facilities throughout Delaware in accordance with the Statewide Plan for Solid Waste Management (the "Statewide Plan"), developed and adopted by the Authority pursuant to the Act. The Authority adopted a State-wide Plan in May 1994 and amended that plan in March 1999. A new plan was adopted by the Board on April 22, 2010 and is available on the Authority's website at www.dswa.com. To accomplish its purposes and to implement the Statewide Plan, the Authority is empowered, among other things, to determine the character and location of Solid Waste and sewage sludge projects, to design, construct, own and operate facilities, to maintain Solid Waste and sewage sludge management projects and to make provision for their management and to control, through regulation or otherwise, the collection, transportation, storage and disposal of Solid Waste, sewage sludge and industrial, commercial and infectious Solid Waste, including the diversion of Solid Waste within specific geographic areas to facilities owned, operated or controlled by the Authority.

Under state law, no person may transport or deliver hazardous waste to any facility operated by or on behalf of the Authority.

Under the Act, the Authority has the power and is obligated to collect sufficient additional fees and charges from the owners and occupants of all parcels of real estate served by it whenever necessary to pay all operating costs and debt service on the Bonds and other payments required under the Indenture. The Authority has never chosen to exercise this power.

The Act provides that the Authority, in carrying out such legislation and any law relating thereto, is to be regarded as performing essential governmental functions and is not required to pay any taxes or assessments of any character, levied either by the State or a political subdivision thereof, upon any of the property used by it for such functions, or any income or revenue there from, including any profit from a sale or exchange thereof.

Management

The Authority is governed by a Board of Directors consisting of seven directors, who are appointed by the Governor with the advice and consent of the Senate, one of whom is designated by the Governor as Chairman. By law there must be at least one director from the City of Wilmington and one from each of the State's three counties. Directors serve staggered three-year terms, except the Chairman, who serves at the pleasure of the Governor. Directors hold office until their successors are appointed and confirmed.

The names of the seven existing Directors of the Authority and their respective business affiliations are set out below.

<u>Name</u>	<u>Business Affiliation</u>	<u>Date of Appointment</u>
Richard V. Pryor Chairman	Retired Director of Economic Development City of Wilmington, Delaware	May 1989
Ronald G. McCabe	E.I. duPont de Nemours & Co., Inc. Seaford, Delaware	June 1979
Theodore W. Ryan	President, New Castle County Council (Retired)	February 1979
Gregory V. Moore	Vice President and Principal Civil Engineer Becker Morgan Group	May 2010
Timothy P. Sheldon	Chief Administrative Officer – Bricklayers & Allied Craftworkers	January 2004
Tonda L. Parks	Vice President of Advertising Development Delaware State News	June 2004
Gerard L. Esposito	President Tidewater Utilities, Inc.	June 2008

The executive offices of the Authority are located at 1128 S. Bradford Street, P.O. Box 455, Dover, Delaware 19903, telephone: (302) 739-5361.

Authority Staff

The day-to-day operation of the System is managed by the Authority’s staff, which currently totals 172 employees, including five senior managers, seven middle managers, 10 engineers, 34 administrative personnel, seven compliance personnel, 21 weighmasters, eight collection station attendants, 20 technical services personnel, 20 operations personnel and 40 recycling personnel.

Brief resumes of the key members of the Authority’s staff are as follows:

Pasquale S. Canzano, P.E., BCEE, Chief Executive Officer – Mr. Canzano was appointed to this post in January 2007. He previously served as the Chief Operating Officer since 1991. He has 45 years of management and engineering experience predominantly in public service. Mr. Canzano earned B.S. and M.S. degrees in Chemical Engineering from Northeastern University and The Polytechnic Institute of Brooklyn, respectively. He has been a registered Professional Engineer in Delaware since 1974. In 2009, the Delaware Engineering Society selected him as Delaware’s Engineer of the Year. He has been certified as a Diplomat of the American Academy of Environmental Engineers since 1990, and has served on its Board of Trustees for the past seven years representing the American Institute of Chemical Engineers (AIChE) as a sponsoring organization. He is an active member of the Solid Waste Association of North America (SWANA) and its Applied Research Foundation, the International Solid Waste Association (ISWA) and the Delaware Association of Professional Engineers (DAPE), having served on its board for the past eight years.

Richard P. Watson, P.E., DEE, Chief Operating Officer – Mr. Watson was appointed as the Chief Operating Officer by the Authority’s Board of Directors at their April 2007 meeting. Mr. Watson received a

Bachelor of Science degree in Civil Engineering from Clarkson University and a Masters of Civil Engineering degree from the University of Delaware. Mr. Watson has been with the Authority since 1981, where he first served as a project engineer for Delaware's first double lined sanitary landfill. He has served as the Authority's Chief Engineer since 1991 and has overseen design, construction, and operation of all solid waste projects, including landfills, transfer stations, landfill gas control systems, and various recycling projects. He is a Professional Engineer in Delaware, a Board Certified Environmental Engineer with the American Academy of Environmental Engineers, and is the first United States International Waste Manager for the ISWA. Mr. Watson has led instruction in landfill design and operation for the ISWA and served as Past President of the Mid-Atlantic Chapter of the SWANA. In addition, Mr. Watson has served as an Environmental Engineering Program evaluator for the Accreditation Board for Engineering and Technology. As Chief Operating Officer, he is responsible for a wide range of duties, including planning, organizing, and implementing all programs, budgets, and operations for the Authority.

Anne M. Germain, P.E., BCEE, Chief of Engineering & Technology – Ms. Germain has worked for 20 years in the solid waste industry. For the past ten years, she has run the environmental and engineering group for the Authority. She oversees the engineering, capital improvement program, environmental monitoring, landfill gas operations, and information technology. Prior to joining the Authority, she worked as an engineer in charge of recycling, solid waste management plan and solid waste systems for a county in Maryland. Ms. Germain has been a member of the Mid-Atlantic Chapter of SWANA since 1994, having served on the Chapter Board, including as the Mid-Atlantic Chapter President. Ms. Germain has a notable record in the solid waste management industry including receiving the SWANA Landfill Division's Distinguished Individual Achievement Award in 2007. She has served as Technical Division Director for SWANA's Landfill Division contributing papers at its symposia and at WASTECON. Subsequently, she served as the Technical Division Representative to the Executive Committee and currently serves as Secretary to the International Board. Ms. Germain holds a B.S. degree in Civil Engineering from Virginia Tech, and a Masters in Civil Engineering from the University of Delaware. She also is a Professional Engineer and a Board Certified Environmental Engineer.

John J. Lechner, Chief Financial Officer – Mr. Lechner was hired as the Authority's first Controller and was then appointed Chief Financial Officer in November 2008. Mr. Lechner earned his B.S. degree in Accounting from St. Francis College, Loretto, Pennsylvania. With 40 years of progressive experience in accounting, finance and management, he has held senior level positions such as Controller, V.P. of Finance and Administration, CFO and has served as a Consultant to various privately held manufacturing organizations. He is an active member of the Government Finance Officers Association (GFOA) and the SWANA.

Logan V. Miller, P.E., BCEE, Chief of Facilities Management – Mr. Miller received a Bachelor of Science degree in Environmental Science from Wesley College and a Bachelor of Science degree in Engineering Technologies and Technical Management from the University of Delaware. He has been employed with the Authority since 1986 and has served as a Facility Manager for the Authority's Sandtown Landfill, Pine Tree Corners Transfer Station, and Milford Transfer Station from 1997 to 2008. As Facility Manager, Mr. Miller was responsible for overseeing facility operations and facility personnel. Mr. Miller is a Professional Engineer in Delaware and a Board Certified Environmental Engineer with the American Academy of Environmental Engineers. In his position as Chief of Facilities Management, he is responsible for the management of all Authority operating facilities.

Waste Flow and Tipping Fees

Solid Waste Disposal Trends

The Authority's solid waste disposal trends from 2001 through 2010 (estimated) are shown in the following table. Solid waste volumes have recently declined due to general economic factors. Associated declines in Authority user fee revenues are partially offset by declines in Authority operating and capital expenses. Reduced Authority operating expenses include reduced contractual per ton cost for solid waste processing and handling at Authority facilities (many of which are operated under third party service agreements). Reduced Authority capital expenses result because decreased waste volumes extend the lives of landfill facilities.

Historic Quantity of Solid Waste (Tons)

Fiscal Year (ending June 30)	Solid Waste	C&D Waste	Other Waste	Total	Population²
2001	845,677	6,952	4,534	857,163	794,952
2002	831,678	55,151	11,095	897,924	804,323
2003	858,820	74,526	7,950	941,296	814,550
2004	949,253	99,700	10,749	1,059,702	826,280
2005	978,984	130,433	9,573	1,118,990	837,829
2006	995,036	174,406	5,864	1,175,306	849,815
2007	953,104	190,712	2,883	1,146,699	861,087
2008	876,853	188,851	3,374	1,069,078	871,630
2009	773,876	141,768	6,844	922,488	881,532
2010 ¹	714,829	132,238	2,953	850,020	891,495

⁽¹⁾ Estimated.

⁽²⁾ Source: Delaware Population Consortium. Calendar year basis.

Collection Practices

As of March 2010, eight incorporated areas (out of 57 areas in total) within the State provide household solid waste collection services. In the rest of the State, 38 private firms compete with each other to offer solid waste collection service to homeowners, apartments, commercial, institutional and industrial buildings.

The Authority owns and operates five collection drop-off stations to serve residents of Kent and Sussex Counties. Each station provides for the disposal of bagged household waste at \$1.00/bag and a “Recycle Delaware” drop-off center. The facilities are located in Bridgeville, Ellendale, Omar, Long Neck and Cheswold.

Licensing

The Authority has the power to regulate the collection of solid waste and to contract with persons to provide waste management services, including the collection of solid waste. Moreover, the Act provides that it is necessary for the health and welfare of the inhabitants of the State that the facilities and services of the Authority be used by the owners or occupants of all lands, buildings and premises within the State. The Authority may require the owners or occupants of all lands, buildings and premises in the State to use the services and facilities of the Authority under such rules and regulations as the Authority shall fix and establish. Consequently, the Authority has the power, in the Authority’s sole discretion, to implement a collection program in competition with the existing Delaware waste hauling industry.

Pursuant to its statutory powers, the Authority’s Board of Directors promulgated Solid Waste Licensing and Disposal Regulations (the “Solid Waste Regulations”) in October 1979. These regulations, which were most recently amended in 2009, require that no person shall collect, transport, and/or deliver solid waste, or dry waste, except recycling materials, in the State without first having obtained a license from the Authority. The current license period for all licensees, except municipalities, is two years and the licensing period for municipalities is five years. Violation of a license condition is subject to the sanction of a civil penalty, injunctive relief or the revocation or suspension of the license for such period as determined by the Authority.

The Authority currently estimates that 82% of its waste stream is delivered by licensed collectors and the remainder by private firms or individuals. Persons who haul their own wastes are not required to be licensed by the Authority. Haulers who collect wastes for other firms and residences must obtain a license from the Authority.

Licensing requirements include obtaining insurance and bonds as required by the regulations. Public collectors are exempt from the bonding requirement. Haulers also have to obtain permits from the Delaware Department of Natural Resources & Environmental Control (“DNREC”).

Differential Disposal Fee Program and Historical Tipping Fees

Since May 1999, the Authority has offered a Differential Disposal Fee (the “Current DDF”) Program whereby licensed haulers, municipalities, public and private corporations and small businesses can contract to bring all solid waste collected within the State to an Authority facility. The Current DDF contracts will be expiring on June 30, 2010. In their place, the Authority has negotiated new Discount Disposal Fee (the “New DDF”) contracts with licensed haulers, municipalities, public and private corporations and small businesses. These contracts will become effective July 1, 2010 and expire on June 30, 2013. In addition to being for a shorter three-year term, the New DDF contracts allow for fixed fee increases annually. The fees are the same for all contractors as are the rebates. However, the municipalities can elect to take a direct discount versus a rebate each year. The Authority pays the New DDF contractor an annual rebate based on the qualifying tonnage delivered and his maintaining a current account. The New DDF contracts require haulers to deliver all solid waste collected in the State to Authority facilities and the rebate can be withheld if haulers do not comply with the terms of the New DDF contracts.

Approximately 92% of all waste delivered to Authority facilities is pursuant to the Current DDF contracts. To date, licensed haulers representing about 91% of the waste delivered to the Authority have executed the New DDF contracts. The Authority expects to achieve 92% prior to July 1, 2010. The Current DDF contracts provide fixed tip fees of \$61.50/ton for MSW and \$42.00/ton for C&D waste. Rebates equal \$13.50/ton of MSW delivered to the Cherry Island landfill and \$10.00/ton of MSW delivered to the two other Authority landfills.

The following table shows the tip fees and annual rebates for the three-year period of the New DDF contracts.

New DDF Contracts (Fiscal Year Ended June 30) (Per ton)				
Waste Type	Tipping Fee			Annual Rebate
	2011	2012	2013	
MSW	\$80	\$82	\$84	\$8 at landfills \$4 at transfer stations
C&D	\$80	\$82	\$84	\$8 at landfills

The following chart indicates the Authority’s tipping fee (and DDF contract fees), excluding any rebate, for solid waste for the past five years.

Historical Tipping Fees (Fiscal Year Ended June 30) (Per Ton)		
Fiscal Year	MSW	C&D
2006	\$61.50	\$42.00
2007	61.50	42.00
2008	61.50	42.00
2009	61.50	42.00
2010	61.50	42.00

The tipping fee for haulers who do not enter into DDF contracts can be changed at any time.

Method of Payment

The Authority charges municipal haulers, private haulers, private businesses, and private citizens tipping fees specified above at Authority facilities. Private haulers, in turn, charge individual residences a fee for waste collection, which includes both the haulers' cost of collection and the tipping fee, which they pay to the Authority. The Authority bills municipalities, private haulers, and private businesses on a monthly basis for waste delivered to its facilities.

The Authority operates computerized scales at the entrance of each of its active landfills and transfer stations. The Authority accepts payment for waste disposal in cash or debits the user's charge account. The Authority sends a monthly statement to each charge account holder. Monthly statements are mailed on or before the seventh day of the month. An account holder must pay the bill by the end of the month in which the statement is received. If payment is not received by the end of the statement month a penalty of 20% per annum is assessed for late days, beginning on the first day of the statement month. The date 45 days after the statement is rendered is the date on which an account is considered seriously delinquent. Once an account is seriously delinquent, the charge account holder will be required to pay in cash until such holder's charge account is current. During the delinquency period, the Authority may initiate a collection action. For the Fiscal Year ended June 30, 2009, total delinquent accounts at year-end amounted to approximately 0.1% of total receivables.

Enforcement

The Authority employs seven compliance officers to enforce its licensing and regulations. Their activities include such tasks as surveillance of collection vehicles on their routes and at Authority facilities. They also make random waste inspections to ensure that no prohibited wastes are delivered to the Authority's facilities.

The System

Through the System, the Authority provides waste disposal, but not collection services, for all acceptable residential and commercial Solid Waste and certain industrial waste generated within the State. The Authority also provides recycling collection for some customers.

System Facilities

The System is comprised of three active landfills, one in each county in the State (New Castle, Kent, and Sussex Counties), that accept waste from commercial haulers. The Authority has one closed landfill in New Castle County. The Authority operates four permitted transfer stations for both commercial haulers and residential customers. The Authority provides five collection drop-off stations for residents throughout the State for both recycling and per-bag waste disposal activities. The Authority maintains a wide variety of recycling activities including RECYCLE DELAWARE Centers, voluntary curbside recycling, and processing centers handling recyclables, oil filters, and electronic goods. The Authority believes the location and capacity of its disposal facilities provide a significant level of convenience to its commercial haulers.

Active Landfills

The Authority currently manages three active landfills to dispose of non-recycled solid waste. The Solid Waste Association of North America ("SWANA") or its predecessor has presented the Authority with the Award for Excellence in the design, construction, and operation of each of the three Authority landfills. The Authority also periodically disposes of solid waste at a waste to energy facility in southeast Pennsylvania when its fees are sufficiently low.

The table below shows the total potential landfill capacity, the capacity used, the capacity remaining, the estimated year the capacity will be reached for each landfill and the approximate daily tonnages managed.

Estimated Remaining Capacity for Authority Landfills*
As of June 30, 2009

<u>Facility</u>	<u>Capacity (tons)</u>	<u>Capacity Used (tons)</u>	<u>Capacity Remaining (tons)</u>	<u>Year Capacity Reached</u>	<u>Tons Managed per Day</u>
Cherry Island	49,947,000	11,225,100	38,721,900	2086	1,449
Sandtown	20,433,900	3,850,100	16,583,800	2050	780
Jones Crossroads	<u>29,455,885</u>	<u>4,355,700</u>	<u>25,100,185</u>	2048	<u>718</u>
Totals	99,836,785	19,430,900	80,405,885		2,947

* Subject to subsequent permit renewals.

Cherry Island Landfill. The Cherry Island Landfill is located on a 513 acre site, of which the Authority owns 323 acres, in an industrial port area of Wilmington. The Authority currently uses 219 acres for landfilling. The Authority plans to acquire an additional 190 acres adjacent to the Cherry Island Landfill from the U.S. Army Corps of Engineers (the “Corps of Engineers”) when that agency declares the acreage as surplus.

The Cherry Island Landfill has been operating since October 1985 when its predecessor, the Pigeon Point Landfill, was closed. This landfill is operated by Cherry Island, LLC, a subsidiary of Greggo and Ferrara, Incorporated (“G&F”), pursuant to a contract with the Authority. The contract was renewed in October 2009 and is for a term of three years. G&F and its affiliates have provided operating services to the Authority for over 25 years.

The existing landfill phases (Phase I through V) are located over a former Corps of Engineers dredged material disposal site. Because the dredged materials are hydraulically deposited and fine grained, they tend to consolidate slowly over time with drainage. The landfill is of the mound type and sits above the ground. The dredged material has been tested and found to have a low hydraulic conductivity, which qualifies it as a natural soil liner that meets DNREC regulations for a liner. The thickness of these materials is approximately 40 feet. DNREC has permitted the landfill on this basis subject to geotechnical monitoring of the underlying soils. The construction of Phase III incorporated the use of geogrids for stability. The construction of Phases IV and V incorporated a wick drain perimeter system to allow drainage of the dredge spoils during settlement. This drainage will increase the strength and stability of the soils and the liner. The Cherry Island Landfill has an extensive leachate collection system within each existing landfill phase. In addition, the landfill site has a very extensive geotechnical instrumentation and monitoring system consisting of over 232 monitoring points, and a groundwater and surface water monitoring system of 49 sampling points.

An expansion project for the Cherry Island Landfill was designed, permitted and is currently under construction. Upon completion of construction in 2010, the Authority estimates that the current permitted landfill capacity will be sufficient through 2038, which assumes the permitted height of 195 feet will be reached on such date.

This expansion project consists of reinforcing and building up the perimeter of existing landfill Phases III, IV, and V (which are approximately 150 acres in size) so that waste can be placed substantially higher and steeper than now possible. The project includes installation of approximately 6 million linear feet of prefabricated vertical drains, construction of an 8,000 foot long, 60 foot high mechanically stabilized earth berm, requiring approximately 2.5 million cubic yards of imported fill, leachate collection and transmission system, stormwater management system, and approximately 26 acres of composite liner system. The Authority financed the expansion of the Cherry Island Landfill with proceeds from the 2006 Bonds.

The support facilities for the Cherry Island Landfill include a main scalehouse with four scales, an additional scalehouse with a single scale, a maintenance building, a leachate truck receiving station/pump station, a “Recycle Delaware” drop off center, a small load collection station and an office building. In addition, the Authority purchased a landfill gas processing plant in July 2006, which currently dewateres and pressurizes

approximately 6,000 standard cubic feet per minute (scfm) of landfill gas and transports it approximately one mile through an underground pipeline to Conectiv for sale as a fuel in their electric generating power plant.

The Sandtown Landfill. The Sandtown Landfill, located approximately 13 miles southwest of Dover, has been providing municipal solid waste disposal services to Kent County since October 1980. This facility consists of a multi-cell lined landfill, two scales and a scalehouse, two maintenance buildings, a “Recycle Delaware” drop-off center, a small load collection station, and an office building.

The Sandtown Landfill site encompasses 835 acres. The Authority has considered 283 acres for use as landfill cells, and the remainder for buffers and auxiliary area, including borrow areas. Areas A, B, C, and D of the landfill (approximately 69 acres) have been filled, and Area E (32 acres) is the current active landfill area, which began use in July 2000. Areas A, B, and C have a single 30-mil polyvinyl chloride (“PVC”) liner with a leachate collection system above the liner and Areas D and E have double high-density polyethylene (“HDPE”) liner systems. Leachate at the Sandtown Landfill has been managed by recirculation through the landfill, above-ground leachate storage tanks, and trucking from the tanks to the City of Wilmington Wastewater Treatment Plant, which is permitted to accept such leachate. Leachate recirculation is performed in Area E. The Sandtown Landfill site has 94 groundwater and surface water monitoring points. George & Lynch, Inc. (“G&L”) has been operating the Sandtown Landfill since the landfill started operation in 1980. Their current contract will end in June 2011. Since 1990, landfill gas has been collected and flared. A landfill gas to electric plant built and owned by Ameresco Delaware Energy LLC commenced operation in February 2007. It currently generates approximately three MW of electricity.

Since the current projected life of Area E is approximately February 2013, construction of Area F (approximately 40.6 acres in size) is scheduled to occur in 2010-2011. The design began in 2008 and construction should be completed by 2011. The proceeds from the 2010 Bonds will be used for the construction of Area F.

The Jones Crossroads Landfill. The Jones Crossroads Landfill is located in Sussex County, approximately seven miles west of Millsboro and has been providing municipal solid waste disposal services since September 1984. It is located on a 572-acre site, including 275 acres for landfilling purposes. The remaining 297 acres contain buffer and auxiliary areas, three scales, two scalehouses, two maintenance buildings, a “Recycle Delaware” drop-off center, a small-load collection station and two office buildings. Cells 1, 2 and 3 have been filled and Cell 4 (30 acres) is the current active landfill area, which has been in operation since September 2003. G&F operated the Jones Crossroads Landfill pursuant to a contract with the Authority until September 1994. The Authority currently operates the Jones Crossroads Landfill with its own staff and equipment.

The Jones Crossroads Landfill is constructed completely above ground because of a high water table. The first two cells were constructed with a minimum of three feet of fill above the high water table. Cell 3 has a minimum of five feet. The required separation was achieved by fill placed between the existing ground contours and the base of the liner. In Cell 2, coal ash from Delmarva Power’s Indian River Power Plant facility was used for fill. Fly ash from Delmarva Power and DuPont’s Seaford Power Plant was used as fill for the Cell 3 subgrade. Cell 4 was constructed at the subgrade level with a more protective double composite liner system. Cell 4 construction was completed in 2003 and is the current active cell.

Since the current projected life of Cell 4 is approximately mid-2012, the construction of Cell 5 (approximately 29.4 acres in size) is scheduled to occur during 2010 - 2011. The proceeds from the 2010 Bonds will be used for the construction of Cell 5.

The Jones Crossroads Landfill has a double 30-mil PVC liner for Cells 1 and 2, each liner having a separate leachate collection system. These two cells have been filled and in 1997 were capped with a state of the art exposed 36-mil reinforced polypropylene geomembrane. Cell 3 consists of a geocomposite primary liner and flexible membrane secondary liner. Leachate from all facility cells is stored above ground and is trucked to the City of Wilmington Wastewater Treatment Plant. The facility has 90 groundwater and surfacewater monitoring points. Since 1993 landfill gas has been collected and flared. A landfill gas to electric plant built and owned by Ameresco Delaware Energy LLC commenced operation in December 2006. It generates approximately four MW of electricity.

Transfer Stations

To provide additional convenience to disposal customers, the Authority has built and operates four transfer stations located throughout the State.

Pine Tree Corners Transfer Station. In order to better serve the developing parts of southern New Castle County below the Chesapeake and Delaware Canal, the Authority has constructed a solid waste transfer station situated on 83 acres at Pine Tree Corners, which is located at 276 Pine Tree Corner Road, Townsend. The facility went into commercial operation on April 1, 1991. Since operation began, the amount of waste received on an annual basis has increased from 22 tons per day (“TPD”) in 1991 to an average of 230 TPD in fiscal year 2009. A major renovation and expansion of this facility was completed in 2005, which included the addition of Building 2.

This transfer station consists of a scale house with two scales. Building 1 has a four-bay tipping floor and is primarily used for residential customers. Building 2 is dedicated to servicing commercial customers. Special areas within the site have been set aside for the recycling activities including construction and demolition debris, yard waste, white goods, tires, and a Recycle Delaware Center. Waste is brought to the transfer station by licensed haulers and commercial customers as well as homeowners and is transferred to other Authority facilities for disposal. The Pine Tree Corners Transfer Station operates six days a week pursuant to a contract with Waste Management. The Authority has also established a household hazardous waste collection area at this transfer station.

Milford Transfer Station. Southern Kent County and Northern Sussex County now have the convenience of a modern, safe and environmentally friendly transfer station for the disposal of solid waste. The transfer station, situated on 11 acres located at 1170 S. DuPont Highway, Milford, opened on June 1, 2006. The Milford Transfer Station operates six days a week pursuant to a contract with Independent Disposal Services. Key features of this transfer station consist of a scale house, two scales, and a transfer building for the use of commercial customers and homeowners. Special areas have been set aside for recycling activities including yard waste, white goods, tires and electronic goods. The amount of waste received averaged 165 TPD in fiscal year 2009.

Rt. 5 Transfer Station. The resort areas and communities of Southeastern Sussex County can now have the convenience of a modern, environmentally safe transfer station for the disposal of solid waste. The transfer station, situated on 30 acres located at 29997 John P. Healy Dr., Harbeson, opened July 24, 2006. The Rt. 5 Transfer Station operates six days a week pursuant to a contract with Independent Disposal Services. Key features of this transfer station consist of a scale house, two scales, and a transfer building for use of commercial customers and homeowners. Special areas have been set aside for recycling activities including yard waste, white goods, tires and electronic goods. The amount of waste received averaged 275 TPD in fiscal year 2009.

Delaware Recycling Center (“DRC”) Transfer Station. This transfer station is available to serve northern New Castle County should it be necessary to transfer waste from the Cherry Island Landfill to alternative Authority facilities. This transfer station currently supports the Authority’s recycling operations as a storage and transfer facility for recyclables going to market.

Recycling

Recycle Delaware Centers. The Authority maintains about 185 RECYCLE DELAWARE (“RD”) Centers. The Centers are generally placed within a five-mile radius from most residential areas. The program was designed so those residents doing errands could drop off the materials at one of the RD Centers without making a special trip to do so. RD Centers are placed through voluntary sponsorships. Many of the RD Centers are placed at shopping centers, businesses, and schools as partnerships between the facility management and the Authority.

In 2007, the Authority converted its centers to single stream recyclables, making it easier and more convenient to recycle. Approximately 96 percent of the material collected is sent to markets to be recycled. The other 4 percent is unwanted, contaminated materials. The material recovery facilities (MRF) accepting the Authority’s single stream recyclables, separate the fiber, metals, plastics and glass into their marketable fractions for purchase by third party vendors.

Curbside Recycling. The Authority has implemented a successful voluntary curbside pick-up program for all State homeowners and small businesses at a nominal fee. Participating customers are billed semi-annually at \$6.00 per month. The Authority provides wheeled carts for the single stream recyclables. A separate program for curbside collection of yard waste is offered to homeowners at a \$1.00 per bag using a sticker system. The homeowner provides the bag and affixes a prepaid sticker to each bag for collection. Recently, the Authority also provided wheeled carts to homeowners for collection of yard waste. The use of wheeled carts for yard waste requires three stickers. The Authority advocates the use of wheeled carts, but homeowners may elect to use bags for the yard waste. These items are picked up bi-weekly on a fixed schedule determined by the Authority. Many trash haulers offer discounts to customers who sign up for the Authority's recycling programs. See "*State Recycling Legislation*" below for future changes.

Delaware Recycling Center ("DRC"). This facility receives and processes recyclables collected from the RD Centers and the Curbside Collection Program. The materials are inspected for contaminants, which are removed. The single stream materials are then loaded into trailers and transported to various MRFs to be recycled into new products. The Authority is able to send over 96% of the material collected in the program to regional markets – a high percentage, which is indicative of the quality of the recyclables from the voluntary participation in the program. In addition, the DRC receives recyclable materials from commercial establishments and towns or municipalities wishing to partner with the Authority to further their recycling initiatives.

Oil and Oil Filter Recycling. The Authority collects used oil filters from more than 392 public facilities, repair shops, service stations and RD Centers statewide. In December 2009, the Authority began using the private sector for recycling the oil filters. They are directly transported to a private processor by the Authority's recycling staff to be recycled. The Authority also uses a private contractor to remove oil from the 45 RD drop off centers to be recycled.

Electronic Goods Recycling Program. The DRC and Milford transfer station can accept electronic goods from State schools, residents and businesses. In addition, the Authority's recycling staff collects electronic goods from 24 RD Centers statewide. This program provides Delawareans with an opportunity to recycle a variety of unwanted electronic equipment.

State Recycling Legislation. Senate Bill 234, generally referred to as the Universal Recycling Act, has been signed into law by Governor Jack Markell. This bill will require collection of recyclables by private haulers. The Authority believes the bill would result in a small decrease in landfill tonnage with a resulting minimal decrease in tipping fee revenue. However, the legislation would also allow the Authority to suspend curbside recycling and to reduce the number of recycling drop off centers, thereby eliminating the costs associated with these activities. On balance the Authority believes that the legislation will have a net beneficial impact on the Authority.

Insurance

The Authority maintains a program for self-insurance for general liability, environmental liability, and directors and officers' liability. This program was funded beginning in 1984 through a surcharge on the tipping fee. The surcharge was discontinued in 1993 when it was decided that investment earnings, generated by the fund, were sufficient to replace the annual contributions provided by the surcharge. Upon the issuance of the 2006 Bonds, this amount was transferred and is now held in the Operating, Insurance and Capital Reserve Fund. In addition, the Authority purchases a comprehensive package of property and general and environmental liability insurance policies relevant to its operations.

Solid Waste Regulation

The Authority's facilities are subject to numerous federal and state environmental laws and regulations. The Authority believes that it is currently in compliance with all such laws and regulations. In the future, the Authority may become subject to additional environmental requirements (related to, among other things, air and water quality), and compliance with such requirements may increase the Authority's capital and operating costs.

The United States Environmental Protection Agency (“USEPA”) issued in 1991, and subsequently revised at various times, municipal landfill regulations with national standards for the location, design, operation, closure and post closure of landfills. These standards have been substantially incorporated into the Delaware Regulations Governing Solid Waste. The states are also required to develop acceptable solid waste management plans, which must be approved by USEPA. If a state’s plan is not approved, USEPA will impose federal standards. The State met these requirements in a timely fashion.

DNREC has specific statutory authority to regulate the land disposal of Solid Waste. Pursuant to such authority, DNREC has adopted the Delaware Regulations Governing Solid Waste establishing control over landfills. The various facilities in the System operate under permits issued by DNREC.

III. FINANCIAL INFORMATION

Historical Operating Results

The Authority's primary source of revenue consists of user fees. In fiscal year 2009, the Authority received \$46,685,691 in net user fees, which consists primarily of the tipping fees minus the DDF rebate. This is a decrease of \$6,317,274 or 11.9% from fiscal year 2008. The decrease is attributable to a decrease of 13.7% in the total tonnage processed, offset by a change in the mix of the waste stream processed. Other operating income includes revenues from gas sales, collection stations, a curbside recycling fee, and marketing of recyclable items.

The Authority's operating expenses decreased \$5,136,501 or 10.9% from fiscal year 2008 to fiscal year 2009. The decrease is mainly attributable to the decrease in tonnage processed and handled under contractual service agreements and the reduction in field supplies required by the Authority's recycling operation.

In each of the past five fiscal years, the Authority's operating revenues have exceeded their operating expenses. The Authority has used these excess revenues to pay for capital projects and to fund reserves.

The chart below summarizes the Authority's operating results over the past five fiscal years on a cash basis.

Summary of Historical Operating Results (Fiscal Year Ended June 30)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Operating Revenues					
Net User Fees	\$52,069,028	\$57,883,923	\$56,617,195	\$53,002,965	\$46,685,691
Landfill Gas	0	229,115	2,912,168	3,830,969	3,975,930
Other Income	<u>2,039,718</u>	<u>2,372,313</u>	<u>3,270,449</u>	<u>4,212,636</u>	<u>2,412,643</u>
Total Operating Revenues	54,108,746	60,485,351	62,799,812	61,046,570	53,074,264
Operating Expenses					
Salaries and related costs	6,673,937	8,381,626	10,809,687	11,688,180	11,771,157
Professional Services	1,771,789	1,270,321	2,463,285	2,022,452	1,842,888
Travel	118,786	117,487	148,981	103,766	81,062
Supplies and Materials	1,448,597	2,041,880	3,333,122	4,539,052	2,882,707
Utilities	967,849	940,900	2,017,821	2,091,744	1,985,674
Contractual Services	<u>20,093,314</u>	<u>21,483,716</u>	<u>30,047,253</u>	<u>26,784,117</u>	<u>23,529,322</u>
Total Expenses*	31,074,272	34,235,930	48,820,149	47,229,311	42,092,810
Excess Operating Revenues over Expenses	<u>23,034,474</u>	<u>26,249,421</u>	<u>13,979,663</u>	<u>13,817,259</u>	<u>10,981,454</u>
Non-Operating Revenues (Expenses)					
Net Investment Income (Loss)	2,402,026	2,385,606	6,559,224	4,742,184	4,925,434
Other Non-Operating Revenues (Expenses)	<u>(219,111)</u>	<u>(1,765,971)</u>	<u>241,563</u>	<u>61,719</u>	<u>(97,048)</u>
	2,182,915	619,635	6,800,787	4,803,903	4,828,386
Cash Available before Debt Service and Capital Spending	<u>\$25,217,389</u>	<u>\$26,869,056</u>	<u>\$20,780,450</u>	<u>\$18,612,162</u>	<u>\$15,809,840</u>

* Excludes non-cash items, including depreciation expense and landfill closure and post closure care costs.

FINANCIAL INFORMATION

The chart below shows the Budget vs. Actual operating results on a cash basis for fiscal year 2009. Operating revenues results were \$1,726,364 or 3.4% higher than the budget in fiscal year 2009. Operating expenses were \$1,909,690 or 4.3% less than budgeted in fiscal year 2009. The Bond Interest in the fiscal year 2010 Budget shown below is higher than the amount of interest due on the 2006 Bonds in fiscal year 2010 because the Authority originally planned the 2010 Bonds to be issued earlier in fiscal year 2010 and therefore has additional interest costs in the current fiscal year budget. The actual Bond Interest to be paid in fiscal year 2010 will only be the interest due on the 2006 Bonds.

	FY 2009			FY 2010
	Budget	Actual	Variance	Budget
Operating Revenues				
Net User Fees	\$45,112,900	\$46,685,691	\$1,572,791	\$45,112,900
Landfill Gas	3,935,200	3,975,930	40,730	3,835,000
Other Income	2,299,800	2,412,643	112,843	1,164,700
Total Operating Revenues	51,347,900	53,074,264	1,726,364	50,112,6000
Operating Expenses				
Salaries and related costs	12,330,600	11,771,157	559,443	12,286,500
Professional Services	1,608,000	1,842,888	(234,888)	1,855,600
Travel	83,000	81,062	1,938	82,500
Supplies and Materials	3,259,200	2,882,707	376,493	2,985,800
Utilities	2,385,300	1,985,674	399,626	2,407,000
Contractual Services	24,336,400	23,529,322	807,078	24,832,700
TOTAL OPERATING EXPENSES	44,002,500	42,092,810	1,909,690	44,450,100
Excess Operating Revenues over Expenses	7,345,400	10,981,454	3,636,054	5,662,500
Net Investment Income (Loss)	3,209,300	4,925,434	1,716,134	2,367,100
Other Non-Operating Revenues (Expenses)	54,100	(97,048)	42,948	54,100
Cash Available before Debt Service and Capital Spending	10,608,800	15,809,840	5,395,136	8,083,700
Less Payments for:				
Bond Principal	3,743,600	3,390,000	353,600	3,550,000
Bond Interest	4,917,300	4,483,000	(434,300)	5,522,800
Total Debt Service	8,660,900	7,873,000	(80,700)	9,072,800
Net Cash after Debt Service & before Capital Spending	1,947,900	7,936,840	5,475,836	(989,100)
Less Capital Spending for:				
Vehicles, Equipment & other Operational	543,000	572,000	(29,000)	84,000
Capital Projects (Non-Bond Funded)	2,690,000	1,291,000	1,399,000	1,405,000
Total Capital Spending - Operations	3,233,000	1,863,000	1,370,000	1,489,000
Net Cash after Debt Service & Capital Spending	\$(1,285,100)	\$6,073,840	\$4,105,836	\$(2,478,100)

The following chart shows the debt service coverage ratios for fiscal years 2008 and 2009. The 2006 Bonds were issued in fiscal year 2007 and the first principal payment was not made until fiscal year 2008.

Fiscal Year	Cash Available before Debt Service and Capital Spending	Debt Service	Debt Service Coverage Ratio
2008	\$18,612,162	\$7,869,000	2.37
2009	15,809,840	7,873,000	2.01

Reserves

The Authority uses cash available after operations to fund certain reserves and pay for capital projects and rolling stock. Between fiscal years 2001 and 2006, the Authority spent \$53,162,766 on capital projects out of current revenues. Additionally, the Authority defeased the then outstanding 1995 Bonds in fiscal year 2003 using Authority funds in the amount of \$21,402,407. Between fiscal years 2007 and 2009, the Authority has spent \$35,877,000 on capital projects out of current revenues. It is the intent of the Authority to continue to use Authority funds for similar purposes in order to limit the issuance of additional debt.

The Authority has funded certain fund balances in the following manner:

**Summary of Authority Fund Balances
(Fiscal Year Ended June 30)**

	Unrestricted Funds of the Authority	2006 Bond Construction Fund*	2006 Bond Debt Service Reserve Fund	Operating, Insurance & Capital Fund	Total Fund Balances
2006	\$ 50,888,161	\$ 0	\$ 0	\$ 39,993,650	\$ 90,861,811
2007	35,174,369	83,369,300	7,873,750	40,723,887	167,141,306
2008	21,251,059	68,764,427	7,873,750	40,186,811	138,076,047
2009	23,624,745	49,559,953	7,873,750	42,066,930	123,125,378

* The remaining bond proceeds in the construction fund are expected to be expended for capital projects related to the 2006 Bond projects by the end of calendar year 2010.

Upon the issuance of the 2006 Bonds, the Authority deposited the amount of \$39,967,557 into the Operating, Insurance, and Capital Reserve Fund. Such reserve is held by the Trustee and used for purposes prescribed under the Indenture but is not pledged to secure the Bonds. The unrestricted funds of the Authority are held by the Authority and such amounts are expected to be used for funding (in addition to the proceeds of the 2010 Bonds) Capital Improvement Projects approved and scheduled by the Authority.

IV. DEBT AND CAPITAL REQUIREMENTS

The Solid Waste Capital Improvement Program

The Solid Waste Capital Improvement Program (“SWCIP”) described below includes the current Capital Improvement Program, a portion of which will be funded with the proceeds of the 2010 Bonds, and the Future Capital Improvement Plan, which the Authority intends to fund from a combination of excess revenues from operations, Authority funds on hand, and proceeds of Additional Parity Indebtedness. Proceeds of the 2010 Bonds can be applied to other capital projects.

Current Capital Improvement Program

The current Capital Improvement Program (the 2010-2013 portion of the SWCIP) includes the design and construction of Area F at the Sandtown Landfill and the design and construction of Cell 5 at the Jones Crossroad Landfill. A further description of these projects follows.

Sandtown Landfill Area F

Approximately 40.6 acres have been designated for Phase I of Area F at the Central Solid Waste Management Center. The new cell will include a double-composite lined landfill similar in design to Area E which had two flexible membrane liners and two geosynthetic clay liners. The landfill will be contiguous with Areas D & E and allow overfilling onto those two cells to create a much larger cell. The leachate will go into the existing facility leachate tanks. The bid package was issued in March 2010 and bids were due April 20, 2010. A contract was awarded by the Board on May 27, 2010. The construction should be completed by the end of 2011.

Jones Crossroads Landfill Cell 5

Approximately 29.4 acres have been designated for Cell 5 at the Southern Solid Waste Management Center. The new cell will include a double-composite lined landfill similar in design to Cell 4 which had two flexible membrane liners and two geosynthetic clay liners. The landfill will be contiguous with Cells 3 and 4 and allow overfilling onto those two cells to create a much larger cell. The leachate will go into the existing leachate tanks on site for Cells 3 and 4. The bid package was issued in February 2010 and bids were due March 30, 2010 and a contract has since been awarded. The construction should be completed by the end of 2011.

Capital Improvement Program (2011-2016)

The Authority will fund necessary capital projects in its SWCIP in an amount averaging approximately \$18.5 million per year over the next 6 years. These projects will be funded with a combination of bond financing and pay-as-you-go. The 2010 Bonds will pay for \$40.117 million in projects and will cover the bond funded capital requirements for fiscal years 2011 through 2013. Pay-as-you-go projects are anticipated to amount to \$34.35 million between 2011 and 2013 and \$20.675 million between 2010 and 2012.

The chart on the following page shows the SWCIP by project for the next 6 fiscal years.

Six-Year Capital Improvement Fund Detail*

2011-2016 by Fiscal Year
2017 – 2020 Combined
(Thousands)

	PROJECT DESCRIPTION	2011	2012	2013	2014	2015	2016	FY 2017- FY 2020
#								
	BOND FUNDED							
27	JCLF Capping Cell 3 & 4	\$2,500	\$2,500	\$3,000	\$ -	\$ -	\$ -	\$ -
58	CIL Landfill Expansion	7,826	-	-	-	-	-	-
76	SLF Area F	13,882	-	-	-	-	-	-
81	JCLF Cell 5	10,409	-	-	-	-	-	-
	TOTAL for BOND FUNDED	34,617	2,500	3,000	-	-	-	-
	PRIORITY I							
6	SLF Site Improvements	500	1,600	-	-	-	-	-
27	JCLF Capping Cell 3 & 4	-	-	-	1,500	1,500	-	-
30	JCLF LFG Control Cell 3 & 4	150	-	-	-	-	-	-
91	CIL Generator	2,000	-	-	-	-	-	-
111	CIL LFG Improvements	1,000	-	-	-	-	-	-
	TOTAL for PRIORITY I	3,650	1,600	-	1,500	1,500	-	-
	PRIORITY II							
14	CIL Phase I,II,& IA Capping	125	125	250	125	-	-	-
66/67	CIL Road Work	-	250	-	-	-	250	-
68	SLF Capping Area D, E, & F	300	450	450	-	-	-	-
77	SLF Road Work	-	-	300	-	-	-	500
79	JCLF Road Work	100	-	375	-	-	-	300
107	JCLF Wetlands Mitigation	-	150	2,350	-	-	-	-
110	JCLF Utility Corridor	-	-	-	-	-	100	2,800
116	Milford Recycling Office	200	650	-	-	-	-	-
121	DRC Fire Suppression	400	-	-	-	-	-	-
130	MTS Road Work	200	-	400	-	-	-	-
137	JCLF Cell 1-2 Conventional Cap	1,375	-	-	-	-	2,000	4,000
142	SLF Area A/B Flares	-	-	-	100	-	-	-
143	MTS Utilities	100	-	-	-	-	-	-
144	CIL Phase III-V Capping	-	-	-	-	-	500	500
	TOTAL for PRIORITY II	2,800	1,625	4,125	225	-	2,850	8,100
	PRIORITY III							
31	Land Purchase (Landfill)	-	-	5,000	-	-	-	4,000
67	Land Purchase (Landfill) JCLF Cell 1 & 2 Leachate	-	-	-	5,000	-	-	-
82	Modifications	-	-	125	-	-	-	600
112	JCLF C&D Processing	-	-	900	-	-	-	-
119	DRC Entrance Modifications	-	500	-	-	-	-	-
120	DRC Road Work	-	-	500	-	-	-	-
122	SLF H2S Pretreatment	-	-	-	-	300	-	-
123	SLF HHW Drop-off & Storage Center	-	-	-	-	100	-	-
124	SLF LNG Facility	-	5,000	-	-	-	-	-
138	PTCTS Road Work	-	-	-	-	500	-	-
139	PTCTS Concrete repairs	40	260	-	-	-	-	-
	TOTAL for PRIORITY III	40	5,760	6,525	5,000	900	-	4,600
	Vehicles, Machinery & Equipment	2,596	2,783	2,846	2,900	2,900	2,900	2,900
	Total Annual Expenditures	43,703	14,268	16,496	9,625	5,300	5,750	15,600
	Cumulative Total Expenditures	\$43,703	\$57,971	\$74,467	\$84,092	\$89,392	\$95,142	\$110,742

* Subject to change.

Debt Service Requirements

The Authority currently has portions of the 2006 Bonds outstanding. The chart below shows the debt service requirements for the outstanding 2006 Bonds and the 2010 Bonds for each fiscal year ending June 30.

Fiscal Year	2006 Bonds		2010 Bonds			Total Net Debt Service ⁽¹⁾
	Principal	Interest ⁽¹⁾	Principal	Interest ⁽¹⁾	BAB Subsidy ⁽¹⁾	
2011	\$3,675,000	\$4,198,588	\$2,940,000	\$1,553,168	\$(314,717)	\$4,178,452
2012	3,835,000	4,038,688	3,190,000	1,595,462	(335,201)	4,450,261
2013	4,010,000	3,863,663	3,285,000	1,499,762	(335,201)	4,449,561
2014	4,200,000	3,671,275	3,400,000	1,384,787	(335,201)	4,449,586
2015	4,405,000	3,466,775	3,505,000	1,282,787	(335,201)	4,452,586
2016	4,625,000	3,247,825	2,650,000	1,212,687	(335,201)	3,527,486
2017	4,830,000	3,039,000	3,650,000	1,095,557	(294,206)	4,451,351
2018	5,075,000	2,797,500	4,655,000	986,057	(294,206)	5,346,851
2019	5,330,000	2,543,750	3,905,000	840,589	(294,206)	4,451,383
2020	5,595,000	2,277,250	4,000,000	646,510	(226,279)	4,420,232
2021	5,875,000	1,997,500	4,000,000	441,710	(154,599)	4,287,112
2022	6,165,000	1,703,750	4,300,000	230,910	(80,819)	4,450,092
2023	6,475,000	1,395,500	-	-	-	-
2024	6,800,000	1,071,750	-	-	-	-
2025	7,140,000	731,750	-	-	-	-
2026	<u>7,495,000</u>	<u>374,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$85,530,000</u>	<u>\$40,419,314</u>	<u>\$43,480,000</u>	<u>\$12,769,988</u>	<u>\$(3,335,038)</u>	<u>\$52,914,950</u>

⁽¹⁾ Totals may not add due to rounding.

V. MISCELLANEOUS

Material Litigation

Absence of Material Litigation

There is no threatened litigation, nor any litigation pending in any court, that questions the validity or existence of the Authority as a body politic and corporate constituting a public instrumentality of the State. There is no litigation threatened or pending in any court that would restrain or enjoin the issuance or delivery of the 2010 Bonds, or which in any way contests or affects the validity of the 2010 Bonds or the proceedings of the Authority taken with respect to the issuance or sale thereof which, if adversely decided, would materially affect the Authority's ability to perform its obligations under the 2010 Bonds.

Current Litigation

The Authority is a defendant in two pending actions:

Gibbs v. Delaware Solid Waste Authority, Delaware Department of Labor Case No. 090909442W/17C-2009-01034. This is a complaint brought by an Authority employee in October 2009 alleging four grounds for workplace discrimination arising out of alleged harassment by a co-worker. In March 2010, two of the four grounds were dismissed, and the remaining two were referred for further investigation.

Shahin v. Delaware Solid Waste Authority, U.S. Equal Opportunity Employment Commission Charge No. 17C-2009-00606. This is a complaint originating in April of 2009, alleging discrimination in hiring based on age and national origin. The charge has been filed and the Authority has filed a position statement in response. No further activity has occurred in this matter.

As to both of the foregoing matters, the Authority believes that all charges brought are without merit and will continue to vigorously defend these actions. The Authority considers it unlikely that it will incur any material liability as a result of either of these matters.

Secondary Market Disclosure

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

The Authority will agree with the purchasers of the 2010 Bonds, by executing a supplement to the Continuing Disclosure Agreement executed in connection with the issuance of its 2006 Bonds (the "Continuing Disclosure Agreement") prior to the issuance of the 2010 Bonds, to provide Annual Reports with respect to itself to MSRB via EMMA and to any State Repository. The Authority has determined that there currently is not any other obligated person for the purposes of the Rule. The Authority will provide Event Notices to the MSRB via EMMA and to any State Repository. The Continuing Disclosure Agreement appears as Appendix F to this Official Statement. Under the provisions of the Authority's Continuing Disclosure Agreement, the Authority is required to provide its Annual Report by February 1 of each year.

Although the Authority failed to timely file its Annual Reports for Fiscal Years 2006, 2007, 2008, and 2009, the Authority, as of the date of this Official Statement, is presently in full compliance with all of its continuing disclosure obligations.

Ratings

The 2010 Bonds have been rated “A2” by Moody’s Investors Service, Inc. (“Moody’s”) and “AA+” by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”). The ratings assigned by Moody’s and Standard & Poor’s express only the views of the respective rating agency. The explanation of the significance of the ratings may be obtained from Moody’s and Standard and Poor’s, respectively. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2010 Bonds.

Financial Advisor

Public Advisory Consultants, Inc. serves as financial advisor to the Authority in connection with the issuance, sale and delivery of the 2010 Bonds. The financial advisor has assisted the Authority in the preparation of the Official Statement and in other matters relating to the planning, structuring, and issuance of the 2010 Bonds. Public Advisory Consultants, Inc. is a financial advisory and consulting organization and is not engaged in the underwriting, marketing or trading of municipal securities or other negotiated instruments.

Underwriting

The 2010 Bonds are being purchased by the investment banking firms of Mesirov Financial, Inc., Citigroup Global Markets Inc., Roosevelt & Cross, Incorporated and Stone & Youngberg LLC (collectively the “Underwriters”), for an aggregate purchase price of \$43,591,727.45 (which reflects the par amount of the 2010 Bonds (\$43,480,000), plus net original issue premium of \$291,271.90 and less an Underwriters’ discount of \$179,544.45).

The Initial public offering prices set forth on the inside front cover hereof may be changed by the Underwriters, and the Underwriters may offer and sell the 2010 Bonds to certain dealers (including dealers depositing 2010 Bonds into investment trusts) and others at prices lower than the offering prices set forth on the inside cover hereof.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the 2010 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2010 Bonds.

Financial Statements

The financial statements of the Authority for its fiscal year ended June 30, 2009, are included in Appendix A to this Official Statement and should be read in their entirety. Such financial statements have been examined by Elko & Associates Ltd, Media, Pennsylvania, independent certified public accountants, as indicated in their report with respect thereto included in Appendix A. The Authority, in accordance with generally accepted accounting principles, uses the enterprise fund system of accrual accounting.

Approval of Legal Proceedings

The authorization and issuance of the 2010 Bonds are subject to the issuance of a legal opinion as to validity by Bond Counsel, Saul Ewing LLP, Wilmington, Delaware, whose legal opinion will be available at the time of the delivery of the 2010 Bonds.

Certain legal matters will be passed upon for the Underwriters by Ballard Spahr LLP, Wilmington, Delaware. Certain legal matters with regard to the Authority are subject to the approval of Parkowski, Guerke &

Swayze, P.A., General Counsel to the Authority. So far as any statements are made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

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

Authorization of and Certification Concerning Official Statement

Concurrently with the delivery of the 2010 Bonds the undersigned will furnish a certificate to the effect that this Official Statement did not as of its date and does not as of the date of delivery of the 2010 Bonds contain any untrue statement of material fact, or omit to state a material fact that should be included herein for the purposes for which this Official Statement is to be used, or which is necessary in order to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

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

DELAWARE SOLID WASTE AUTHORITY

By: /s/ Richard V. Pryor
Chairman

APPENDIX A

Audited General Purpose Financial Statements For Fiscal Year 2009

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DELAWARE SOLID WASTE AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

DELAWARE SOLID WASTE AUTHORITY

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Delaware Solid Waste Authority
Dover, Delaware

We have audited the accompanying statements of net assets of Delaware Solid Waste Authority as of June 30, 2009 and 2008, and the related statements of revenues and expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the DSWA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 Delaware Solid Waste Authority as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of operating revenues and expenses are presented for purposes of additional analysis and are 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 fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Elko & Associates Ltd

September 14, 2009

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Management's Discussion and Analysis

The Management of the Delaware Solid Waste Authority (DSWA) presents the readers of our financial statements the following overview and analysis of the financial activities of the DSWA for the fiscal years ended June 30, 2009 and 2008. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements and notes to the financial statements.

The Reporting Entity

The DSWA is a body politic and corporate created in 1975 by an act of the Delaware Legislature and is a public instrumentality and political subdivision of the State of Delaware (the "State"). The DSWA is responsible for implementing solid waste disposal, recycling and resources recovery systems, facilities and services. Revenues generated by DSWA operations, primarily disposal fees, provide for the support of the DSWA and its operations on a self-sustaining basis. The State provides no revenues to the DSWA. In carrying out its mission, the DSWA utilizes private industry in the construction and operation of solid waste disposal and transfer facilities and the operation of various segments of its recycling programs. The DSWA is authorized to issue bonds to finance its activities.

The DSWA is governed by a seven member Board of Directors appointed by the Governor with the advice and consent of the Senate. The Chairman of the Board of Directors is designated by and serves at the pleasure of the Governor.

Budgetary and Accounting Controls

The DSWA adopts an annual operating budget as a financial plan for the year. Actual operating results are monitored on a monthly basis and compared to the adopted budget so that variances can be identified and analyzed. Budgetary compliance is reported to the Board of Directors on a monthly basis. The DSWA's accounting records are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. Current controls provide reasonable assurance that the DSWA's assets are properly recorded and protected and that the financial data may be used with confidence in the preparation of historical reports and projections. Accounting controls, which are reviewed regularly by staff, are maintained by segregation of duties and physical and data security systems in all areas of recordkeeping, billing, cash receipts, disbursements and purchasing authority.

Cash Management

Wilmington Trust Company under an Investment Management Agreement that includes the State of Delaware, Delaware State Housing Authority and the Delaware Transportation Trust manages the DSWA's Operations Cash and Cash Reserves. The majority of funds are invested in United States Government Backed Fixed Income Securities, AA or better Corporate Securities and U.S. Government Sub-Agency Securities. A Repurchase Agreement Account is maintained to provide daily liquidity for DSWA's Disbursement Account. Current safekeeping and delivery arrangements are felt by management to provide appropriate security for the DSWA's investments.

Risk Management

The DSWA maintains a comprehensive package of property and liability insurance relevant to its operations. For Worker's Compensation Insurance, the DSWA participates in the State of Delaware's plan. Since, by law, the DSWA can sue and be sued, it purchases Coverage B for Workmen's Compensation on the open market. A safety program including safety regulations, first aid training, and driver safety classes is actively administered and enforced to minimize exposures and manage incidents.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the DSWA's basic financial statements. Since the DSWA is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) Enterprise Fund Financial Statements and 2) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Enterprise Fund Financial Statements are designed to provide readers with a broad overview of the DSWA's finances in a manner similar to a private sector business.

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

The Statement of Revenues and Expenses and Changes in Net Assets presents information showing how the DSWA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The Statement of Cash Flows presents the change in the DSWA's cash and cash equivalents during the period being reported. This information can assist the user of the report in determining how the DSWA financed its activities and how it met its cash requirements.

The basic Enterprise Fund Financial Statements can be found on pages 8 through 12 of this report.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13 through 25 of this report.

Financial Highlights

- The DSWA's assets exceeded its liabilities (net assets) by approximately \$142.9 million and \$146.2 million at the close of fiscal years 2009 and 2008, respectively. This represents a decrease of approximately \$3.3 million (2.3%) in net assets in 2009 over the previous year.
- Total operating revenue decreased by approximately \$8.0 million or 13% less than the previous year. Net user fees reported in this item are net of the Differential Disposal Fee Program rebates of approximately \$8.7 million in 2009 and \$10.1 million in 2008 (see Note 9). Other income includes \$2.0 million from the sale of Marketable Recyclables in 2009 compared to \$4.1 million in 2008.

- Total operating expenses for 2009 decreased by a net \$3.5 million or 6.2% from the previous year.
- An operating loss of \$0.6 million was experienced versus the prior year restated operating income of \$3.9 million.
- Total net nonoperating revenues for 2009 were \$2.7 million compared to \$1.8 million in 2008.
- DSWA issued Revenue Bonds in December 2006 to finance the expansion of the Cherry Island Landfill and provide for the design of future cells at the Sandtown Landfill and the Jones Crossroads Landfill. These bonds were issued for \$95.7 million with final maturity in 2026 (see Note 6).

Summary of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of DSWA's financial position. The DSWA's net assets decreased during fiscal year 2009 by \$3,326,281, and increased during fiscal years 2008 and 2007 by \$814,208 and \$6,120,108, respectively. A condensed summary of DSWA's net assets for the three years being reported is presented below:

	Net Assets		
	<u>2009</u>	<u>2008 *</u>	<u>2007 *</u>
Current and Other Assets	\$ 129,997,469	\$ 150,435,230	\$ 184,926,062
Capital Assets	<u>174,168,257</u>	<u>162,234,014</u>	<u>132,117,433</u>
Total Assets	<u>304,165,726</u>	<u>312,669,244</u>	<u>317,043,495</u>
Current Liabilities	26,000,345	28,500,661	30,918,667
Long-Term Obligations	<u>135,284,161</u>	<u>137,961,082</u>	<u>140,731,535</u>
Total Liabilities	<u>161,284,506</u>	<u>166,461,743</u>	<u>171,650,202</u>
Net Assets:			
Invested in Capital Assets	126,128,200	129,794,850	120,159,353
Unrestricted	16,096,950	15,918,505	24,557,165
Restricted	<u>656,070</u>	<u>494,146</u>	<u>676,775</u>
Total Net Assets	<u>\$ 142,881,220</u>	<u>\$ 146,207,501</u>	<u>\$ 145,393,293</u>

* As restated, see Note 12

Net assets invested in capital assets represents the DSWA's investment in capital assets (e.g., land, land improvements, buildings and equipment). The DSWA uses these capital assets to provide services to its customers and consequently, these assets are not available for future spending. The DSWA is bound by the provisions of the Indenture under the issuance of the 2006 Series Solid Waste System Revenue Bonds that established various funds administered by the Trustee and certain funds to be administered by DSWA. The unrestricted funds administered by DSWA can be used to fund Capital Improvement Projects and other operating costs. Restricted net assets are limited to outside third-party restrictions and represent the net assets that have been legally identified for specific purposes.

Summary of Revenues and Expenses and Changes in Net Assets

Summary of revenues and expenses and changes in net assets for the years ended June 30, 2009, 2008, and 2007 is presented below:

	<u>Change in Net Assets</u>		
	<u>2009</u>	<u>2008 *</u>	<u>2007 *</u>
Operating Revenues			
Net User Fees: Solid Waste	\$ 46,685,691	\$ 53,002,965	\$ 56,617,195
L/F Gas Marketing Income	3,975,930	3,830,969	2,912,168
Marketing Income Recyclables	2,027,699	4,060,864	3,159,500
Other Income	384,944	151,772	110,949
Total Operating Revenues	<u>53,074,264</u>	<u>61,046,570</u>	<u>62,799,812</u>
Operating Expenses			
Salaries and Related Costs	11,771,157	11,688,180	10,809,687
Contractual Services	23,529,322	26,784,117	30,047,253
Depreciation	9,585,079	8,592,434	7,047,588
Landfill Closure	1,973,287	1,373,821	5,635,361
Other Expenses	6,792,331	8,757,014	7,963,209
Total Operating Expenses	<u>53,651,176</u>	<u>57,195,566</u>	<u>61,503,098</u>
Operating Income (Loss)	(576,912)	3,851,004	1,296,714
Net Nonoperating Revenues	2,692,640	1,752,355	4,823,392
Income Before Special Items	<u>2,115,728</u>	<u>5,603,359</u>	<u>6,120,106</u>
Special Items - Impairment Loss	<u>4,492,009</u>	<u>4,789,151</u>	-
Contract Termination	<u>950,000</u>	-	-
Increase (Decrease) in Net Assets	<u>(3,326,281)</u>	<u>814,208</u>	<u>6,120,106</u>
Net Assets - Beginning of Year	146,207,501	145,393,293	139,273,187
Net Assets - End of Year	<u>\$142,881,220</u>	<u>\$146,207,501</u>	<u>\$145,393,293</u>

* As restated, see Note 12

Capital Asset Activity

Provides a summary of the significant changes in capital assets for the year ended June 30, 2009. The following is a description of the major items affecting the year-end balances (see Note 4 – Capital Assets).

1. Construction in Progress
 - Increases: Cherry Island Landfill Expansion - \$18,087,321, Site Improvements at the Delaware Recycling Center - \$107,220, Area F at Sandtown Landfill - \$286,048, Construction of Landfill Gas System at Sandtown Landfill - \$275,363, Jones Crossroad Landfill Cell I & II Capping - \$201,871.
2. Depreciable Capital Assets
 - Increases: Operational Vehicles - \$352,231, Heavy Construction Equipment and Processing Equipment - \$170,773.
 - Decreases: Equipment sale - \$45,000; Retirement of fully depreciated assets - Land Improvements - \$307,117, Building & Improvements - \$76,989, Equipment - \$748,062, and Vehicles - \$12,694.

Review of Operations

Landfill Operations. During the fiscal year 2009, the DSWA's three operating landfills managed the safe disposal or recycling of 922,488 tons of waste compared to 1,069,079 tons during the previous year. Of the total waste received, dry waste, which includes construction and demolition waste, of 139,726 tons was received in fiscal year 2009 as compared to 161,217 tons in the previous year. 26,602 tons of the dry waste received during fiscal year 2009 was recycled into an alternate material used for soil cover at the landfills. In addition, 1,186 tons of tires were recycled as either tire derived fuel or consumer products. A total of 11,286 tons of yard waste was received and recycled as mulch or compost. Of this total, 7,617 tons was sent to the market and 3,669 tons was used as alternative material for soil amendment at the landfills. The user fee for solid waste and dry waste remained at \$61.50/ton and \$42.00/ton (Kent and Sussex Counties only), respectively, for the fourth consecutive year. They are scheduled to remain at these rates for one more year, i.e., until July 1, 2010.

Transfer Stations. During the fiscal year 2009, the DSWA's Pine Tree Corners, Milford and Route 5 Transfer Stations received and transferred 203,483 tons of solid waste. Pine Tree Corners Transfer Station and Milford Transfer Station sent their waste to the Sandtown Landfill for disposal. The Route 5 Transfer Station sent its waste to the Jones Crossroads Landfill for disposal.

Collection Stations. The DSWA's five collection stations located in Kent and Sussex Counties continued to provide disposal services to residents for bagged household waste at the rate of \$1/bag. A total of 52,876 customers disposed 83,885 bags of household waste during fiscal year 2009.

Recycling. During the fiscal year 2009, the DSWA's Drop Off Center Program collected 22,244 tons of recyclables from its 180 sites. The Oil Filter Program marketed 436 tons of oil filters collected statewide. The Electronic Goods Program collected 1,814 tons of electronic goods for recycling. DSWA's Residential Curbside Collection Program had substantial growth during the fiscal year. The number of subscribers increased from 35,000 on July 1, 2008, to 45,662 on June 30, 2009. The Household Hazardous Waste Program conducted eight special collection events in various locations statewide. Over 176,859 pounds of material were collected and recycled or safely disposed.

Major Operational Changes. Early in the fiscal year it became evident that tonnage was dropping significantly (i.e., 13.7% lower than previous year). In response to the related revenue reduction, the following cost cutting and revenue-enhancing changes were made during the 2009 fiscal year:

- The operating budget was reduced during the second quarter to a level supported by a waste stream of 900,000 tons, rather than the budgeted 1,000,000 tons.
- The Residential Curbside Collection Program began increasing fees for contract customers.
- Continued the policy to not accept Construction and Demolition (C&D) waste at any of the DSWA Transfer Stations. Customers must deliver C&D waste directly to DSWA's landfills.
- Several large construction projects were either cancelled or pushed out to future years.
- Major equipment purchases were postponed to future periods.
- A reduction in the total number of employees was affected via a combination of attrition, reorganization of activities and some layoffs.
- The contract with Enpower for the management and operation of the Cherry Island landfill gas plant was terminated [see Note 11] which will result in a significant cost savings, while improving the overall operational control of the landfill gas plant to produce Green Power.

Implementation of the above-described operational changes had a significant positive impact on operational efficiencies and cost savings/revenue enhancements.

Plans for the Future. The DSWA issued solid waste system revenue bonds in December 2006 to finance the expansion of the Cherry Island Landfill and provide for the design of additional landfill cells at the Sandtown and Jones Crossroads Landfills. The issue was \$95,715,000 with a final maturity in 2026. Another financing instrument will be issued in 2010 to finance the construction of new landfill cells at Sandtown and Jones Crossroads. We anticipate that this new financing instrument will have a maturity of twelve (12) years.

During the several years leading up to the current national recession, the State of Delaware was experiencing a consistent economic growth throughout the state. A growth in population, construction of new housing and commercial development had caused a significant increase in the solid waste stream managed by DSWA. From the mid-point of 2007 through June 30, 2009, the impact of the current national recession has resulted in a dramatic reduction in Delaware's solid waste quantities, the primary source of revenue for the DSWA. In response, DSWA began a program to reduce costs and increase revenues. It is anticipated that the solid waste tonnage will not show growth for several years until the national economic situation improves. DSWA has taken, and will continue to take, a conservative approach when developing future budgets.

The DSWA will continue to closely monitor the waste and recyclables it receives to make changes to its operations and fees as necessary to carry out its mission. Several Capital Improvement Projects have been deferred until better economic times are present. Nonetheless, the absolutely necessary construction projects will move forward. These include the Cherry Island Landfill expansion, which is approximately 64% complete, and the Sandtown and Jones Crossroads Landfill expansions, which have been designed and are in the permitting stage. Construction is expected to take place in the second quarter of calendar year 2010.

This financial report is designed to provide its readers with an overview of the DSWA finances and to show DSWA's accountability for safeguarding the funds it receives and disburses in the course of conducting its business. If you have any questions concerning this report or need additional financial information, please contact:

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Respectfully submitted,

John J. Lechner

John J. Lechner
Chief Financial Officer

STATEMENTS OF NET ASSETS

DELAWARE SOLID WASTE AUTHORITY
STATEMENTS OF NET ASSETS

	JUNE 30,	
	2009	2008 RESTATED
ASSETS		
CURRENT ASSETS		
Unrestricted Current Assets:		
Cash and cash equivalents - Note 2	\$ 1,165,261	\$ 1,892,573
Investments - Note 3	15,247,589	6,929,312
Accounts receivable (net of allowance for doubtful accounts of \$100,000 and \$25,000, respectively)	5,117,701	5,735,538
Interest receivable	768,856	848,432
Prepayments and miscellaneous receivables	202,477	453,861
Total Unrestricted Current Assets	22,501,884	15,859,716
Restricted Current Assets:		
Investments - Note 3	63,150,815	86,422,018
Total Current Assets	85,652,699	102,281,734
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets:		
Investments - Note 3	7,211,895	12,429,174
Capital Assets - Note 4		
Land	24,233,407	24,233,437
Land improvements	147,145,885	147,410,758
Buildings	41,809,184	41,843,754
Equipment and furniture	18,135,171	18,757,459
Vehicles	5,450,931	5,111,394
Total	236,774,578	237,356,802
Less: Accumulated depreciation	141,029,605	132,576,112
95,744,973	95,744,973	104,780,690
Construction in progress - Note 4	78,423,284	57,453,324
Total Capital Assets	174,168,257	162,234,014
Other Assets - Note 1		
Bond issuance costs, net of accumulated amortization of \$117,046 and \$70,760, respectively - Note 6	783,057	829,343
Customer list	-	4,492,009
Total Other Assets	783,057	5,321,352
Restricted Noncurrent Assets:		
Investments - Note 3	36,349,818	30,402,970
Total Noncurrent Assets	218,513,027	210,387,510
TOTAL ASSETS	\$ 304,165,726	\$ 312,669,244

The accompanying Notes are an integral part of these statements.

	JUNE 30,	
	<u>2009</u>	<u>2008</u>
		RESTATED
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,878,979	\$ 8,373,205
Contracts payable, including retainage	3,809,433	3,484,392
Refundable security deposits	73,191	66,929
Accrued compensation	1,307,975	1,029,512
Current portion of bonds payable - Note 6	3,910,256	3,763,643
Current portion of lease payable	6,509	33,190
Accrual for landfill closure and post closure care costs - Note 5	442,000	306,000
Contract rebate payable - Note 9	<u>8,725,590</u>	<u>10,118,887</u>
Total Current Liabilities	<u>24,153,933</u>	<u>27,175,758</u>
CURRENT LIABILITIES (Payable From Restricted Assets)		
Arbitrage payable - Note 11	<u>1,846,412</u>	<u>1,324,903</u>
NONCURRENT LIABILITIES		
Bonds payable - Note 6	89,879,047	93,929,498
Deferred revenues - Note 7	905,514	903,889
Lease payable, net of current portion	-	12,723
Accrued landfill closure and post closure care costs - Note 5	<u>44,499,600</u>	<u>43,114,972</u>
Total Noncurrent Liabilities	<u>135,284,161</u>	<u>137,961,082</u>
Total Liabilities	<u>161,284,506</u>	<u>166,461,743</u>
NET ASSETS		
Invested in capital assets, net of related debt and accumulated depreciation	126,128,200	129,794,850
Unrestricted	16,096,950	15,918,505
Restricted	<u>656,070</u>	<u>494,146</u>
Total Net Assets	<u>142,881,220</u>	<u>146,207,501</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 304,165,726</u></u>	<u><u>\$ 312,669,244</u></u>

The accompanying Notes are an integral part of these statements.

DELAWARE SOLID WASTE AUTHORITY
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

	FOR THE YEARS ENDED	
	JUNE 30,	
	2009	2008
		RESTATED
OPERATING REVENUES		
Net user fees: solid waste	\$ 46,685,691	\$ 53,002,965
Landfill gas	3,975,930	3,830,969
Other income	2,412,643	4,212,636
	<u>53,074,264</u>	<u>61,046,570</u>
OPERATING EXPENSES		
Salaries and related costs	11,771,157	11,688,180
Professional services	1,842,888	2,022,452
Travel	81,062	103,766
Supplies and materials	2,882,707	4,539,052
Utilities	1,985,674	2,091,744
Contractual services	23,529,322	26,784,117
Closure and post closure care of landfills	1,973,287	1,373,821
Depreciation expense	9,585,079	8,592,434
	<u>53,651,176</u>	<u>57,195,566</u>
OPERATING INCOME (LOSS)	<u>(576,912)</u>	<u>3,851,004</u>
NONOPERATING REVENUES (EXPENSES)		
Net investment income	4,925,434	4,742,184
Bond interest expense	(2,135,746)	(3,051,548)
Other nonoperating expenses	(97,048)	61,719
	<u>2,692,640</u>	<u>1,752,355</u>
INCOME BEFORE SPECIAL ITEMS	<u>2,115,728</u>	<u>5,603,359</u>
SPECIAL ITEMS		
Impairment loss	4,492,009	4,789,151
Contract termination	950,000	-
	<u>5,442,009</u>	<u>4,789,151</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(3,326,281)</u>	<u>814,208</u>
NET ASSETS - BEGINNING OF YEAR	<u>146,207,501</u>	<u>145,393,293</u>
NET ASSETS - END OF YEAR	<u>\$ 142,881,220</u>	<u>\$ 146,207,501</u>

The accompanying Notes are an integral part of these statements.

**DELAWARE SOLID WASTE AUTHORITY
STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED	
	JUNE 30,	
	2009	2008 RESTATED
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 46,169,502	\$ 52,561,703
Cash paid to suppliers	(33,932,902)	(38,989,573)
Cash paid to employees	(11,492,694)	(11,528,225)
Landfill gas marketing revenues	3,975,930	3,830,969
Other operating revenues	2,412,643	4,212,636
	7,132,479	10,087,510
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,943,840	6,894,457
Decrease in investments	14,806,036	27,010,173
Other investing income (expense)	(71,883)	795,487
	19,677,993	34,700,117
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for debt service requirements	(3,763,643)	(3,630,358)
Interest paid on bonds	(4,110,070)	(4,238,930)
Cash payments for capital assets	(19,696,071)	(37,635,666)
Proceeds from sale of capital assets	32,000	-
	(27,537,784)	(45,504,954)
NET DECREASE IN CASH	(727,312)	(717,327)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,892,573	2,609,900
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,165,261	\$ 1,892,573

The accompanying Notes are an integral part of these statements.

DELAWARE SOLID WASTE AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

	FOR THE YEARS ENDED	
	JUNE 30,	
	2009	2008
		RESTATED
OPERATING INCOME (LOSS)	\$ (576,912)	\$ 3,851,004
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	9,585,079	8,592,434
Contract termination	(950,000)	-
Decrease in accounts receivable	617,837	704,135
(Increase) decrease in prepayments and miscellaneous receivables	251,384	(320,108)
Decrease in accounts payable	(2,494,227)	(3,980,190)
Increase in contracts payable	325,041	1,020,118
Increase in refundable security deposits	6,262	2,300
Increase in accrual for compensation	278,463	159,955
Increase (decrease) in leases	(39,404)	45,913
Increase in accrued closure and post closure care of landfills	1,520,628	839,538
Decrease in contract rebate payable	(1,393,297)	(832,568)
Increase in deferred revenue	1,625	4,979
	7,709,391	6,236,506
Net Cash Provided by Operating Activities	\$ 7,132,479	\$ 10,087,510

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND
RELATED FINANCING ACTIVITIES**

Amortization of bond issue costs	\$ 46,286	\$ 46,286
Net accretion of premium/discount on bonds	500,451	516,692
Loss on disposition of capital assets	25,163	17,271
Impairment loss	4,492,009	4,789,151
Unrealized gain (loss) on investments	419,100	(1,625,447)
Realized gain on sale of investments	163,578	287,689
Capitalized interest	1,880,414	1,090,619

The accompanying Notes are an integral part of these statements.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 1 - Summary of Significant Accounting Policies

(A) Reporting Entity

The Delaware Solid Waste Authority (the "DSWA") is a body politic and corporate constituting a public instrumentality of the State of Delaware established and organized in 1975 under Delaware Code, Title 7, Chapter 64.

The DSWA has been designated by the State of Delaware, under this act, as the sole entity, governmental or private, with the responsibility for planning and implementing solid waste and resource recovery programs and facilities throughout Delaware in accordance with the Statewide Plan for Solid Waste Management.

The DSWA is governed by a Board of Directors consisting of seven directors, who are appointed by the Governor with the advice and consent of the Senate.

Currently, the DSWA operates solid waste management facilities in each of Delaware's three counties and it has consolidated the financing and operation of its solid waste disposal facilities into a unitary Statewide system.

(B) Basis of Presentation

The DSWA operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recognized when incurred. The DSWA follows all applicable pronouncements of the Governmental Accounting Standards Board (GASB) and those of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The DSWA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing goods in connection with the DSWA's principal ongoing operations. The principal operating revenues of the DSWA are charges to residents and customers for waste disposal and collection of recyclables and the revenues from the sale of processed recyclable materials. Operating expenses include the cost of waste disposal, recyclable collection and processing services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(C) Cash and Cash Equivalents

The DSWA's cash and cash equivalents consist of cash on hand and demand deposits.

For purposes of determining cash equivalents, the DSWA has defined its policy concerning the treatment of short-term investments to include investments with a maturity of three months or less when purchased, as cash equivalents if management does not plan to reinvest the proceeds. Short-term investments that management intends to rollover into similar investments are considered part of the investment portfolio and are classified as investments.

(D) Restricted Assets

Restricted assets of the DSWA represent bond proceeds restricted for construction, and other amounts legally required by the DSWA's bond covenants and trust indenture to be set aside for debt service, customer deposits, operations, renewal and replacement and capital improvements. Restricted resources are used first to fund expenses incurred for restricted purposes.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 1 - Summary of Significant Accounting Policies - continued

(E) Capital Assets

Capital assets, which include property, plant and equipment are reported in the financial statements. Capital assets are defined by the DSWA as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are valued at their historical costs.

The costs of normal maintenance and repairs that do not add value to the assets or materially extend the assets' lives, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is computed over the estimated useful lives of the assets using the straight-line method and is charged to operating expenses. The following useful lives are used to compute depreciation:

Land improvements	3 - 20 years
Buildings	5 - 40 years
Equipment and furniture	3 - 20 years
Vehicles	3 - 5 years

Depreciation of landfill cell development and site costs is recorded based on remaining units of capacity. Total depreciation expense for the years ended June 30, 2009 and 2008 was \$9,585,079 and \$8,592,434, respectively.

(F) Other Significant Accounting Policies

Accounts receivable are shown net of an allowance for the estimated portion that is not expected to be collected. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(G) Other Assets

Goodwill, customer list and bond issuance costs, net of accumulated amortization, are reported in other assets. Goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired. On an annual basis, both goodwill and the customer list are tested for impairment and adjusted to reflect any impairment loss. The DSWA incurred impairment losses of \$4,492,009 and \$4,789,151 for the years ended June 30, 2009 and 2008, respectively. The 2008 impairment loss resulted in the complete write off of the remaining Goodwill balance of approximately \$871,000.

Bond issuance costs are amortized on a straight-line basis over its estimated useful life.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 1 - Summary of Significant Accounting Policies - continued

(H) Compensated Absences

Vacation and sick leave pay are recorded as an expense when earned by the DSWA's employees. As of June 30, 2009 and 2008, accrued vacation and sick leave aggregated \$806,246 and \$661,722, respectively, this resulted in a net increase of \$144,524 which is reflected in salaries and related costs in the current year. Accrued vacation and sick leave are based on the following criteria.

Employees' unused vacation leave is accumulated to a maximum of two years earned. Upon retirement or termination, employees are paid for all unused accumulated vacation leave at their final rate of pay. The accrued liability is based upon the full amount of accumulated vacation leave.

Employees' unused accumulated sick leave can be used up to the total amount accumulated for future sickness. In the event of termination due to lack of work, employees hired after January 1, 1992 will be paid at the rate of one day for every two days accumulated to the maximum of 90 days at their final rate of pay. In the event of death, employees hired after January 1, 1992 will be paid at the rate of one day for each day accumulated to the maximum of 90 days at their final rate of pay. Employees hired before January 1, 1992 will be paid for every day accumulated with no limitation, at their final rate of pay. Upon retirement, payment shall be made at the rate of one day per each day of unused sick leave accumulated to the maximum of 90 days for all employees despite their hire date. Upon voluntary termination, the employee will forfeit all accumulated sick leave. The DSWA has consistently accrued sick leave for only those employees for whom retirement is impending. The accrued liability is based upon the sick leave that would be paid upon impending retirement only.

(I) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 the estimates.

(J) Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation and reduced by the net bonds payable (bonds payable less unspent bond proceeds).

Unrestricted net assets represent the net assets available to finance future operations or available to be returned through reduced tip fees or rebates. The Board of Directors of the DSWA may designate unrestricted net assets for special purposes.

Restricted net assets are limited to outside third party restrictions and represent the net assets that have been legally identified for specific purposes.

(K) Closure and Post Closure Obligations

The DSWA records all estimated closure costs for existing cells as a liability. Upon final closure of the landfill site, the DSWA is then responsible, under current Federal regulations, for maintaining the closed site for the following thirty years.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 1 - Summary of Significant Accounting Policies - continued

(L) Reclassifications

Certain of the amounts previously reported in the financial statements for the prior year have been reclassified to conform with the current year classifications.

NOTE 2 - Cash and Cash Equivalents

The DSWA follows the "Statement of Objectives and Guidelines for the Investments of the State of Delaware", of the State's Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the State with certain limited exceptions. The State's Cash Management Policy is available on the Internet at <http://treasurer.delaware.gov/information/documents/CMPBInvestmentGuidelines-July2008.pdf>.

Custodial credit risk is the risk that in the event of a bank failure, the DSWA's deposits may not be returned to it. In accordance with the State's Cash Management Policy, the DSWA deposits its funds with financial institutions that comply with the requirements of Delaware Statutes and have been designated as a qualified public depository by the State Treasurer. Under the Statute, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral with a fair value equal to a percentage of the average daily balance of all government deposits in excess of federal deposit insurance. As of June 30, 2009, the DSWA's bank balances were not exposed to custodial credit risk.

NOTE 3 - Investments

In accordance with the DSWA's investment policy, investment purchases were limited to U.S. Government Securities, U.S. Government Agency Securities, Mortgage-Backed Securities and Corporate Debt Instruments with a rating of AA or better at the time of purchase. As of June 30, 2009, the DSWA was in compliance with the investment policy.

Custodial credit risk is defined as the risk that the DSWA may not recover the securities held by another party in the event of a financial failure. The DSWA's investment policy for custodial credit risk requires all investment securities to be held in the DSWA's name by a third-party safekeeping institution. All investments are considered fully insured or collateralized.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Wilmington U.S. Government Mutual Funds have a weighted average maturity of less than one year, resulting in minimal interest rate risk. The investment in U.S. Treasury Obligations, U.S. Government Agency Bonds and Notes and Corporate Bonds and Notes is subject to interest rate risk as a function of the length of time to maturity. The scheduled maturities of investments at June 30, 2009 are summarized below.

Credit risk is the risk that an issuer will not fulfill its obligations while concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. As indicated above in Note 2, the DSWA follows the "Statement of Objectives and Guidelines for the Investments of the State of Delaware", of the State's Cash Management Policy Board (the Board). The policy addresses credit risk as well as concentration of credit risk by not only limiting allowable investments but also by limiting the maximum amount that may be invested in any one issuer, except for investments in U.S. Government Securities which are not limited.

Investments are carried at fair value.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 3 - Investments - continued

The net change in the fair value of the DSWA's investments as of June 30, 2009 resulted in an unrealized gain of \$419,100 and is included in net investment income. The calculation of the net change in the fair value of investments is independent of the calculation of realized gains and losses. The realized gains and losses are computed as the difference between the proceeds of the sale and the cost of the investments sold. Realized gains and losses of the current period include unrealized amounts from prior periods. Realized gains for the years ended June 30, 2009 and 2008 were \$163,578 and \$287,691, respectively.

It is the DSWA's policy generally to hold investments until maturity.

The DSWA's investments are summarized as follows:

	2009		2008	
	Fair Value/ Carrying Value	Cost	Fair Value/ Carrying Value	Cost
U.S. Treasury Obligations	\$ 2,509,970	\$ 2,486,127	\$ 6,199,809	\$ 6,120,481
U.S. Government Agency Bonds and Notes	31,846,553	31,594,627	27,313,721	27,299,586
Wilmington U.S. Government Mutual Funds	49,818,596	49,818,596	67,787,841	67,787,841
Certificates of Deposit	1,000,000	1,000,000	-	-
Corporate Bonds and Notes	36,784,997	36,629,717	34,882,103	34,963,618
Total Investments	<u>\$ 121,960,116</u>	<u>\$ 121,529,067</u>	<u>\$ 136,183,474</u>	<u>\$ 136,171,526</u>

The investments mature as follows:

	Total	2010	2011	2012	2013-2019
U.S. Treasury Obligations	\$ 2,509,970	\$ 2,509,970	\$ -	\$ -	\$ -
U.S. Government Agency Bonds and Notes	31,846,553	8,988,549	4,370,150	1,059,236	17,428,618
Wilmington U.S. Government Mutual Funds	49,818,596	49,818,596	-	-	-
Certificates of Deposit	1,000,000	1,000,000	-	-	-
Corporate Bonds and Notes	36,784,997	16,081,289	8,546,635	2,836,583	9,320,490
	<u>\$121,960,116</u>	<u>\$ 78,398,404</u>	<u>\$12,916,785</u>	<u>\$ 3,895,819</u>	<u>\$ 26,749,108</u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 4 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2009 is as follows:

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Transfers</u>	<u>Sales/ Retirements</u>	<u>June 30, 2009</u>
Capital assets not being depreciated:					
Construction in progress	\$ 57,453,324	\$ 21,004,543	\$ (34,583)	\$ -	\$ 78,423,284
Land	<u>24,233,437</u>	<u>-</u>	<u>-</u>	<u>(30)</u>	<u>24,233,407</u>
Total capital assets not being depreciated	<u>81,686,761</u>	<u>21,004,543</u>	<u>(34,583)</u>	<u>(30)</u>	<u>102,656,691</u>
Depreciable capital assets:					
Land improvements	147,410,758	42,244	-	(307,117)	147,145,885
Less: accumulated depreciation	(105,428,946)	(4,449,383)	-	302,612	(109,575,717)
Buildings	41,843,754	7,837	34,583	(76,990)	41,809,184
Less: accumulated depreciation	(17,097,479)	(1,588,252)	-	68,545	(18,617,186)
Equipment and furniture	18,757,459	170,773	-	(793,061)	18,135,171
Less: accumulated depreciation	(7,896,441)	(2,292,458)	-	747,892	(9,441,007)
Vehicles	5,111,394	352,231	-	(12,694)	5,450,931
Less: accumulated depreciation	<u>(2,153,246)</u>	<u>(1,254,997)</u>	<u>-</u>	<u>12,548</u>	<u>(3,395,695)</u>
Depreciable assets, net of accumulated depreciation	<u>80,547,253</u>	<u>(9,012,005)</u>	<u>34,583</u>	<u>(58,265)</u>	<u>71,511,566</u>
Capital assets, net	<u>\$ 162,234,014</u>	<u>\$ 11,992,538</u>	<u>\$ -</u>	<u>\$ (58,295)</u>	<u>\$ 174,168,257</u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 4 - Capital Assets - continued

The status of the DSWA's construction in progress at June 30, 2009 is as follows:

	<u>Expected Completion Date</u>	<u>Costs to Date</u>	
<u>Landfills:</u>			
<u>Cherry Island</u>			
Landfill Expansion Design	Ongoing	\$ 74,903,544	
Landfill Gas System	Ongoing	10,000	
Office Expansion	Ongoing	65,575	
Site Improvements	Ongoing	<u>210,502</u>	
Total			\$ 75,189,621
 <u>Sandtown</u>			
Area F	Ongoing	1,142,799	
Landfill Gas System	Ongoing	595,921	
Site Improvements	Ongoing	71,717	
Scalehouse	Ongoing	142,424	
Area A/B Capping	Ongoing	<u>30,900</u>	
Total			1,983,761
 <u>Jones Crossroads</u>			
Landfill Gas System	Ongoing	13,931	
Cell III/IV Capping	Ongoing	17,327	
Cell I/II Capping	Ongoing	201,871	
Site Improvements	Ongoing	53,247	
Cell 5	Ongoing	<u>948,693</u>	
Total			1,235,069
 <u>Transfer Stations</u>			
Milford Transfer Station	Ongoing	<u>3,950</u>	
Total			3,950
 <u>Administration</u>			
Site Improvements	Ongoing	<u>10,883</u>	
Total			<u>10,883</u>
Total Construction In Progress			<u><u>\$ 78,423,284</u></u>

NOTE 5 - Landfill Closure and Post Closure Care Costs

On October 9, 1991, the U.S. Environmental Protection Agency issued its rule, "Solid Waste Disposal Facility Criteria". This rule establishes closure requirements, location restrictions, operating criteria, design criteria, groundwater monitoring and corrective action requirements, post closure care requirements and financial assurance requirements for Municipal Solid Waste Landfills. State governments are primarily responsible for establishing state legislation and related permit programs to implement and enforce the EPA rule and have been given flexibility to tailor requirements to accommodate the wide variety of local conditions that exist.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 5 - Landfill Closure and Post Closure Care Costs - continued

In addition to operating expenses related to current activities of the landfills, an expense provision and related liability are being recognized based on the estimated future closure costs that will be incurred near or at the date of closure and the estimated post closure care costs at each site for thirty years after closure. The DSWA reports a portion of these closure and post closure care costs as an operating expense each year based on landfill capacity used during the year. Accrued landfill closure and post closure care costs, \$44,941,600 as of June 30, 2009 and \$43,420,972 as of June 30, 2008, represent the cumulative amount reported based on the estimated percentage of landfill capacity used as of those dates. The DSWA will recognize the remaining estimated cost of closure and post closure care of \$121,041,361 as the remaining estimated capacity is filled. The estimated total current cost of the landfill closure and post closure care of \$165,982,961 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of June 30, 2009. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or in landfill laws and regulations. The following is a summary of selected information related to the DSWA's landfills as of June 30, 2009:

Landfill	Estimated Capacity Used	Cumulative Remaining Life	Accrued Costs	Costs to be Recognized in the Future
Cherry Island	43.57%	31 years	\$ 20,243,437	\$ 18,532,963
Sandtown	18.24%	41 years	6,920,682	52,737,518
Jones Crossroads	14.27%	39 years	14,904,481	49,770,880
Pigeon Point	100.00%	Closed 1985	<u>2,873,000</u>	<u>-</u>
Total			<u>\$ 44,941,600</u>	<u>\$ 121,041,361</u>

During fiscal year 2006, the DSWA received a permit from Delaware Department of Natural Resources and Environmental Control (DNREC) for the Cherry Island facility. The permit requires some waste to be disposed at an alternate DSWA facility and prohibits landfilling yard waste at this facility. In addition, the DSWA is allowed to fill bench areas and expand the landfill elevation. Management estimates that the expansion will extend the life until March 2039.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 5 - Landfill Closure and Post Closure Care Costs - continued

A summary of the current year expenditures and accruals is as follows:

	<u>Total</u>	<u>Cherry Island</u>	<u>Sandtown</u>	<u>Jones Crossroads</u>	<u>Pigeon Point</u>
Balance of accrual, June 30, 2008	\$ 43,420,972	\$ 20,375,976	\$ 6,425,005	\$ 14,324,991	\$ 2,295,000
Current year expenditures:					
Closure costs	-	-	-	-	-
Post closure costs	<u>(452,659)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(452,659)</u>
Net accrual	42,968,313	20,375,976	6,425,005	14,324,991	1,842,341
Balance of accrual, June 30, 2009	<u>44,941,600</u>	<u>20,243,437</u>	<u>6,920,682</u>	<u>14,904,481</u>	<u>2,873,000</u>
Net closure and post closure care costs recognized in current year	<u>\$ 1,973,287</u>	<u>\$ (132,539)</u>	<u>\$ 495,677</u>	<u>\$ 579,490</u>	<u>\$ 1,030,659</u>

Included in the computation of Landfill Closure and Post Closure Care Costs as of June 30, 2009, are closure costs for: (1) Pine Tree Corners Transfer Station of \$9,600 (2) Cheswold Collection Station of \$2,600; (3) Milford Transfer Station of \$10,600 (4) Ellendale, Long Neck, Omar, and Bridgeville Collection Stations, each totaling \$1,800 (5) DRC Transfer Station of \$22,600 and (6) Route 5 Transfer Station of \$10,600.

NOTE 6 - Bonds Payable

On December 20, 2006, the DSWA issued \$95,715,000 of special revenue bonds secured by the pledged revenues of the DSWA for the purpose of financing the expansion of the DSWA's Cherry Island Landfill and various other projects as described in the DSWA's capital improvement program. The proceeds from these debt issuances may only be used for the specific purpose for which the money was raised, which is generally to finance expenditures for landfill construction and development. Proceeds from the bond issues are held in trust until such time as the DSWA incurred qualified expenditures, at which time the DSWA was reimbursed from the trust funds. The bonds carry interest rates of 3.5% to 5% and mature between June 1, 2008 and June 1, 2026. Premium and discounts on bonds payable are amortized on the straight-line method over the life of the related debt issues and reported as a component of interest expense.

Revenue bonds payable by the DSWA at June 30 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Series 2006	\$ 89,080,000	\$ 92,470,000
Unamortized premium	4,349,047	4,849,498
Accrued interest	<u>360,256</u>	<u>373,643</u>
	<u>\$ 93,789,303</u>	<u>\$ 97,693,141</u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 6 - Bonds Payable - continued

The debt service requirements and interest rates of the Series 2006 bonds are as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2010	3.5-5.0%	\$ 3,550,000	\$ 4,322,838	\$ 7,872,838
2011	3.5-5.0%	3,675,000	4,198,588	7,873,588
2012	3.5-5.0%	3,835,000	4,038,688	7,873,688
2013	3.625-5.0%	4,010,000	3,863,663	7,873,663
2014	3.625-5.0%	4,200,000	3,671,275	7,871,275
2015-2019	3.7-5.0 %	24,265,000	15,094,850	39,359,850
2020-2024	5.0%	30,910,000	8,445,750	39,355,750
2024-2026	5.0%	14,635,000	1,106,500	15,741,500
		<u>\$ 89,080,000</u>	<u>\$ 44,742,152</u>	<u>\$ 133,822,152</u>

The total interest expense incurred on the DSWA bond debt for the years ended June 30, 2009 and 2008 was \$4,470,326 and \$4,612,574, respectively.

NOTE 7 - Deferred Revenues

On February 1, 1990, the DSWA entered into an agreement with the Delmarva Power Company which allowed Delmarva Power Company to dispose at the DSWA's designated landfill areas up to 72,000 wet tons of fly ash product per year until a total of 1,440,000 wet tons is reached over a period of not less than twenty years and not more than thirty years. In exchange for this right, the DSWA received 37.73 acres of land adjacent to the Cherry Island landfill. This land was independently appraised at \$864,250 and has been capitalized and included in the DSWA's property, plant and equipment at that value. Deferred revenue for the future dumping fees of this fly ash was recorded on the books and records of the DSWA equal to the capitalized value of the property received in exchange. The DSWA recognizes income each year based on the wet tons actually received, to the maximum of 72,000 tons per year, compared to the total amount of wet tons to be received over the agreed period of time. Delmarva Power Company has not dumped any fly ash at the DSWA's designated landfill since the fiscal year ended June 30, 1993. Accordingly, the DSWA has not recognized revenue from the dumping of fly ash since the fiscal year ended June 30, 1993. The balance of deferred fly ash income at June 30, 2009 and 2008 was \$788,260.

The DSWA also sells tickets to residents of Kent and Sussex Counties. These tickets are used by the residents when they drop off bags of trash at any one of the collection stations in Sussex County or the Cheswold Transfer Station in Kent County. Income from the sale of tickets is recognized by the DSWA as the bags of trash are collected. The balance of deferred income from the sale of these tickets at June 30, 2009 and 2008 was \$117,254 and \$115,629, respectively.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 8 - Pension Plan

Plan Description: All full-time or regular part-time employees of the DSWA are required to participate in the Delaware Public Employees' Retirement System (the "System") administered by the Delaware Board of Pension Trustees. The System is a cost-sharing, multiple-employer, defined benefit public employee retirement system that provides retirement, death and disability benefits to plan members and beneficiaries. Pension benefits of the System are established by Delaware Statutes, Chapter 55, Title 29, and may be amended by the Delaware Legislature.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Office of Pensions, McArdle Building, 860 Silver Lake Blvd., Suite 1, Dover, Delaware 19904-2402, by visiting the web site at www.delawarepensions.com or by calling 1-800-722-7300.

Funding Policy: Plan members are required to contribute 3% of their annual salary which exceeds \$6,000 per calendar year. The DSWA is required to contribute at an actuarially determined rate, which was 15.87% and 16.58% of annual covered payroll for the twelve months ended June 30, 2009 and 2008, respectively. The contribution requirements for plan members and participating governments are established by State statute. The DSWA's contributions to the System for the years ended June 30, 2009, 2008 and 2007 were \$1,176,097, \$1,205,184 and \$1,048,766, respectively, and were equal to the required contributions for each year.

NOTE 9 - Contract Rebate Payable

The DSWA offers a Differential Disposal Fee Program that began on July 1, 2005 and will run through June 30, 2010. The program offers rebates of \$10.00/ton and \$13.50/ton. The "at the gate fee" for all dry waste delivered to designated facilities is \$42.00/ton. For the program years ended June 30, 2009 and 2008, three hundred and eighty three (383) and four hundred and five (405) participants received rebates totaling \$8,725,590 and \$10,088,053, respectively.

NOTE 10 - Risk Management

The DSWA is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The DSWA purchases commercial insurance in the open market from insurance companies with an A.M. Best rating of A-size VII or higher for all insurable risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 - Commitments and Contingencies

Arbitrage: The Tax Reform Act of 1986 requires the DSWA to rebate the earnings on the investment of revenue bond proceeds, in excess of their yield, to the Federal Government. Of the rebate, 90 percent is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after they are retired. As of June 30, 2009, the DSWA is contingently liable for arbitrage rebate currently computed to total \$1,846,412.

Litigation: The DSWA makes significant estimates in determining the amount of Unreserved Net Assets needed to be designated for the protection of the DSWA, the DSWA's assets, employees and bondholders in the event of litigation because of the nature of the DSWA's operations. Although the DSWA has endeavored to designate an adequate amount for this self-insurance, it is not determinable whether or not these amounts would be sufficient in the event of such litigation.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 11 - Commitments and Contingencies - continued

Contract Commitments: The DSWA has several uncompleted construction contracts for landfill development and improvements to the solid waste system. The construction is being funded primarily from existing renewal and replacement funds. At June 30, 2009, the uncompleted contracts are summarized as follows:

	<u>Contract Amount</u>	<u>Approved Payments</u>	<u>Retainage Payable</u>	<u>Remaining Contract Commitment</u>
Cherry Island Landfill	\$ 100,080,248	\$ 72,074,363	\$ 3,517,739	\$ 28,005,885
Sandtown Landfill	5,426,682	3,506,397	195,913	1,920,285
Jones Crossroads Landfill	<u>2,073,180</u>	<u>872,795</u>	<u>-</u>	<u>1,200,385</u>
	<u>\$ 107,580,110</u>	<u>\$ 76,453,555</u>	<u>\$ 3,713,652</u>	<u>\$ 31,126,555</u>

In addition to the construction contract commitments, the DSWA also has operations contracts for various facilities and programs. The facilities include the Cherry Island and Sandtown Landfills and the Pine Tree, Milford and Route 5 Transfer Stations. The programs are relative to the DSWA's recycling activities. The estimated cost of these commitments for the year ended June 30, 2009 is \$26,787,495. The DSWA's contracts include termination for convenience clauses which allows the DSWA to cancel the contracts at any time.

The DSWA and the City of Wilmington negotiated a Restated Sludge Agreement that was approved by resolution of City Council on September 18, 1997. The terms of the Restated Agreement require the City to pay the debt service associated with the Sewage Sludge Processing Module located at the Delaware Reclamation Plant (DRP). The obligation was fulfilled as of June 30, 2003.

For a ten-year period beyond 2003, the City will not be charged service fees for stabilized sludge that is utilized by the Delaware Solid Waste DSWA for landfill operations.

Contract Liabilities: On October 22, 2007, a claim was asserted against the DSWA. Although the complaint does not specify the exact amount of damages sought, the DSWA has been advised that the company is claiming damages in the range of \$750,000 to \$1,000,000. The claim arises out of certain work performed, on behalf of the DSWA, at the Central Solid Waste Management Center in Sandtown, Delaware. General counsel is of the opinion that the DSWA has a valid defense. The DSWA filed an Answer with Counterclaims against the company and intends to vigorously contest the claim. General counsel has stated that it is difficult to evaluate the likelihood of the outcome and estimate the amount of potential loss.

Contract Termination: During March 2009, the DSWA exercised its right to terminate the Asset Management Agreement for its landfill gas collection, compression and delivery systems for \$950,000. As of June 30, 2009, the outstanding balance to the management company totaled \$237,500. The remaining balance is due on or before September 25, 2009.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 12 - Prior Period Adjustment

Certain errors resulting in an understatement of previously reported accrued landfill closure and post closure care costs in 2008 and impairment losses in 2004 were discovered during the current year. The DSWA restated its results for the affected years. The effect of the restatement was to decrease the change in net assets for 2008 by \$2,842,580. Unrestricted net assets at the beginning of 2007 was reduced by \$2,340,478 for the effects of the restatement in 2004.

ADDITIONAL INFORMATION

DELAWARE SOLID WASTE AUTHORITY
SCHEDULES OF OPERATING REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>Landfill Operations</u>	<u>Transfer Station Operations</u>	<u>Collection Station Operations</u>
OPERATING REVENUES			
Net user fees: solid waste	\$ 35,931,297	\$ 10,670,509	\$ 83,885
Landfill gas	3,975,930	-	-
Other income	338,463	40,925	-
TOTAL OPERATING REVENUES	<u>40,245,690</u>	<u>10,711,434</u>	<u>83,885</u>
OPERATING EXPENSES:			
SALARIES AND RELATED COSTS	<u>3,951,188</u>	<u>400,830</u>	<u>147,202</u>
PROFESSIONAL SERVICES			
Legal services	44,591	-	-
Auditing services	-	-	-
Computer services	-	-	-
Consulting engineer	482,811	8,524	260
Other professional services	505,619	2,764	1,500
Trustee costs	-	-	-
Total Professional Services	<u>1,033,021</u>	<u>11,288</u>	<u>1,760</u>
TRAVEL			
Mileage	41	-	-
Common carrier	3,896	-	-
Lodging, meals, parking and tolls	3,707	41	95
Conferences and registrations	1,510	-	-
Business meetings	1,932	7	-
Total Travel	<u>11,086</u>	<u>48</u>	<u>95</u>
SUPPLIES AND MATERIALS			
Office and computer supplies	27,948	1,482	699
Maintenance and janitorial supplies	154,068	682	284
Safety supplies	32,408	1,588	1,194
Publications and subscriptions	88	-	-
Uniforms	24,550	18	-
Vehicle expense	44,003	132	-
Other supplies	1,122,391	1,957	492
Weightickets and supplies	2,728	953	-
Total Supplies and Materials	<u>1,408,184</u>	<u>6,812</u>	<u>2,669</u>

<u>Recycling Operations</u>	<u>Household Hazardous Waste Program</u>	<u>General & Administrative</u>	<u>2009 Total</u>	<u>2008 Total RESTATED</u>
\$ -	\$ -	\$ -	\$ 46,685,691	\$ 53,002,965
-	-	-	3,975,930	3,830,969
<u>2,027,699</u>	<u>-</u>	<u>5,556</u>	<u>2,412,643</u>	<u>4,212,636</u>
<u>2,027,699</u>	<u>-</u>	<u>5,556</u>	<u>53,074,264</u>	<u>61,046,570</u>
<u>3,436,930</u>	<u>5,377</u>	<u>3,829,630</u>	<u>11,771,157</u>	<u>11,688,180</u>
-	-	368,781	413,372	465,550
-	-	91,358	91,358	88,656
-	-	9,450	9,450	16,527
8,405	-	97,354	597,354	788,707
1,802	-	219,669	731,354	659,012
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
<u>10,207</u>	<u>-</u>	<u>786,612</u>	<u>1,842,888</u>	<u>2,022,452</u>
-	-	4,935	4,976	1,824
-	-	8,323	12,219	17,877
3,055	-	17,458	24,356	34,584
-	-	8,356	9,866	21,476
<u>2,341</u>	<u>-</u>	<u>25,365</u>	<u>29,645</u>	<u>28,005</u>
<u>5,396</u>	<u>-</u>	<u>64,437</u>	<u>81,062</u>	<u>103,766</u>
9,867	-	123,588	163,584	408,878
21,864	-	6,873	183,771	230,814
19,197	-	8,184	62,571	89,614
733	-	5,937	6,758	4,712
69,377	-	6,262	100,207	111,696
400,326	-	46,968	491,429	657,191
736,682	-	8,517	1,870,039	3,032,063
<u>667</u>	<u>-</u>	<u>-</u>	<u>4,348</u>	<u>4,084</u>
<u>1,258,713</u>	<u>-</u>	<u>206,329</u>	<u>2,882,707</u>	<u>4,539,052</u>

DELAWARE SOLID WASTE AUTHORITY
SCHEDULES OF OPERATING REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>Landfill Operations</u>	<u>Transfer Station Operations</u>	<u>Collection Station Operations</u>
UTILITIES			
Electric	\$ 933,066	\$ 94,726	\$ 4,832
Water	-	-	-
Sewage	560,080	-	-
Fuel oil and gas	14,186	-	-
Telephone	42,829	6,046	2,173
	<u>1,550,161</u>	<u>100,772</u>	<u>7,005</u>
Total Utilities			
CONTRACTUAL SERVICES			
Equipment rental and repair	49,723	-	-
Temporary services	54,259	300	-
Membership and dues	3,640	-	-
Printing	383	-	1,833
Advertising	4,538	438	-
Insurance	18,040	1,243	-
Permits and fees	364,170	21,340	14,160
Leachate hauling and treatment	1,470,869	-	-
Postage and freight	8,644	-	-
Surveying	110,277	-	-
Public awareness	33,228	-	-
Site security	41,230	3,156	3,482
Contractors' operating cost	500	5,717,385	-
Landfill materials	1,682,713	1,055	-
Contractors' disposal costs	5,060,761	2,223,272	-
Janitorial services and pest control	32,118	608	249
Automotive rental and repair	30,582	828	-
Landscaping services	9,935	6,199	8,165
Hauling services	-	-	45,612
Methane gas recovery	1,079,406	-	-
Other contractual services	286,514	37,801	7,445
C&D processing	69,585	-	-
General maintenance and repair	947,514	42,603	2,763
	<u>11,358,629</u>	<u>8,056,228</u>	<u>83,709</u>
Total Contractual Services			
CLOSURE AND POST CLOSURE CARE OF LANDFILLS			
	<u>1,973,287</u>	<u>-</u>	<u>-</u>
DEPRECIATION EXPENSE			
	<u>5,911,826</u>	<u>1,406,036</u>	<u>43,045</u>
TOTAL OPERATING EXPENSES			
	<u>27,197,382</u>	<u>9,982,014</u>	<u>285,485</u>
MANAGEMENT OPERATIONS DISTRIBUTION			
	<u>4,309,804</u>	<u>1,011,914</u>	<u>6,662</u>
OPERATING INCOME (LOSS)			
	<u>\$ 8,738,504</u>	<u>\$ (282,494)</u>	<u>\$ (208,262)</u>

<u>Recycling Operations</u>	<u>Household Hazardous Waste Program</u>	<u>General & Administrative</u>	<u>2009 Total</u>	<u>2008 Total RESTATED</u>
\$ 112,490	\$ -	\$ 33,035	\$ 1,178,149	\$ 1,341,386
73,826	-	261	74,087	8,254
4,993	-	446	565,519	567,674
5,716	-	5,403	25,305	27,055
46,484	-	45,082	142,614	147,375
<u>243,509</u>	<u>-</u>	<u>84,227</u>	<u>1,985,674</u>	<u>2,091,744</u>
53,622	-	35,535	138,880	226,842
19,992	-	-	74,551	365,654
171	-	14,598	18,409	18,338
14,172	-	7,554	23,942	50,987
2,675	-	8,805	16,456	41,664
3,366	-	629,389	652,038	315,246
7,200	-	300	407,170	244,151
-	-	-	1,470,869	1,354,427
7,452	-	29,413	45,509	49,427
-	-	4,935	115,212	75,012
85,759	1,055	134,582	254,624	696,778
1,707	-	13,378	62,953	106,100
1,292,568	183,375	-	7,193,828	8,013,415
-	-	-	1,683,768	2,230,701
-	-	-	7,284,033	8,083,188
37,882	-	25,947	96,804	92,778
206,488	-	34,358	272,256	254,211
17,796	-	6,538	48,633	68,363
-	-	-	45,612	50,291
-	-	-	1,079,406	715,081
87,667	345	455,140	874,912	818,785
-	-	-	69,585	723,077
464,270	-	142,722	1,599,872	2,189,601
<u>2,302,787</u>	<u>184,775</u>	<u>1,543,194</u>	<u>23,529,322</u>	<u>26,784,117</u>
-	-	-	1,973,287	1,373,821
<u>2,063,364</u>	<u>8,958</u>	<u>151,850</u>	<u>9,585,079</u>	<u>8,592,434</u>
<u>9,320,906</u>	<u>199,110</u>	<u>6,666,279</u>	<u>53,651,176</u>	<u>57,195,566</u>
<u>1,332,343</u>	<u>-</u>	<u>(6,660,723)</u>	<u>-</u>	<u>-</u>
<u>\$ (8,625,550)</u>	<u>\$ (199,110)</u>	<u>\$ -</u>	<u>\$ (576,912)</u>	<u>\$ 3,851,004</u>

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APPENDIX B

Certain Information Concerning the State of Delaware

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APPENDIX B

CERTAIN INFORMATION CONCERNING THE STATE OF DELAWARE

The State of Delaware (the "State") is located on the eastern seaboard of the United States and is bordered by the Atlantic Ocean and the Delaware Bay, as well as by the states of New Jersey, Pennsylvania and Maryland. It has a land area of 1,955 square miles, ranking 49th in area in the United States. The State is 96 miles long and varies from 9 to 35 miles wide, with elevations ranging from sea level to 442 feet. As the first state to ratify the United States Constitution on December 7, 1787, Delaware is known as "The First State."

Recent History

Since fiscal 2004, Delaware's economic performance has been mixed relative to national trends. While Delaware's income growth has largely matched that of the United States, the State's employment growth has failed to keep pace with national trends. While Delaware's ties to the national economy are unmistakable, throughout the recent business cycle, Delaware consistently posted lower unemployment rates than the United States.

Delaware's mixed recent performance is due, in part, to the changing composition of its economic base. With a heavy concentration in financial services, the State's economy could not avoid the effects of recent industry turmoil. Despite this uncertainty, the State's major employers, Bank of America and JP Morgan Chase, for example, continue to maintain a major presence in the State. At the same time, relative new comers, like ING and Barclays, demonstrate that Delaware should maintain its position as a financial center.

Delaware's long-established manufacturing sectors, automobiles and fibers have also suffered as a result of the worst economic downturn since World War II. With both of the State's automobile assembly plants and its sole oil refinery no longer in operation, the State's blue collar employment has suffered. In response to these setbacks, however, Delaware has made important strides to reinvigorate and modernize its manufacturing base. A buyer for the Delaware City refinery has been identified and initial signs point to a spring 2011 reopening of the facility. Fisker Automotive's purchase of the State's former General Motors assembly plant has given the facility new life. Fisker is expected to invest \$175 million in the facility in order to produce the Nina, a family sedan that will feature a plug-in hybrid power vehicle.

Since the adoption of the Financial Center Development Act in 1981, diversifying Delaware's economy has consistently ranked among State policymakers' highest priorities. The State's economic development efforts have followed a two-pronged approach. Broadly speaking, Delaware has continually improved its business climate using a combination of prudent fiscal management, judicious tax policy, and strategic investments in public education and infrastructure. When faced with specific challenges, alert and supportive policymakers have teamed with the business community to develop effective policy responses to a changing economic landscape.

In March 2010, the U.S. Department of Education announced that Delaware was one of only two recipients to be awarded "Race to the Top" federal funding. Race to the Top is a federal education funding program that is funded under the American Recovery and Reinvestment Act to reward states for aggressively reforming their education systems. The State will receive \$100 million in Race to the Top funding which will be paid out over the next four years.

In May 2009, Governor Jack Markell signed a sports betting bill into law that reactivated a sports lottery in Delaware, one of only four states exempt from the federal ban on sports betting under the Professional and Amateur Sports Protection Act enacted in 1992. Delaware's bill allows a sports lottery in the State's three existing racinos, using single game wagers on professional and certain collegiate athletic events. Delaware's position was challenged by the National Football League ("NFL") and other pro sports leagues, along with the NCAA, and in August 2009, a three-judge panel of the 3rd U.S. Circuit Court of Appeals declared that Delaware's single-game bets and wagering on a variety of professional and collegiate sports violated the federal law. Delaware appealed the 3rd Circuit's decision to the United States Supreme Court which on May 3, 2010 declined to hear the case. As such, the State's three racinos will continue to offer three-game parlay bets on NFL games. In January 2010, Delaware passed legislation permitting its racinos to operate table games such as blackjack, craps and roulette. Table games, which

are expected to enhance Delaware’s position in an increasingly competitive gaming market, increase employment, and add revenue to the State’s coffers are expected to be operational early in fiscal 2011.

Delaware continues to pursue high technology industries, including life sciences research and development, pharmaceuticals, agricultural biotechnology, human biotechnology, information technology and, more recently, alternative energy and other green industries. The State has made a significant investment to establish the Delaware Biotechnology Institute, a partnership involving State government, Delaware’s higher education institutions and the private sector. The Institute is designed to expand the State’s scientific base and create opportunities for the development of new technologies in the emerging life sciences field.

The State’s business friendly legal system continues to attract new incorporations. In recent years, more than 70% of new U.S. initial public offerings (“IPO”) have chosen Delaware as their legal domicile. Even though IPO activity has suffered from economic and other factors, the State has continued to register a record number of business formations in the form of LLCs and LPs.

Population

Between 2008 and 2009, Delaware’s population was estimated to have increased by 1.0 percent, to 885,122 inhabitants. In comparison, there was 0.4 percent growth in the region and 0.9 percent growth in the nation over the same period.

The following table presents population trends for Delaware, the mid-Atlantic region and the United States for 2004 through 2009.

	Population (in thousands)					
	<u>Delaware</u>		<u>Mid-Atlantic Region ⁽¹⁾</u>		<u>United States</u>	
	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>
2004	827	1.4%	46,667	0.4%	292,045	0.9%
2005	840	1.6	46,793	0.3	295,753	0.9
2006	853	1.6	46,917	0.3	298,593	1.0
2007	865	1.4	47,080	0.3	301,580	1.0
2008	876	1.3	47,232	0.3	304,375	0.9
2009	885	1.0	47,439	0.4	307,007	0.9

⁽¹⁾ Mid-Atlantic region consists of Maryland, New Jersey, Pennsylvania, New York and Delaware.
Source: U.S. Census Bureau.

Major Political Subdivisions

The State has three counties: Kent, New Castle, and Sussex. All of the cities and towns in the State are independent, incorporated municipalities. There are three major cities: Wilmington, the largest city, with a 2008 estimated population count of 72,592; Dover, the State capital and the site of a major U.S. Air Force base, with a 2008 estimated population count of 36,107 residents; and Newark, the site of the University of Delaware, with a 2008 estimated population count of 29,886.

The following table shows the population of the State's three counties for the years 2004 through 2009. Approximately 60 percent of the State’s population lives in New Castle County, the northernmost county. Sussex County, the southernmost county, and Kent County continue to show stronger growth, approximately twice that experienced by New Castle County.

Population by County

	<u>New Castle</u>	<u>Change</u>	<u>Kent</u>	<u>Change</u>	<u>Sussex</u>	<u>Change</u>
2004	516,887	0.8%	138,382	3.1%	171,370	2.1%
2005	520,918	0.8	143,294	3.5	175,694	2.5
2006	524,473	0.7	148,041	3.3	180,508	2.7
2007	527,786	0.6	152,090	2.7	185,020	2.5
2008	531,057	0.6	155,492	2.2	189,662	2.5
2009	534,634	0.7	157,741	1.4	192,747	1.6

Source: U.S. Department of Commerce.

Personal Income

Personal income is the income received by all persons from all sources. The State's total personal income fell by 0.4 percent from calendar 2008 to 2009, compared with declines of 1.8 percent for the mid-Atlantic region and 1.7 percent for the nation. Total State personal income in calendar 2009 was \$35.2 billion.

The following table provides per capita personal income comparisons for calendar 2002 through 2009. (Per capita personal income is the annual total personal income of State residents divided by the population.) Per capita personal income of Delaware residents fell by 1.4 percent from calendar 2008 to 2009. It fell by 2.2 percent in the mid-Atlantic region and 2.6 percent in the U.S. over the same period. State per capita personal income was 102 percent of U.S. per capita personal income in calendar 2009.

Per Capita Personal Income

	<u>Delaware</u>	<u>Change</u>	<u>Mid-Atlantic Region⁽¹⁾</u>	<u>Change</u>	<u>United States</u>	<u>Change</u>	<u>Delaware as Percent of the United States</u>
2002	\$33,197		\$35,365		\$31,462		106%
2003	33,852	2.0%	36,150	2.2%	32,271	2.6%	105
2004	35,712	5.5	38,117	5.4	33,881	5.0	105
2005	37,001	3.6	39,901	4.7	35,424	4.6	104
2006	39,046	5.5	42,882	7.5	37,698	6.4	104
2007	39,932	2.5	45,539	6.2	39,392	4.5	101
2008	40,375	1.1	46,657	2.5	40,166	2.0	101
2009	39,817	(1.4)	45,639	(2.2)	39,138	(2.6)	102

Source: U.S. Department of Commerce.

⁽¹⁾ Mid-Atlantic region includes Delaware, Maryland, New Jersey, New York and Pennsylvania.

Unemployment Rates

Delaware's average unemployment rate for 2009 rose to 8.1 percent from 4.9 percent in 2008. The region had an overall average unemployment rate of 8.3 percent in 2009, up from 5.2 percent in 2008. The following table presents the average annual unemployment rates for Delaware, the region, and the U.S. from 2003 through 2009.

Unemployment Rates

	<u>Delaware</u>	<u>Mid-Atlantic Region⁽¹⁾</u>	<u>United States</u>
2003.....	4.2%	5.8%	6.0%
2004.....	3.9	5.3	5.5
2005.....	4.0	4.8	5.1
2006.....	3.5	4.5	4.6
2007.....	3.5	4.3	4.6
2008.....	4.9	5.2	5.8
2009.....	8.1	8.3	9.3

Sources: U.S. Department of Labor and Delaware Department of Labor.

⁽¹⁾ Mid-Atlantic Region consists of Maryland, Pennsylvania and New Jersey.

In the most recent month for which data are available, February 2010, Delaware's unemployment rate of 9.2 percent was 27th lowest in the nation. In the surrounding states, Maryland was 18th lowest at 7.7 percent, New York was 24th at 8.8 percent, Pennsylvania was 25th at 8.9 percent and New Jersey tied for 34th at 9.8 percent.

Employment

The rate of non-agricultural job growth in Delaware slowed to negative 4.7 percent in 2009, below the national rate of job growth of negative 4.3 percent. Growth in the surrounding states dropped to negative 3.2 percent.

Non-Agricultural Employment Growth Rates - %

	<u>Delaware</u>	<u>Mid-Atlantic Region</u>	<u>United States</u>
2002.....	(1.1)%	(0.9)%	(1.1)%
2003.....	0.1	(0.4)	(0.3)
2004.....	2.3	0.7	1.1
2005.....	1.8	1.0	1.7
2006.....	1.2	1.0	1.8
2007.....	0.1	0.6	1.1
2008.....	(0.5)	(0.1)	(0.4)
2009.....	(4.7)	(3.2)	(4.3)

Sources: U.S. Department of Labor and Delaware Department of Labor.

In terms of employment, Government remained the single largest industry sector in Delaware in 2009. Total employment across all federal, state and local government entities averaged 62,200 over the year, an increase of 100 jobs over 2008. Among private industry sectors, Health Care and Social Assistance remained as the State's largest industry sector with 56,500 jobs; Retail Trade was again the second-largest with 49,600.

Health Care and Social Assistance was the only private industry sector to add 1,300 jobs for a growth rate of 2.4 percent. The only other sector adding jobs was Government, which grew by 100 jobs, or 0.2 percent.

**Employment By Industry Sector
(in thousands)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Construction	26.3	27.9	29.3	27.7	25.1	19.9
Manufacturing	34.6	33.2	33.5	33.4	31.7	28.0
Wholesale Trade.....	14.7	14.9	15.1	14.9	14.6	13.2
Retail Trade.....	52.5	53.5	53.6	54.3	53.0	49.6
Transportation, Warehousing and Utilities ¹	13.5	13.3	13.8	14.0	13.6	12.5
Information.....	7.1	6.7	6.7	6.9	7.0	6.6
Finance and Insurance	38.3	38.7	38.2	38.8	39.0	37.9
Professional, Scientific and Tech. Services.....	26.7	27.0	25.8	25.1	25.7	24.2
Management of Companies.....	12.5	12.5	12.0	11.5	10.8	10.2
Administrative and Support Services	22.6	23.0	23.4	23.4	23.1	21.5
Educational Services	6.8	6.8	7.3	7.4	7.4	7.2
Health Care and Social Assistance	46.6	48.8	50.6	52.6	55.2	56.5
Arts, Entertainment and Recreation	8.8	8.8	8.8	8.2	8.1	7.9
Accommodation and Food Services	31.2	31.8	32.2	32.5	33.0	32.7
Other Services	18.9	19.8	20.3	20.4	20.3	19.9
Government	<u>57.7</u>	<u>59.4</u>	<u>60.6</u>	<u>61.2</u>	<u>62.1</u>	<u>62.2</u>
Total Nonfarm Employment	<u>425.1</u>	<u>432.7</u>	<u>437.8</u>	<u>438.3</u>	<u>436.1</u>	<u>415.8</u>

⁽¹⁾ Combines the industry sector Transportation and Warehousing with the sector Utilities.

Source: Delaware Department of Labor.

Chemical and Advanced Materials Industry

In Delaware, the business of chemistry is a vital part of the economy. Chemicals represent the leading export category for the State accounting for about 52% of Delaware’s total manufactured exports. The chemical manufacturing industry is an historical cluster in Delaware with more than a 200 year local history. The requirement for rapid chemical and material innovations has diversified and today thousands are employed in this vital industry.

In Delaware the chemistry industry is diverse, going beyond the manufacturing of chemicals and includes advanced materials, instrumentation, research and development, marketing, distribution, intellectual property, and other capabilities that distinguish industry segments. Companies in Delaware are meeting the challenge for the future as they continue to innovate for growth rather than mature and decline.

The importance of the chemical industry to Delaware's economy historically stems from the establishment of E.I. du Pont de Nemours & Co., Inc. (“DuPont”) which was founded in 1802. DuPont (NYSE: DD) is a market-driven, science company and one of the State’s largest private employers. Operating globally with over \$31 billion in annual sales in 2008, DuPont offers a wide range of innovative products and services for markets including agriculture, nutrition, electronics, communications, safety and protection, home and construction, transportation and apparel. In 2005, DuPont announced that it would invest \$80 million in its research and development center near Wilmington with a rich pipeline of products and more projects underway than ever before. The company’s growth and productivity strategies for increasing shareholder value are expected to continue to generate strong results.

The global chemical and advanced materials industry is going through some of the most turbulent times in its history. The economic situation remains volatile, but many businesses are seeing a more stable environment for a continued recovery. Against this background, Delaware companies are making sure they are continually improving their processes and developing innovative solutions that meet the specific requirements of markets and consumers. Emerging markets will, however, continue to grow at healthy rates especially sustainability-based production and products.

Ashland Inc. (NYSE: ASH) created a leading specialty chemicals company with the acquisition of Hercules and now serves many of the world's most essential needs and industries. The company now includes three specialty chemical businesses (paper and water technologies, specialty resins, and specialty additives and functional ingredients) which will maintain a significant presence in Delaware especially at the research and technology center.

Dow (NYSE: DOW), which acquired Rohm and Haas, expects that its Delaware site will continue to be responsible for product and process R&D applications and customer support primarily in North America and Europe.

Air Liquide (OTC: AIQUY) is a worldwide leader in industrial and medical gases and related services. Founded in 1902, Air Liquide operates in more than 65 countries through 125 subsidiaries. Air Liquide has a state-of-the-art R&D facility in Delaware where it consolidated US research and development operations along with some of its manufacturing engineering business. The total capital expenditures budget for this project was nearly \$30 million and it brought to Delaware many top scientists from around the globe.

Agilent's (NYSE: A) Life Sciences and Chemical Analysis group is a world leading provider of instrumentation, supplies, software and services to life science and chemical analysis markets. The Little Falls Site in Delaware is the major location for the company's chemical analysis measurement R&D, marketing and manufacturing operations. In November 2007, Agilent opened its East Coast Center of Excellence at the company's Delaware facility which employs almost 800.

In 2008, BASF acquired Ciba Specialty Chemicals (NYSE: CSB). The acquisition strengthened the BASF portfolio and expanded BASF's leading position in specialty chemicals, particularly for the plastics and coatings industries as well as for water treatment. Ciba's Delaware operations were developed to serve as its NAFTA business and manufacturing headquarters for the Coating Effects Business Segment. Ciba made significant investments in Delaware over the last 10 years investing more than \$200 million in the expansion and modernization of their pigment manufacturing capabilities. BASF is the world's leading chemical company. Its portfolio ranges from oil and gas to chemicals, plastics, performance products, agricultural products and fine chemicals. BASF has more than 95,000 employees and posted sales of almost EUR 62.3 billion in 2008. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA) and Zurich (AN). BASF has affirmed its commitment to the Newport, Delaware site where they will continue to manufacture high-performance pigments that improve product quality for customers around the world.

INEOS Films, a division of INEOS Group, the third largest chemical company in the world, opened its new rigid films production site in Delaware. Beginning in 2004, INEOS Group purchased a site and building in Delaware City, Delaware and established INEOS Films North American headquarters. Plant renovations began in May 2005 and were completed in phases, culminating with the full production of high quality rigid films now underway. The investment in the new facility was in excess of \$30 million.

TA Instruments ("TAI"), a division of Waters Corporation, is the world-wide market leader in the field of thermal analysis and rheology. It provides thermal analysis, rheometry, and microcalorimetry instruments throughout the world which are used primarily in predicting the suitability of polymers, fine chemicals, and viscous liquids for various industrial, consumer goods and health care products. TAI is also a developer and supplier of software-based products that interface with the company's instruments as well as other instruments manufactured by other companies. TAI's division headquarters are located in Delaware where they just completed a \$40 million expansion project.

Motech acquired the assets of GE Energy's solar module facility in Newark, Delaware and have announced a company-wide strategy to aggressively pursue new technologies. They plan to double the current workforce and significantly increase output.

Testing Machines, Inc. a leading supplier of material testing equipment recently announced it would relocate its headquarters and manufacturing operations from New York to Delaware.

Chesapeake Green Fuels purchased a defunct biodiesel operation and is putting in capital to get it up and running again. Their chemical process will utilize a different feedstock than the original design, and production volumes is expected to be 5 million gallons annually.

Many other companies in this cluster have been investing in their Delaware facilities. Kuehne Chemical has seen its volumes grow and continues to spend capital at its site. Croda opened its innovation centers creating new state of the art R&D labs as well as a modern commercial center. Corn Products located its new applications & development, technical services and sales facility in the State. The DuPont Experimental Station opened the DuPont Innovation Center, a building designed through a partnership with the State. FMC Biopolymers has invested nearly \$8 million to upgrade its operations after selecting the Delaware site over its foreign-based facilities.

Life Sciences

Delaware is uniquely positioned in the center of one of our nation's life science corridors, as recognized by PhRMA (Pharmaceutical Research and Manufacturers of America). Most of the world's top pharmaceutical companies have major operations within a 50 mile radius of the state capital. Delaware is also home to Christiana Care Health Systems and Nemours A.I. duPont Hospital for Children, who in addition to actively participating in research and clinical trials, have launched a nationally recognized consortium known as the Delaware Health Sciences Alliance.

Delaware Health Sciences Alliance combines the priorities and assets of the member institutions, which are Christiana Care Health System, Nemours A.I. duPont Hospital for Children, Thomas Jefferson University and the University of Delaware. This new coalition of leading education, healthcare and medical research institutions has been formed to nurture research and the development of advanced technology with the State.

Other private industry investments help drive Delaware's leadership in life sciences, such as AstraZeneca, DuPont, Agilent Technologies and Siemens. DuPont Company launched their Center for Collaborative Research & Education at their Wilmington-based Experimental Station. The Experimental Station is home to the discovery and development of virtually every major DuPont product since 1903 -- including neoprene, nylon, Kevlar(R) and Nomex(R) advanced fibers, Lycra(R) spandex, Tyvek(R) nonwovens, Corian(R) solid surfaces, and Suva(R) refrigerants.

In 1999, AstraZeneca Inc. (NYSE: AZN) ("AZ"), formed by the merger of Stockholm-based Astra AB and London-based Zeneca Group PLC, one of the largest pharmaceutical companies in the world, selected Delaware as its U.S. headquarters. In 2004, AZ opened a state-of-the-art Automated Compound Management Facility (ACMF) at its Wilmington R&D campus. Part of a four-year, \$165 million investment in US research facilities, and this addition is one of four new AZ drug discovery research facilities of its kind worldwide.

In April 2007, the State and Siemens Healthcare announced the company's new Customer Solutions Center in Newark, Delaware. As a global powerhouse in electronics and electrical engineering, Siemens has always been synonymous with technological excellence, innovation, quality, reliability and internationality. By focusing its business on the industry, energy and healthcare segments, Siemens Healthcare is poised to respond to demographic change, urbanization, climate change and globalization – the megatrends of today and tomorrow.

In November 2007, Agilent Technologies, the world's largest maker of scientific equipment, opened an 8,000 square foot state-of-the-art demonstration laboratory in Delaware. Agilent welcomed the world into its new Center of Excellence where potential and existing clients will have an opportunity to see its latest machines, run sample tests on them and have a one-on-one opportunity to discuss them with the company's scientists. Agilent's Delaware-based Center of Excellence is the eighth in the world and will revamp the way the company markets its products on the East Coast.

Research and Development

Delaware's economy has long been a source of innovation and technological growth. Some of the state's most prominent firms, such as Agilent (NYSE: A), AstraZeneca, DuPont and W. L. Gore and Associates, are world

renowned for their technical breakthroughs and resulting commercial success. The presence of these firms and others like them, as well as its highly capable research universities, have positioned Delaware as first in the nation for industry investment and research and development as well as high wage service jobs. The Kauffman Foundation and the Information Technology & Innovation Foundation rank Delaware 4th overall in the 2008 State New Economy Index, which measures the ability of states to transform from an industrial economic model to one that creates and retains high value-added, high-wage jobs. Delaware has consistently ranked in the top 10 and currently ranks in the top 6 states in the nation for high-wage traded services, foreign direct investment, gazelle jobs, scientists and engineers, patents and industry investment in R&D.

Delaware's high quality workforce and innovative research and development environment provide excellent opportunities for technology-based business growth and fostering entrepreneurial ventures. The State provides a variety of technology resource programs and innovative business development support to enhance commercialization opportunities, such as Delaware's Patent Portfolio. Delaware, through the Delaware Emerging Technology Center (DE ETC), maintains a portfolio of 258 technologies donated from DuPont and former Hercules Corporations for new business creation and expansion. Additionally, the DE ETC offers a Service Provider Network, a Global Resource Information Directory, a Forum, a regional business calendar and twice a year, a Boot Camp and Business Plan Competition, as part of its service offerings to emerging technology entrepreneurs, innovators and small businesses throughout the region.

The University of Delaware's outstanding reputation for research in cooperation with industry is well recognized in many areas. The University's innovative research efforts are illustrated through its partnerships with industry in composite materials, information science, biotechnology, alternative energy, virology and development of genetically engineered vaccines, and agrigenetics, including plant tissue culture research. Through its seven colleges, institutes and various centers, including the Center for Composite Materials, Center for Catalytic Science and Technology, and Center for Climatic Research, the University has fostered growth and development in the chemical, computer, energy, food, agricultural and marine sciences industries.

The University's Institute of Energy Conversion, one of the world's largest thin-film solar cell laboratories performing research and process development for industry, has been designated by the U.S. Department of Energy as a national center of excellence in photovoltaic research and education. The University of Delaware's Center for Composite Materials is one of three partners in an Army Research Laboratory Materials Center of Excellence.

Nemours Biomedical Research, the nation's largest group medical practice devoted to pediatric care, education, and research and headquartered at the Alfred I. DuPont Hospital in Wilmington, Delaware, has more than 40 different research programs and laboratories to support the medical and surgical staff in restoring and improving the health of acutely and chronically ill children. Based on dollars received from the NIH, collectively, Nemours Biomedical Research would rank 16th in overall awards to children's hospitals. According to the American Hospital Association Guide there are about 250 such children's hospitals.

The Delaware Technology Park ("DTP") is part of Delaware's commitment to attracting both established businesses and promising high-tech companies. With a combination of government, academic and industry partners, it is now home to 57 high-tech companies, including the Delaware Biotechnology Institute. The mission behind the Delaware Technology Park is to promote economic development and innovation and, to that end, has developed an integrated system of technology focused facilities and services.

Financial Services Industry

Banks and other financial institutions have been a major focus of Delaware's economic development activity since 1981. In that year, landmark legislation was passed that opened Delaware to interstate banking, modernized the State's banking laws, and permitted the creation of new types of special purpose intermediaries. The 1981 Financial Center Development Act created strong economic incentives for the banking industry in Delaware, including a favorable state tax structure and a market based approach to lending that eliminated restrictive usury caps. These laws continue to create a favorable economic environment for banking. The State subsequently enacted additional legislation in order to sustain the State's competitive advantage in banking. In 1989, the Bank and Trust Company Insurance Powers Act was signed into law which allowed state-chartered banks and trust companies to underwrite and sell various types of

insurance. In response to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, the State enacted legislation in 1995 to keep Delaware's banking community competitive and to maintain Delaware's role as a financial services center. In 1995, the State Bank Commissioner issued the "Incidental Powers Regulation", which is designed to keep Delaware competitive by allowing state-chartered banks and trust companies to exercise additional powers incident to a banking corporation. The state tax structure was modernized in 2006 by allowing banks to elect an alternative system based on a three-factor income apportionment for multi-state operations, plus a location benefit tax reflecting the value of utilizing Delaware's banking laws and bank system.

There are currently over 70 banks and trust companies in Delaware, including full-service commercial banks, credit card banks, non-deposit and limited purpose trust companies, wholesale banks, and federal and state savings banks. Banking is one of the State's largest private industry sector employers, with over 25,500 employees as of December 2009, according to the Delaware Department of Labor. Credit cards are a major industry. Prominent credit card issuers in Delaware include Bank of America, Chase Bank (USA), Discover Bank and Barclays Bank Delaware. Other major bank employers include Wilmington Trust, PNC, ING Direct, Citigroup and HSBC. During the fiscal year ending June 30, 2009, the bank franchise tax contributed \$81.9 million, about 2.6% of the State's total revenues.

Construction

For the first 11 months of 2009, Delaware's housing production totaled 2,680 units. The following table outlines total housing production in the State by county for 2005 through 2009**. Housing production includes single and multifamily, public and private housing, as well as mobile homes. In 2009**, single family housing (including condominiums) represented 88% of total production, and multifamily units represented 12%.

Production of Housing Units

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009**</u>
New Castle County.....	2,209	1,752	1,314	822	746
Kent County	2,270	1,840	1,282	988	689
Sussex County	4,050	3,086	2,347	1,536	1,425
Mobile Homes*	<u>1,302</u>	<u>1,203</u>	<u>752</u>	<u>524</u>	***
Total	<u>9,831</u>	<u>7,881</u>	<u>5,695</u>	<u>3,870</u>	<u>2,860</u>

* Mobile homes sales data is from the Delaware Division of Motor Vehicles (DMV). As of 2007, the DMV is collecting this data on the fiscal year rather than the calendar year, as in years past. Please keep this in mind when comparing data.

** December 2009 housing production data currently unavailable. January through November 2009 data reported.

*** Data currently unavailable.

Source: Delaware State Housing Authority.

Automotive Industry

In October 2009, Fisker Automotive, a start-up automaker, announced the acquisition of GM's Wilmington Boxwood Road Assembly Plant to build plug-in hybrid electric cars. Financed with the help of a \$528 million U.S. government loan, Fisker, of Irvine, California, plans to produce the "Nina", a family sedan that sells for \$39,900 after federal tax credits. Fisker expects to build as many as 100,000 electric hybrid sedans and also plans to shift production of its \$87,900 Karma coupe, now made in Finland, to Boxwood Road in 2012.

The plant is expected to employ 2,500 workers by 2012, with 650 on the job in 2011.

Also in October 2009, the University of Delaware signed a purchase agreement for the 272-acre site formerly occupied by the Chrysler Assembly Plant in Newark. The agreement was approved by the U.S. Federal Bankruptcy Court in New York in November 2009 and will allow the University to expand its educational and research opportunities for students as well as for the Delaware community through University-based research as well as research undertaken with corporate partners. One such partnership is with the U.S. Army at the Aberdeen Proving Grounds, which will bring scientists and engineers together. Also benefiting from the purchase is the Delaware Health Sciences Alliance (DHSA), formed last spring with Thomas Jefferson University, Christiana Care,

and Nemours. One of the goals of the DHSA is to strengthen state and regional capacity in biomedical research, technology and personnel, and improve health care delivery, especially in Delaware's rural areas. This alliance will promote Delaware as a health sciences hub, creating health professional jobs and business opportunities, especially in life sciences research and biotechnology.

The property will be a key driver of economic growth and development, given its physical location within the Mid-Atlantic region; its proximity to transportation systems and road networks; and its access to University programs, technical support and intellectual resources.

Incorporations

As of December 2009, the total number of business entities registered with the Delaware Division of Corporations exceeded 887,000. More than 102,000 new business entities were formed in Delaware in 2009. The State continues to be the corporate home of over half of all publicly-traded firms in the United States. Delaware is the legal domicile of more than 63% of the companies listed in the "Fortune 500". Delaware leads the nation in per capita business entity filings and has ranked among the top five states in the nation for new business entity formations since 1989. The principal driver of this growth over the long term has been the popularity of alternative business entities, such as Delaware limited liability companies.

Since 1985, significant changes have been made to Delaware's corporate laws, specifically in such important areas as directors' liability and corporate takeovers. In addition to the option of forming a Delaware corporation, the Delaware Code enables businesses to form as general partnerships, limited partnerships, limited liability companies and statutory trusts. Businesses may also qualify as limited liability partnerships or limited liability limited partnerships. These changes, combined with a well-developed body of case law; prompt resolution of commercial and corporate disputes by Delaware's Court of Chancery; and efficient, friendly service from the Delaware Division of Corporations have resulted in significant business formation activity.

In order to sustain its competitive edge over other states and countries, Delaware continues to adopt statutes that respond to changing business conditions. A 2003 law extends the corporate jurisdiction of the Court of Chancery to include jurisdiction over commercial technology disputes and allows the Court to mediate many types of complex business disputes, providing a more cost-effective, confidential, and consensual method for resolving litigable disputes. Laws passed in 2004 and 2005 provide incentives for businesses to locate headquarter services or captive insurance operations in Delaware. Recent laws simplify the process of converting from one type of business entity to another type of entity. The Division of Corporations continues to enhance its services by offering 1-hour processing service and expanding Internet services to allow businesses to reserve corporate names, access general corporate information and file annual tax returns. All of these enhancements provide further incentives for entrepreneurs, businesses and investors to make Delaware their legal home.

Revised Article IX of the Uniform Commercial Code (UCC) took effect in most U.S. states in 2001 and provided that many UCC documents should be filed in the debtor's state of incorporation. In July 2001, Delaware became one of the first states to allow for the filing of UCC information via the Internet. In fiscal year 2009, the Division of Corporations processed 518,000 UCC filings and searches. General fund revenue from UCC transactions totaled \$11.2 million in fiscal year 2009 and is projected to increase to \$13.8 million in fiscal year 2010.

The Division of Corporations collects and disburses certain recording, courthouse municipality, statutory trust and UCC fees on behalf of the State's three counties (New Castle County, Kent County and Sussex County) and three county seats (City of Wilmington, City of Dover and Town of Georgetown). In fiscal year 2009, the Division disbursed \$10.5 million of such fees to the State's three counties and three county seats. Such revenues are set aside and are not counted within the State's general fund figures.

Agriculture

Agriculture is a very significant industry in Delaware. In 2009, there were 2,480 farms, and land in farms at 490,000 acres accounted for 39% of Delaware's total land area. Farm size averaged 198 acres.

In 2009, the total market value of agricultural land and buildings was \$4.36 billion, and the average value per farm was \$1,758,000. The average market value per acre of farmland and buildings in Delaware was \$8,900, four times the national average. Only four states had a higher value per acre of farm real estate. The average value per acre dropped \$1,400 per acre from 2008.

In 2008, the value of agricultural sector production was \$1.26 billion with Delaware farmers realizing a record \$1.09 billion in cash receipts from all commodities. This was a 12 percent increase over 2007 cash receipts of \$976 million.

Delaware's 2008 net farm income decreased 11% from the 2007 level of \$265 million to \$237 million. A \$2.10 per bushel decrease in soybeans coupled with a 19 cent per bushel drop in corn prices accounted for most of the decline.

In 2008, Delaware ranked 1st in the United States in both the agricultural production value per farm (\$506,806) and per acre (\$2,565) as well as cash receipts per acre at \$2,234 and net farm income per acre at \$483. Delaware ranks 3rd nationally in the number of equine per county and equine-related expenditures in Delaware are estimated at \$280 million annually. Delaware is ranked 1st in lima bean acreage and 8th in value of broiler production.

The cash receipts from Delaware farms as compared to the U.S. total in 2004-2008 are outlined in the table below.

FARM CASH RECEIPTS

Year	DELAWARE			Change from Previous Year	UNITED STATES	
	Livestock & Livestock Products	Crops	Total Cash Receipts		Total Cash Receipts	Change from Previous Year
	-----million dollars-----			percent	billion dollars	percent
2004	740	174	914	23.2	237.2	10.1
2005	787	150	937	2.2	240.9	1.6
2006	654	157	811	(13.0)	240.9	0.0
2007	790	186	976	19.7	288.5	19.8
2008	828	266	1,094	12.4	324.2	12.4

Sources: Delaware Department of Agriculture and National Agricultural Statistics Service/USDA.

The Port of Wilmington

The Port of Wilmington (the "Port") is one of the two largest importers of containerized bananas and other fruit in the world and is a significant east coast importer of: break bulk fruit, juice and produce, particularly winter Chilean fruit, citrus products from Morocco, juice concentrate and fruit from Argentina and liquid bulk juice concentrate from Brazil. Other notable break bulk items moving over the Port's piers include: steel, lumber, paper liner board, dry bulk and liquid petroleum products. The Port has also established a niche in handling specialized cargo such as large wind turbines, dismantled distillation and chemical plants, generators, and livestock export. The Port continues to be a major point of consolidation and export of vehicles to the Middle East, Africa and Central and South America.

The Port has a central location on the east coast and excellent access to rail and highway transportation systems. Warehouse facilities include 250,000 square feet of dry and 750,000 square feet of modern temperature controlled refrigerated space. The combination of relatively new facilities, operational experience, proximity to transportation networks and a skilled labor force has made the Port among the most successful ports in the very competitive mid-Atlantic and Northeast region.

Founded in 1923, the Port is owned and operated by the Diamond State Port Corporation (“DSPC”). In June 1995, the General Assembly authorized the creation of the DSPC, a membership corporation with the Department of State as the sole member, for the purpose of acquiring and operating the Port. On September 1, 1995, DSPC acquired substantially all of the Port's assets from the City of Wilmington. Under the terms of that agreement, DSPC agreed to make payments to the City equal to \$39.9 million over a 30-year period and to pay amounts equal to total debt service on approximately \$51.0 million of indebtedness previously incurred by the City for Port related assets. The Delaware Transportation Authority's Transportation Trust Fund has loaned funds to the DSPC to enable it to restructure certain of the DSPC's debt and to fund certain capital projects. The Delaware River and Bay Authority has participated with DSPC to fund a refrigerated warehouse in 2006. Bank of America and Wilmington Trust Company have both loaned funds to DSPC for equipment purchases. DSPC does not have the power to pledge the credit of the State. As of December 31, 2009 the total debt service of the DSPC (principal and interest) is \$44.9 million.

In fiscal 2009, a total of 4.2 million tons of cargo passed through the Port's facilities, an increase of 9% over the total tons handled in fiscal 2008. Increases in break bulk (juice, steel, fruit) and dry bulk revenues were greater than the revenue reductions from vehicles, lumber and containers such that operating revenue increased by \$2.4 million to \$29.2 million for fiscal 2009, compared to \$26.8 million in fiscal 2008. Lease revenue increased from \$4.7 million in fiscal 2008 to \$5.1 million in fiscal 2009. Over \$165 million has been provided by the State through fiscal 2009 for Port infrastructure improvements and debt restructuring. The Port is not required to repay these funds.

The Port is part of the State's financial reporting entity and is considered an enterprise fund for the State's GAAP financial reporting purposes.

Dover Air Force Base

The federal government maintains a major U.S. Air Force base (the “Base”) in Dover, Delaware. The 3,900 acre Base, established in 1941, is the nation's busiest military cargo terminal and a key airlift center. It is home to the 436th Airlift Wing, known as the “Eagle Wing” and the 512th Airlift Wing, referred to as the “Liberty Wing”. The 436th Airlift Wing provides command and support functions for assigned airlift operations, permitting worldwide movement of outsized cargo (including the military's largest tanks and heaviest weapons and equipment) and personnel. The unit flies Lockheed C-5 Galaxy transport planes, known as “the free world's largest airlifter” and C-17 Globemaster. Together with the 512th Airlift Wing, aircrews from Dover fly an air fleet that comprises 25% of the nation's strategic airlift capacity. In addition, the Base hosts the Charles C. Carson Center for Mortuary Affairs, the defense department's largest joint-service mortuary facility and the only one located in the continental U.S. There are currently approximately 6,400 military personnel – 3,405 active duty, 1,900 reservists, and 1,085 civilians – who work at the Base. It is estimated that, as of September 30, 2009, the economic impact of the Base on the local economy is \$528.8 million annually.

APPENDIX C

Summary of Certain Provisions of the Indenture

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Trust Indenture dated as of December 1, 2010 (the “Original Indenture”), as supplemented by a First Supplemental Trust Indenture dated as of June 1, 2010 (the “First Supplemental Indenture”, and together with the Original Indenture, the “Indenture”). This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the full Indenture, copies of which may be obtained from the Authority, the Trustee or, during the offering period, from the Underwriters. Words and terms used in this summary not defined in Appendix E are defined in the Indenture and have the same meanings in this summary.

GENERAL PROVISIONS

In consideration of the purchase and acceptance of the Bonds by the Registered Owners thereof from time to time, the provisions of the Indenture shall be deemed to be and shall constitute a contract between the Authority, the Trustee and the Registered Owners from time to time of the Bonds and the covenants and agreements under the Indenture set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be for equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in the Indenture.

Nothing in the Indenture shall limit the power of the Authority to issue Subordinated Indebtedness or Non-Recourse Indebtedness for the purpose of financing the Authority’s other facilities or projects not intended to Process System Solid Waste, from pledging the revenue of such other facilities or projects for the payment of the Indebtedness issued to finance such other facilities or projects, or from granting liens on the Pledged Revenues which are expressly subordinate to the Lien of the Indenture. The general administration expenses of the Authority shall be allocated equitably between Authority Facilities and any other facilities or projects of the Authority.

CONCERNING THE BONDS

The principal of and interest on the Bonds issued and to be issued under the Indenture, and the redemption premium, if any, payable thereon in case of redemption, shall be payable as may be designated in the particular Bond issued or to be issued under the Indenture, in lawful money of the United States of America. The interest on the 2010 Bonds shall be paid by check or draft of the Trustee mailed on the relevant Interest Payment Date to the Registered Owner of the 2010 Bond as of the close of business on the relevant regular Record Date. Interest on any 2010 Bonds may also be payable by wire transfer to any Registered Owner of such 2010 Bonds in the principal amount of \$500,000 or more as of the close of business on the Regular Record Date next preceding any Interest Payment Date provided such Registered Owner submits to the Trustee a written request therefor on or before the Regular Record Date for such payment. The principal amount of the 2010 Bond and any redemption premium shall be paid to the Registered Owner thereof upon the surrender of the 2010 Bond at the Principal Office of the Trustee in Wilmington, Delaware. The principal of and interest on the 2010 Bonds and the redemption premium, if any, payable thereon in case of redemption shall be payable only out of the Pledged Revenues of the Authority and out of other money of the Authority pledged for the payment thereof pursuant to the Indenture.

No 2010 Bonds shall become valid or obligatory for any purpose until such 2010 Bonds shall have been authenticated by the Trustee, and such authentication by the Trustee upon any 2010 Bond shall be conclusive evidence and the only evidence that the 2010 Bond so authenticated has been duly authenticated and delivered under the Indenture and that the Registered Owner thereof is entitled to the benefit of the trust and lien created in the Indenture.

ADDITIONAL INDEBTEDNESS

The Authority may issue Additional Parity Indebtedness for any lawful corporate purpose, including but not limited to providing all or part of the funds necessary (i) to refinance or refund all or any portion of any

Indebtedness of the Authority, including accrued and unpaid interest and redemption premium, if any, and all costs and expenses incidental to redemption; (ii) to construct, acquire, complete, restore or replace any Authority Facility or other Private Facility for the Processing of System Solid Waste or any portion thereof; or (iii) to provide working capital; including in each case the costs and expenses of the financing and any increase in the Debt Service Reserve Requirement incidental thereto. Additional Parity Indebtedness may not be issued for the purpose of financing any of the Costs of a Separate Facility.

Additional Parity Indebtedness may be issued only if, in addition to certain other requirements being satisfied, the Trustee is in receipt of the following:

(a) a certified copy of a resolution of the Board of the Authority authorizing the issuance of such Additional Parity Indebtedness;

(b) a Supplemental Indenture providing for the issuance of the Additional Parity Indebtedness;

(c) a written opinion of Counsel to the effect that the Additional Parity Indebtedness will be valid and binding obligations of the Authority;

(d) the written order of the Authority, signed by the Chairman or Vice Chairman of the Authority;

(e) the proceeds of the Additional Parity Indebtedness;

(f) any additional deposit to the Debt Service Reserve Fund required with respect to the Additional Parity Indebtedness;

(g) a certificate executed by the Accountant (or an Authorized Representative of the Authority, to the extent permitted by the Indenture) stating that for any twelve consecutive month period of the eighteen (18) calendar months immediately preceding the month during which the Additional Parity Indebtedness is to be issued (i) the Operating Revenues derived by the Authority were sufficient, together with other available reserves, to comply with the Rate Covenant, (ii) all deposits required to be paid into the Debt Service and Sinking Fund were made, and (iii) either the Debt Service Reserve Fund Requirement was maintained in accordance with the Indenture or will be so maintained upon the issuance of the relevant Additional Parity Indebtedness;

(h) if the Additional Parity Indebtedness is being issued to finance Authority Facilities or other Private Facilities for the Processing of System Solid Waste, a certificate duly executed by an Authorized Representative of the Authority setting forth in detail and based upon reasonable assumptions set forth therein (1) his estimate of the Operating Revenues and Operating Expenses of the Authority for each of the three (3) Fiscal Years immediately succeeding the completion of the facilities to be financed by such Additional Parity Indebtedness, calculated on the assumption that Revenues shall be charged and collected at the rates in effect on the date of such certificate or such higher rate as the individual executing the certificate and the Board of Directors of the Authority determines by resolution to be reasonable, (2) the Debt Service Requirements for each such Fiscal Year, and (3) his opinion that the amount of estimated Operating Revenues for each such Fiscal Year as described above will be sufficient, together with other available reserves, to satisfy the Rate Covenant for each such Fiscal Year. In the event the Additional Parity Indebtedness is not being issued prior to the completion of construction of the facilities being financed by such Additional Parity Indebtedness, the individual executing the certificate shall examine the three (3) Fiscal Years immediately succeeding the Fiscal Year during which the Additional Parity Indebtedness is being issued.

(i) if the Additional Parity Indebtedness is being issued to finance Authority Facilities or other Private Facilities for the Processing of System Solid Waste, a certificate duly executed by an Authorized Representative of the Authority (1) stating that such facilities will be useful or desirable in

connection with the Processing of System Solid Waste; (2) setting forth in detail and based upon reasonable assumptions set forth therein the estimated costs of the acquisition or construction of such facilities including any financing expenses and, if judged necessary, a balance for contingencies, the sources of funds expected to be applied to finance such costs, and the time period which will be required for completion of the acquisition or construction of such facilities, (3) his opinion that the net proceeds of the Additional Parity Indebtedness, together with other money which is then available or reasonably expected to be available therefor (including proceeds of Additional Parity Indebtedness to be issued thereafter), will be sufficient to pay the costs of the acquisition or construction of such facilities, and (4) his opinion as to the date when such facilities will be placed in commercial operation.

(j) if the Additional Parity Indebtedness is being issued to finance the refunding of Additional Parity Indebtedness, the Authority shall provide a certificate duly executed by an Authorized Representative of the Authority stating that for the then current and each future Fiscal Year, the Debt Service Requirements for the refunding bonds will be equal to or less than the Debt Service Requirements that would have existed for that Fiscal Year with respect to the portion of the Additional Parity Indebtedness being refunded.

(k) if the Additional Parity Indebtedness is being issued to finance Private Facilities for the Processing of System Solid Waste that do not constitute Authority Facilities, (1) a written contract with the owner of said facility having a term (not including renewals at the option of the owner) at least as long as the term of said Additional Parity Indebtedness pursuant to which the owner of said facility is obligated to provide services or otherwise make repayments that constitute consideration for the proceeds of said Additional Parity Indebtedness, (2) an Officers Certificate from the Authority to the effect that, after reviewing the creditworthiness of the owner and the transaction as a whole including any surety bonds or other credit enhancement, the Authority reasonably expects the owner's obligations under the contract to be fulfilled, (3) a collateral assignment to the Trustee of all rights of the Authority under said contract, subject to and contingent upon the occurrence of an Event of Default by the Authority under the Indenture, and (4) an opinion of counsel to the owner to the effect that said contract and collateral assignment are each valid and binding obligations of the owner, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium, or other laws or equitable principles affecting the rights and remedies of creditors generally.

(l) if the Additional Parity Indebtedness is being issued to finance a refunding (1) executed counterparts of such documents as are necessary or appropriate for the purposes of the refunding such as an escrow deposit agreement providing for the deposit and application of funds for the refunding, (2) unless all refunded indebtedness is to be redeemed or otherwise retired on the date of settlement for the refunding Bonds, such schedules, verified as to their mathematical accuracy by an Accountant or any qualified professional verification agent, as are necessary to demonstrate the adequacy of funds deposited for the refunding and the income thereon for the purpose of paying, when due, the principal or redemption price of and interest on the refunded indebtedness, and (3) evidence satisfactory to the Trustee that notice of any necessary redemption has been properly given, or that provisions satisfactory to the Trustee have been made therefor, or that sufficient waivers of such notice have been duly filed with the Trustee.

(m) an original or certified copy of the resolution duly adopted by the State issuing officers authorizing the issuance of such Additional Parity Indebtedness if and to the extent required by Section 7402, Chapter 74, Title 29, Code of Delaware, Revised 1974, as from time to time amended.

The opinion(s) of Counsel described in paragraph (c) may be accepted by the Trustee as conclusive evidence that the above requirements of this Section have been complied with, and the Trustee shall thereupon be authorized to execute said Supplemental Indenture, to Authenticate the Additional Parity Indebtedness and deliver the same to or upon the order of the Chairman or Vice-Chairman of the Authority. In addition to issuing Additional Parity Indebtedness, the Authority may also issue Subordinated Indebtedness, Non-Recourse Indebtedness and Credit Notes. Subordinated Indebtedness is any Indebtedness of the Authority secured by a Lien on the Pledged Revenues that is by its terms expressly subordinated to the Lien on the Pledged Revenues. Any default by the Authority concerning Subordinated Indebtedness shall not constitute a default on the Bonds. Non-Recourse Indebtedness is any Indebtedness of the Authority (i) secured by a lien on any real property, fixtures, tangible

property or revenue of the Authority other than the Pledged Revenues or any part of Authority Facilities, (ii) which is not a general obligation of the Authority, and (iii) the liability for which is effectively limited to the property or revenue subject to such Lien with no recourse, directly or indirectly, to any other property. The Authority may issue from time to time one or more Credit Notes pursuant to the provisions of a Supplemental Indenture or separate indenture or Credit Agreement. Any Credit Note that secures a Credit Facility with respect to the 2010 Bonds or any Additional Parity Indebtedness shall be subordinate to the 2010 Bonds and with all other Additional Parity Indebtedness issued under the Indenture. The provisions of the Indenture shall not be construed to adversely affect any subrogation rights of a Credit Facility Provider. Notwithstanding anything to the contrary contained in the Indenture, the Authority shall not be obligated to establish or fund a Debt Service Reserve Requirement with respect to any Credit Note, nor include any contingent payments under any Credit Note as part of any calculation of Debt Service Requirements.

CONSTRUCTION FUND

The Trustee shall establish and maintain a Construction Fund, which shall consist of separate accounts or subaccounts for each facility or portion thereof financed with the proceeds of the 2010 Bond or any particular series of Additional Parity Indebtedness and which shall be held separate and apart from all other funds and accounts established under the Indenture and from all other money of the Trustee. No disbursements of funds held from time to time in the Construction Fund shall be made except as permitted in the Indenture. The Trustee shall invest the money on deposit in the Construction Fund pursuant to the Indenture and shall apply the income from such investments as provided in the Indenture.

REVENUE PLEDGE

The Authority pledges and grants to the Trustee, subject only to the right of the Authority to apply amounts for Operating Expenses under the provisions of the Indenture, a lien on and security interest in (a) all Pledged Revenues and the Trust Estate, (b) all money and Investment Securities held by the Trustee from time to time in the funds and accounts created under the Indenture, including without limitation the Construction Fund, Debt Service and Sinking Fund, Debt Service Reserve Fund and the Bond Redemption and Improvement Fund, (but not the Rebate Fund or the Operating, Insurance and Capital Reserve Fund), (c) all amounts derived from the exercise by the Authority or the Trustee of any rights or remedies under the Indenture and (d) all investment income and all receipts and proceeds of all of the foregoing. The pledge made by the Indenture shall be valid and binding from the time such pledge is made, and the covenants and agreements set forth in the Indenture to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the owners of the Bonds, all of which Bonds, regardless of their times of issue and maturity, shall be of equal rank, without preference, priority of or distinction of any one Bond over any other Bond except as expressly provided or permitted by the Indenture.

The Pledged Revenues and all income and receipts on funds held by the Trustee under the Indenture shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and shall be held by the Trustee or the Authority until disbursed as authorized by the Indenture in trust for the benefit of the Registered Owners from time to time of the Bonds issued and Outstanding under the Indenture. Notwithstanding the foregoing, the existence of such security interest shall not prevent the expenditure, deposit or commingling of the Pledged Revenues by the Authority so long as no Event of Default shall have occurred and be continuing.

Notwithstanding the above pledge, money from time to time deposited and held in the Debt Service and Sinking Fund for the payment of particular Bonds shall be held in trust by the Trustee for payment to the respective Registered Owners from time to time of the particular Bonds for the payment of which said money has been deposited in said Fund, and whenever Bonds shall be selected for redemption out of money on deposit in the Bond Redemption and Improvement Fund, the money in such Fund to the amount necessary to pay principal, redemption premium, if any, and interest to the date fixed for redemption on the Bonds selected for redemption, shall be held by the Trustee in trust for the payment to the respective Registered Owners of the particular Bonds so selected for redemption.

RATE COVENANT

The Authority covenants that it will use its best business judgment to, charge and collect tipping fees and user charges for the Processing of System Solid Waste, so long as any Bonds shall remain Outstanding, which shall, together with other available reserves or any other reserves pledged to secure the Indebtedness secured by the Indenture, be sufficient to provide for (a) the reasonable Operating Expenses of the Authority; (b) an amount equal to one hundred and ten percent (110%) of the Debt Service Requirements of the Outstanding Bonds in such Fiscal Year; and (c) any amount necessary to restore each account in the Debt Service Reserve Fund to the respective Debt Service Reserve Requirement.

For the purposes of complying with the Rate Covenant, “other available reserves or any other revenues” shall mean money or revenues of the Authority held in a fund or account that is included within the Trust Estate separate and apart from other funds of the Authority which are not budgeted for or otherwise reasonably expected to be applied within the current Fiscal Year to the payment of Operating Expenses, Debt Service Requirements or Costs of an Improvement. Amounts held in the Debt Service and Sinking Fund, Debt Service Reserve Fund or Construction Fund shall not under any circumstances constitute “other available reserves” for the purpose of complying with the Rate Covenant. Amounts held in the Bond Redemption and Improvement Fund and the Operating, Insurance and Capital Reserve Fund shall constitute “other available reserves” for the purpose of complying with the Rate Covenant.

In the event the Authority fails to comply with the Rate Covenant as provided in the Indenture and fails to cure the same in accordance with the provisions of the Indenture, the Authority covenants that an Authority Representative will, within a reasonable time after learning of such failure to maintain and cure such Rate Covenant, request, in a writing addressed to the Board of Directors of the Authority, that the Authority exercise the powers to collect additional fees and charges pursuant to Section 6420(f) of Title 7 of the Delaware Code.

AUTHORITY HELD FUNDS

The Authority has established and holds the Revenue Fund and the Operating Fund with one or more banks or trust companies, which may include the banking department of the Trustee or of any Credit Facility Provider. The Authority may also establish other funds or accounts within existing funds. The monies and investments from time to time in said funds are free and clear of any lien or security interest in favor of Registered Owners of Bonds.

REVENUE FUND. The Authority is required to maintain a Revenue Fund in one or more banks or trust companies (which may include the banking department of the Trustee or of any Credit Facility Provider), and so long as no Event of Default shall have occurred and be continuing shall deposit into such fund not less frequently than monthly all Revenues. The money from time to time in the Revenue Fund shall be applied by the Authority for the purpose of making the deposits required to be made to the following Funds as set forth in the Indenture in the following order of priority: the Operating Fund, Debt Service and Sinking Fund, the Debt Service Reserve Fund the Bond Redemption and Improvement Fund, the Operating Insurance and Capital Reserve Fund and such other funds or accounts as the Authority or the Trustee may from time to time create pursuant to the Indenture, whether within or outside of the Trust Estate.

OPERATING FUND. The Authority is also required to maintain in one or more banks or trust companies (which may include the banking department of the Trustee or of any Credit Provider) an Operating Fund, and during each Fiscal Year the Authority will from time to time transfer from the Revenue Fund to the Operating Fund such amounts as may be necessary to pay or reimburse the Authority for Operating Expenses. Any money held by the Authority in the Operating Fund at the end of any Fiscal Year which is not required to pay accrued but unpaid Operating Expenses for such Fiscal Year, and not required to be retained as a reserve (in such amount as the Authority may deem prudent) will be paid to the Trustee for deposit in the Bond Redemption and Improvement Fund.

TRUSTEE HELD FUNDS

DEBT SERVICE AND SINKING FUND. The Trustee holds the Debt Service and Sinking Fund in trust for Bondholders, consisting of a separate account for each series of Bonds issued under the Indenture. The Authority shall pay to the Trustee by deposit in the relevant account of the Debt Service and Sinking Fund on or before the first Business Day of each calendar month an amount equal to the aggregate Accrued Debt Service for all Bonds issued under the Indenture. In the event such monthly payments are not received by the Trustee within five (5) Business Days after the first Business Day of the month, the Trustee shall rectify the resulting deficiency by promptly transferring the necessary amounts from the Bond Redemption and Improvement Fund to the relevant account in the Debt Service and Sinking Fund.

The money held in the Debt Service and Sinking Fund shall be applied by the Trustee without further direction from the Authority to the payment of the Debt Service Requirements on the Bonds as and when the same shall become due and payable.

DEBT SERVICE RESERVE FUND. The Trustee holds the Debt Service Reserve Fund in trust for Bondholders which includes a separate account for each series of Bonds issued under the Indenture. There is created a 2010 Account within the Debt Service Reserve Fund which shall relate to the 2010 Bonds.

The Trustee shall apply the money in the Debt Service Reserve Fund toward the payment of the Debt Service Requirements becoming due and payable upon a series of Bonds, to the extent that the Debt Service and Sinking Fund shall at any time be insufficient with respect to such series of Bonds. The Trustee shall, for any particular series of Bonds, initially draw funds from the related account within the Debt Service Reserve Fund, and to the extent a deficiency in the Debt Service and Sinking Fund continues to exist subsequent to the exhaustion of such related account, the Trustee shall draw funds from all other accounts within the Debt Service Reserve Fund pro-rata on the basis of the amount held in each of the other accounts at the time of such draw. In the event of any deficiency in the Debt Service Reserve Fund, the Authority shall thereafter make equal monthly transfers from the Revenue Fund until the amount in each account in the Debt Service Reserve Fund in cash or investments shall equal the Debt Service Reserve Requirement for such account. The Debt Service Reserve Fund shall be restored within twelve months after the occurrence of any deficiency therein. Investments of amounts in the Debt Service Reserve Fund shall be valued annually by the Trustee at amortized cost.

The Authority may satisfy all or part of the Debt Service Reserve Requirement by providing a letter of credit, insurance policy or surety bond (together with any substitute or replacement therefor, the "Reserve Fund Credit Facility"), subject to the following requirements:

(a) The Reserve Fund Credit Facility Provider must have a credit rating issued by S&P and Moody's not less than the current rating on the Bonds and in any event equal to one of S&P's and Moody's three highest long-term rating categories;

(b) The Authority shall not secure any obligation to the Reserve Fund Credit Facility Provider by a lien superior to the security granted to the related series of Bondholders;

(c) Each Reserve Fund Credit Facility shall have a term of at least one (1) year (or, if less, the remaining term of the Bonds) and shall entitle the Trustee to draw upon or demand payment and receive the amount so requested in immediately available funds not later than five (5) Business Days after such draw or demand;

(d) The Reserve Fund Credit Facility shall permit a drawing by the Trustee for the full Stated Amount in the event (i) the Reserve Fund Credit Facility expires or terminates for any reason prior to the final maturity of the Bonds, and (ii) the Authority fails to satisfy the Debt Service Reserve Requirement by the delivery to the Trustee of cash, obligations, a substitute Reserve Fund Credit Facility, or any combination thereof, for deposit in the related account in the Debt Service Reserve Fund on or before the date of such expiration or termination;

(e) If the rating issued by S&P or Moody's to the Reserve Fund Credit Facility Provider is withdrawn or reduced below the rating assigned to that of the related series of Bonds immediately prior to such action by S&P

or Moody's, the Authority shall provide a substitute Reserve Fund Credit Facility within sixty (60) days after said rating change, and, if no substitute Reserve Fund Credit Facility is delivered to the Trustee by such date, shall fund the Debt Service Reserve Requirement in not more than twenty-four (24) equal monthly payments commencing not later than the first day of the month immediately succeeding the date representing the end of said sixty (60) day period; and

(f) If the Reserve Fund Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the Authority shall provide a substitute Reserve Fund Credit Facility within sixty (60) days thereafter, and, if no substitute Reserve Fund Credit Facility is delivered to the Trustee by such date, shall fund the Debt Service Reserve Requirement in not more than twenty-four (24) equal monthly payments commencing not later than the first day of the month immediately succeeding the date representing the end of said sixty (60) day period.

BOND REDEMPTION AND IMPROVEMENT FUND. The Trustee holds the Bond Redemption and Improvement Fund that shall likewise be held in trust by the Trustee. The Authority, after paying or making provision for the requirements of the Indenture may, but shall not be obligated to, deposit the money remaining in the Revenue Fund from time to time in the Bond Redemption and Improvement Fund.

The Authority shall also deposit in the Bond Redemption and Improvement Fund the net proceeds from the sale of any Authority property in accordance with the Indenture as well as insurance and condemnation proceeds received as a result of damage, destruction or condemnation of an Authority Facility in accordance with the Indenture. Any such sale, insurance, or condemnation proceeds shall be applied solely for the purposes described in paragraphs (a), (c), or (f) below.

Whenever there shall be a deficiency in the Debt Service and Sinking Fund or Debt Service Reserve Fund, the Trustee shall forthwith and without instructions from the Authority, make good such deficiency from the Bond Redemption and Improvement Fund. Unless otherwise directed by the Authority, the Trustee shall initially make good any deficiency in the Debt Service and Sinking Fund from amounts held in the Bond Redemption and Improvement Fund. If there shall be no such deficiency in any of said funds, the money in the Bond Redemption and Improvement Fund shall be paid out from time to time by the Trustee upon requisitions or letters of instruction indicating in reasonable detail the purpose of the payment and executed by an Authorized Representative of the Authority. To the extent sale, insurance, or condemnation proceeds held in the Bond Redemption and Improvement Fund are to be applied towards the purposes described in paragraphs (a) or (c) below, the requisitions filed with the Trustee shall be of the character contemplated by the Indenture.

The money on deposit in the Bond Redemption and Improvement Fund may be used for any one or more of the following purposes:

(a) to pay all or any part of the cost of constructing, acquiring, completing or restoring Authority Facilities or Private Facilities for the Processing of System Solid Waste;

(b) to transfer funds to the Operating Fund to meet unanticipated expenses or to provide or restore an operating reserve of the Authority;

(c) to pay the cost of renewals or replacements to Authority Facilities or Private Facilities for the Processing of System Solid Waste or to pay the cost of extraordinary maintenance and repairs;

(d) to repay the temporary loans, or any part thereof incurred for the purpose of acquiring or constructing Authority Facilities or Private Facilities renewals and replacements or undertaking extraordinary maintenance and repairs;

(e) to pay other debts and liabilities of the Authority incurred in connection with the Processing of System Solid Waste not otherwise provided for;

(f) to purchase or redeem any Bonds of any series at a price not greater than 100% of the principal amount thereof (or, to the extent permitted by law, the then-current optional redemption price for the 2010 Bonds) plus accrued interest; or

(g) to be transferred by the Trustee into any account or fund held by the Authority free and clear of the lien of the Indenture for application by the Authority towards any lawful corporate purpose, without any requirement for further elaboration by the Authority.

In case of payments for the acquisition of land, water rights, rights-of-way and easements, the Authority shall also furnish the Trustee with an opinion of Counsel satisfactory to the Trustee, upon which the Trustee may conclusively rely, stating that the Authority has acquired or upon satisfactory completion of the transaction will acquire title to such lands, water rights, rights-of-way or easements.

REBATE FUND. The Trustee is required to maintain a Rebate Fund in which the Authority will determine the Rebate Amount; the Trustee shall deposit in the Rebate Fund the Rebate Amount which may be from deposits by the Authority or from available investment earnings on amounts held in the Construction Fund, the Debt Service Reserve Fund or the Bond Redemption and Improvement Fund, as directed in writing by the Authority. If the Authority fails to make any payment to the Trustee, the Trustee may, but shall not be required to, transfer money without requisition first from the Construction Fund, then from the Bond Redemption and Improvement Fund, or finally from the Debt Service Reserve Fund, to the Rebate Fund so that such payment can be made. If any amount shall remain in the Rebate Fund after the Trustee has made the final payment to the United States in accordance with the Rules, such amount shall be paid to the Authority. The Trustee shall pay any excess amount in the Rebate Fund to the Authority prior to such final payment, but only upon receipt of an opinion of nationally recognized bond counsel to the effect that such prior payment will not adversely affect the tax-exempt status of interest on any Tax-Exempt Bonds, nor subject either the Trustee or the Authority to any penalty for an improper calculation or payment of the Rebate Amount.

OPERATING, INSURANCE AND CAPITAL RESERVE FUND. The Trustee is required to maintain an Operating, Insurance and Capital Reserve Fund, which shall be held in trust by the Trustee. No moneys or securities held in the Operating, Insurance and Capital Reserve Fund will be pledged as security for the Bonds nor will moneys and securities held in the Operating, Insurance and Capital Reserve Fund constitute a part of the trust estate. Whenever there shall be a deficiency in the Debt Service and Sinking Fund or the Debt Service Reserve Fund, the Trustee shall with the consent of the Authority, make good such deficiency from amounts held in the Operating, Insurance and Capital Reserve Fund; provided however, all amounts held in the Bond Redemption and Improvement Fund shall be applied to make good such deficiency prior to transferring any amount held in the Operating, Insurance and Capital Reserve Fund. If there is no deficiency in any of said funds, the funds in the Operating, Insurance and Capital Reserve Fund shall be paid out from time to time by the Trustee as is described in the Indenture.

SECURITY FOR AND INVESTMENT AND DEPOSIT OF FUNDS

All money received by the Trustee under the Indenture for deposit in any fund established under the Indenture shall, except as provided in the Indenture, be deposited in interest-bearing accounts in the commercial or trust department of the Trustee, until or unless invested or deposited as provided in the Indenture. All deposits in the commercial department of the Trustee in excess of the amount covered by insurance by the Federal Deposit Insurance Corporation or any successor federal deposit insurance corporation or entity, shall be secured by a pledge of Government Obligations having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance so deposited, or secured as required by applicable law. If at any time the commercial or trust department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such money with any other depository which is authorized to receive them and is subject to supervision by public authorities. All deposits in any other depository in excess of the amount covered by insurance by the Federal Deposit Insurance Corporation or any successor federal deposit insurance corporation or entity shall, to the extent permitted by law, be secured by a pledge of Government Obligations having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance so deposited. Such security shall be deposited with a Federal Reserve Bank or with a bank or trust company having a combined capital and surplus of not less than \$20,000,000.

The Trustee shall, pursuant to written or oral (promptly confirmed in writing) investment instructions from the Authority, invest and reinvest money held in any fund or account held by the Trustee under the Indenture in Investment Securities. Such instructions may authorize specific transactions or they may authorize the Trustee to act generally in its discretion with respect to the deposits to be made or the Investment Securities to be purchased and the prices to be paid, and may include general instructions for future reinvestments of cash as and when such obligations are paid or redeemed. The scope of such general instructions shall be satisfactory to the Trustee, which may, if it deems it advisable, from time to time require specific instructions or general instructions within defined limits.

REDEMPTION OF BONDS

Whenever the Authority shall, by Resolution of the Authority, determine to redeem Outstanding Bonds in accordance with the right reserved to do so, the Authority shall give the Trustee at least sixty (60) days notice of the date fixed for redemption, or such shorter period as may be acceptable to the Trustee. When Bonds are called for redemption, the Trustee shall cause a notice to be deposited in the United States mail first class, postage prepaid, at least thirty (30) days prior to the redemption date addressed to the Registered Owners of the Bonds called for redemption, at the addresses appearing in the records kept by the Trustee. Such Notice shall be given in the name of the Authority, shall identify the Bonds to be redeemed by certificate number, CUSIP number, date of issue, interest rate, maturity date and any other identifying information (and in the case of a partial redemption of any Bonds, the respective principal amounts thereof to be redeemed and the numbers, including CUSIP numbers if applicable, of the Bonds to be redeemed which may, if appropriate, be expressed in designated blocks of numbers) shall specify the redemption date, the redemption price, and the Trustee's name and address and shall state that on the redemption date the Bonds called for redemption will be payable at the principal corporate trust office of the Trustee and that from the date of redemption interest will cease to accrue provided, however, that the Registered Owners of all Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Bonds may be redeemed and all rights and liabilities of the Owners shall mature and accrue on the date set for such redemption, without the requirement of written notice. Any defect in or failure to give such notice with respect to any particular Bond or Bonds shall not affect the validity of any such redemption of other Bonds.

Notice having been given in the manner described in the Indenture, or written waivers of notice having been filed with the Trustee prior to the date set for redemption, the Bonds so called for redemption shall become due and payable on the redemption date so designated and interest on such Bonds shall cease from the redemption date whether or not the Bonds shall be presented for payment. The principal amount of all Bonds or portions thereof so called for redemption, together with the accrued and unpaid interest thereon to the date of redemption shall be paid by the Trustee or the Paying Agent, if any, mentioned in the Bond called for redemption, upon presentation and surrender thereof in negotiable form. If any Outstanding Bond is redeemed in part, the Trustee shall authenticate and deliver to the Registered Owner thereof, a new Bond or Bonds of any authorized denomination as requested by such Registered Owner in an aggregate principal amount equal to the principal amount of the Outstanding Bond not called for redemption.

INSURANCE

The Authority covenants that so long as any of the Bonds shall remain Outstanding, it will insure or cause to be insured any physical structures of Authority Facilities against loss or damage by fire and such other risks as are generally included in extended coverage insurance, excepting only during the periods and to the extent that the Authority or contractors shall carry builders' risk or other insurance during construction. The policy or policies of such permanent insurance shall be issued by a responsible insurance company or companies authorized and qualified to do business under the laws of the State, in such reasonable amounts as is usually carried for like properties and as may be recommended by the Engineer or an independent insurance consultant retained by the Authority.

The Authority covenants that it will file promptly with the Trustee either the policies and endorsements from time to time issued by the insurance company or companies, or proper memoranda of insurance, and as policies or endorsements are renewed from time to time the new policies or renewal endorsements, or memoranda thereof. The Trustee agrees to notify the Authority if it becomes aware that said policies, endorsements, or other evidences of permanent insurance expires or are no longer in effect. If the Authority shall at any time fail to maintain the required permanent insurance upon lapse of builders' risk or other insurance carried during

construction, or upon lapse of any permanent insurance or otherwise, the Trustee may, but shall be under no duty to do so, contract for the required insurance and require the Authority to pay the insurance premiums.

CERTAIN COVENANTS OF THE AUTHORITY

The Authority covenants that it will at all times:

(a) promptly pay, but only out of Pledged Revenues and other available money as provided in the Indenture, the Debt Service Requirements for every Bond;

(b) maintain Authority Facilities and every part thereof in good repair, working order and condition, continuously operate or provide for the operation of the same and from time to time make all necessary and proper repairs, renewals and replacements;

(c) maintain its existence throughout the term of the Bonds and comply with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any legislative, executive, administrative or judicial body;

(d) agrees that so long as any of the Bonds secured hereby are Outstanding, none of the Pledged Revenues shall be used for any purpose other than as provided in the Indenture, and that no contract or contracts shall be entered into or any action taken by which the rights of the Trustee or of the Bondholders must be impaired or diminished.

(e) from time to time, execute and deliver such further instruments and take such further action as may be reasonable as may be required to carry out the purpose of the Indenture.

(f) except as is provided in the Indenture, not incur any Indebtedness which is secured by a pledge of or other Lien on the Pledged Revenues, nor create any other Lien on Pledge Revenues, or on any amounts held by the Trustee under the Indenture. The Authority will retain direct control over the collection of all tipping fees or other charges paid by haulers or others for the Processing of System Solid Waste;

(g) pay or cause to be paid all taxes and assessments, if any, or other municipal or governmental charges lawfully levied or assessed upon Authority Facilities, or upon any part thereof, or upon its Pledged Revenues, when the same shall become due, and will duly observe and comply with all valid requirements of any municipal or governmental authority relative to any such properties and will not create or suffer to be created any Lien or charge upon such properties or any part thereof or upon the revenue or other income therefrom, except the lien and charge of the Bonds secured hereby and Permitted Encumbrances, and that it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same shall accrue, any such Lien or charge and also all lawful claims and demands for labor, materials, supplies or other items which, if unpaid, might by law become a lien upon such property or any party thereof or the revenue therefrom; provided, however, that nothing in this section contained shall require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings;

(h) to the extent permitted by law, the Authority shall not hereafter construct, acquire or operate, permit or consent to the construction, acquisition or operation of any plants, structures, facilities or properties for the Processing of System Solid Waste such that the owner or operator of such competing plants, structures, facilities or properties would receive any compensation or revenues which, but for the existence of such competing plants, structures, facilities or properties, would be received by the Authority as Pledged Revenues. Notwithstanding any language in the Indenture to the contrary, this covenant shall not apply to any plants, structures, facilities or properties handling Solid Waste described in (a) or (b) of the definition of System Solid Waste found in the Indenture;

(i) not directly or indirectly extend or assent to the extension of time of payment of any claim for interest on, any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by

purchasing or funding such claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, such claim for interest shall not be entitled in case of any default under the Indenture, to the benefit or security of the Indenture except subject to the prior payment in full of the principal of all Bonds issued and Outstanding under the Indenture, and of all claims for interest which shall not have been so extended or funded;

(j) keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to the Processing of System Solid Waste or any part thereof, and which, together with all other books and papers of the Authority, shall at all reasonable times be subject to the inspection of the Trustee or the registered owners of not less than five percent (5%) in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing;

(k) cause its books and accounts, including annual balance sheets and statements of income and surplus, to be audited annually by an Accountant within one hundred twenty (120) days of the end of the Fiscal Year, and within such one hundred twenty (120) days after the close of each Fiscal Year copies of the reports of such audits so made shall be furnished to the Authority and the Trustee, including Statements in reasonable detail, accompanied by a certificate of said accountant, of financial condition; of Revenues and Operating Expenses; of all funds held by the Trustee and the security held therefor; and of the Revenues collected;

(l) adopt by resolution and file with the Trustee for each Fiscal Year, an Annual Budget or Budgets setting forth the estimated Operating Expenses of the Authority, management and administrative expenses of the Authority, Debt Service Requirements, other expenses, estimated sources of income other than Revenues and the estimated Operating Revenues to be collected under the tipping fee schedules then to be in force, all as determined by the Authority in its sole discretion. Any Annual Budget may be amended or supplemented at any time, but such amended or supplemented Annual Budget shall not supersede any prior Annual Budget until it shall have been authorized by a certified resolution of the Authority. The Annual Budget may authorize certain variances for various line items at the discretion of Authority Officers, as the Board of Directors of the Authority deems prudent, and amounts expended in accordance with such authorized variances shall be deemed to be within the amount provided for in the Annual Budget;

(m) agree that all System Solid Waste delivered to the Authority for purposes of landfilling for disposal shall be Processed, so as to entitle the Authority at all times to fix, impose and collect in full all Revenues with respect thereto. The Authority shall not release or modify the obligations of any licensee (or other Person delivering System Solid Waste for Processing) that would in any way limit the obligation of any such licensee (or other Person delivering System Solid Waste for Processing) to make payment of such rents, rates, fees or other charges imposed by the Authority for the Processing of System Solid Waste; provided however, that the Authority shall not be precluded from releasing or modifying such obligations (by waiver of tipping fees or otherwise) if (i) such released obligations do not in the aggregate exceed \$250,000 for any single Fiscal Year or (ii) in the event such released obligations are in excess of \$250,000 in any Fiscal Year, upon delivery to the Trustee of a certificate from an Authorized Representative of the Authority to the effect that such release or modification is not reasonably expected to materially affect the amount of Pledged Revenues required by the Authority to meet its obligations under the Indenture. The Authority shall take all reasonable measures permitted by law to enforce payment to it of all Pledged Revenues, and shall at all times, to the extent permitted by law, defend, preserve and protect the rights, benefits and privileges of the Authority and of the Bondholders under the Indenture;

(n) shall cause financing statements relating to the Indenture to be filed, registered and recorded in such manner and at such places as may be required by law to fully protect the security of the Registered Owners of the Bonds;

(o) not to take or omit to take any action so as to cause interest on any Tax-Exempt Bonds to be no longer excluded from gross income for the purposes of federal income taxation and to otherwise comply with the requirements of Sections 103 and 141 through 150 of the Code, and all applicable regulations promulgated with respect thereto, throughout the term of such Tax-Exempt Bonds;

(p) make no investments or other use of the proceeds of any Tax-Exempt Bonds which would cause such Tax-Exempt Bonds to be "arbitrage bonds" as defined in Section 148 of the Code. The Authority further covenants to comply with the rebate requirements (including the prohibited payment provisions) contained in

Section 148(f) of the Code and any regulations promulgated thereunder, to the extent applicable, and to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements, to the extent applicable;

(q) not to cause the 2010 Bonds to become private activity bonds within the meaning of Section 141 of the Code and;

(r) In the event that the Delaware General Assembly enacts legislation which imposes on the Authority the obligation to fund any programmatic costs related to any activities that the Authority is not presently charged with under the Act, and the Authority determines that such costs are material, the Authority covenants to provide notice of such legislation to each rating agency then rating the Bonds, to any bond insurance company insuring payment of the Bonds, and as required under its Continuing Disclosure Agreement, to all nationally recognized municipal securities information repository.

DEFAULTS AND REMEDIES

Under the Indenture, each of the following shall be an "Event of Default": (A) payment of the principal of any Bond is not made when it becomes due and payable at maturity or upon redemption, or if payment of any installment of interest on any Bond is not made when it becomes due and payable; or (B) the Authority shall fail to replenish amounts held in the Debt Service Reserve Fund within twelve (12) months after the occurrence of any deficiency therein; or (C) if the Authority defaults in any other covenant in the Bonds or in the Indenture, and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Authority by the Trustee, provided that if any such default cannot be cured within thirty days the period shall be extended for such period as is reasonable to cure the same with due diligence if the Authority commences the cure within thirty days and proceeds diligently; or (D) the occurrence of any Act of Bankruptcy with respect to the Authority; or (E) such additional Events of Default as may be set forth in a Supplemental Indenture. The Trustee shall give written or telephone (promptly confirmed in writing or by confirmed telecopy) notice of any Event of Default to the Authority and any Credit Facility Provider as soon as practicable after the occurrence of an Event of Default becomes known to the Trustee.

Upon the happening and continuance of any Event of Default the Trustee may, and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding, subject to the restrictions contained in the Act described above, shall declare the principal of all the Bonds Outstanding to be due and payable immediately, provided however that if money shall have accumulated in the Debt Service and Sinking Fund sufficient to pay the principal of all Bonds which have matured and which should have been called for redemption from money in the Debt Service and Sinking Fund and all matured Bonds, if any, and all arrears of interest, if any, upon all the Bonds Outstanding (except the principal of any Bonds not then due by their terms except as provided above and the interest accrued on such Bonds since the last interest payment date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee, and all other amounts then payable by the Authority under the Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Indenture (other than a default in the payment of the principal of such Bonds) then due only because of a declaration under this Section shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds not then due by their terms and then Outstanding shall, by written notice to the Authority, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Upon the happening and continuance of any Event of Default the Trustee may, and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding under the Indenture, shall: (i) by mandamus or other proceeding at law or in equity enforce all rights of the Registered Owners, including the right to require the Authority to collect rates and other charges adequate to carry out any agreement as to, or pledge of such rates and other charges and to require the Authority to carry out any other agreements with the Registered Owners of the Bonds and to perform its duties under the Indenture and the Act; and/or (2) bring suit upon the Bonds; and/or (3) by action or suit in equity, require the Authority to account as if

it were the trustee of an express trust for the Registered Owners of the Bonds; and/or (4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Bonds. The Trustee shall also be entitled as of right to the appointment by a court of competent jurisdiction of a receiver of any part of the properties of the Authority.

Any suit, action or proceeding by the Trustee on behalf of Registered Owners shall be heard or maintained in a court of competent jurisdiction. The Trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Act or incident to the general representation of Registered Owners in the enforcement and protection of their rights as mandated in Section 6419(f) of the Act. All rights of action under the Indenture or under any of the Bonds secured hereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Registered Owners of such Bonds, subject to the provisions of the Indenture.

The Authority agrees that, upon receipt of written notice from the Trustee that an Event of Default has occurred and is continuing as according to the Indenture, it shall deposit all Revenues then held by the Authority within five (5) Business Days in a clearing fund to be established and held by the Trustee and deposit or cause to be deposited all Revenues thereafter received by the Authority in said clearing fund promptly and so far as practicable not less frequently than daily, provided however that the requirement to make such deposits shall cease, and the balance of the clearing fund shall be paid to the Authority for deposit in the Revenue Fund, when all Events of Default have been cured to the satisfaction of the Trustee. The Trustee shall transfer amounts in the clearing fund to the Operating Fund upon receipt of a requisition executed by an Authorized Representative of the Authority for the purpose of paying or reimbursing the Authority for reasonable Operating Expenses necessary in the Trustee's opinion to preserve the continuity of the Revenues or to provide for the continued Processing of System Solid Waste or otherwise to protect the interests of the Registered Owners of the Bonds, and for the payment of the charges and expenses and liability incurred and advances made by the Trustee in the performance of its duties under the Indenture. Such requisitions shall contain reasonably itemized statements of said Operating Expenses in the classification used in the Annual Budget and shall contain a certification that the amounts requisitioned have not been used as a basis of any other requisitions for such purposes and are in accordance with the current Annual Budget. The amount so deposited in the Operating Fund pursuant to such requisitions shall be used solely for the purpose of paying the Operating Expenses described in the relevant requisition. The Trustee may, in its sole discretion, hire one or more consultants experienced in the operation of Solid Waste disposal facilities for the purpose of determining what expenses are necessary to preserve the continuity of the Revenues or to provide for the continued Processing of System Solid Waste. The fees and expenses of any such consultant shall be considered expenses incurred by the Trustee in the performance of its duties for purposes of the Indenture. The Trustee may conclusively rely on any determination made by any such consultant. The Trustee shall without further direction from the Authority make monthly transfers from the clearing fund to the Debt Service and Sinking Fund, Debt Service Reserve Fund and the Bond Redemption and Improvement Fund in the same manner and in the same amounts as the Indenture contemplates for transfers from the Revenue Fund to the Debt Service and Sinking Fund, Debt Service Reserve Fund the Bond Redemption and Improvement Fund, and the Operating, Insurance and Capital Reserve Fund. The Trustee shall hold amounts in the clearing fund in trust for Bondholders, and shall disburse or transfer moneys out of the clearing fund only in accordance with the provisions of the Indenture.

No Registered Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Indenture or for any other remedy under the Indenture unless (i) any Registered Owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted; (ii) the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable Opportunity either to proceed to exercise the powers provided in the Indenture above granted or to institute such action, suit or proceeding in its or their name; (iii) there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby; and (iv) the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or for any

other remedy under the Indenture. It is understood and intended that no one or more Registered Owners of the Bonds hereby secured shall have, any right in any manner whatever by his or their action to effect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture except in the manner provided in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture provided and for the benefit of all Registered Owners of such Outstanding Bonds.

In the event that the funds held by the Trustee shall be insufficient for the payment of interest and principal then due on the Bonds, such funds shall be applied, after making provision for the payment of any expenses necessary to preserve the continuity of the Revenues or to provide for the continued Processing of System Solid Waste (other than any Capital Component), and the fees and expenses of the Trustee, as follows: (a) unless the principal of the Bonds shall have become or have been declared due and payable; first, to the payment to the persons entitled thereto of all Capital Component installments and all installments of interest then due (with interest on overdue installments of interest to the extent permitted by law) in the order of the maturity of such installments, and second, to the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due (with interest on overdue principal, to the extent permitted by law), whether at maturity or by call for redemption, in the order of their due dates and (b) if the principal of all the Bonds shall have become or have been declared due and payable, first, to the payment of any due and unpaid Capital Component (as certified to the Trustee by the Authority), as well as the principal and interest then due and unpaid upon the Bonds with interest on overdue interest and principal as provided above without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, or of any Capital Component over principal or interest, or of principal or interest over any Capital Component ratably, according to the amounts due, respectively, for Capital Component principal and interest, to the persons entitled thereto without any discrimination or preference, except as to the difference, if any, in the respective rates of interest specified in the Bonds, and second to the payments of debt service on any Subordinated Indebtedness in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Subordinated Indebtedness.

TRUSTEE

Wilmington Trust Company of Wilmington, Delaware is Trustee under the Indenture. The Trustee may resign or may be removed (i) by the owners of a majority of the principal amount of Bonds then outstanding or (ii) so long as no Event of Default has occurred and is continuing, by the Authority. The Indenture contains provisions for the appointment of a successor Trustee by the Authority pending appointment by the owners of a majority of the principal amount of the Bonds then outstanding. Any successor Trustee shall be a trust company or a state or national bank with trust powers having capital and paid in surplus of at least \$50,000,000, if there be such a bank or trust company willing and able to accept the trust on reasonable and customary terms. Under the Indenture the Trustee is not required to take notice or be deemed to have notice of any non-payment default under the Indenture unless specifically notified in writing of such default by the owners of at least twenty-five percent (25%) in principal amount of the Bonds then outstanding. The Trustee shall not be answerable for the exercise of any discretion or power under the Indenture, nor for anything whatever in connection with the trust, except only its own willful misconduct or negligence. The Trustee shall be under no duty to effect or to renew any policies of insurance. If any Event of Default shall have occurred and be continuing and is known to the Trustee, the Trustee shall use the same degree of care in the exercise of the rights and remedies vested in it by the Indenture as a prudent man would exercise or use in the circumstances in the conduct of his own affairs.

EVIDENCE OF RIGHTS OF BONDHOLDERS

In determining whether the Registered Owners of the requisite aggregate principal amount of Bonds shall have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned by the Authority or by any person directly or indirectly controlling or controlled by or under common control with the Authority shall be disregarded and deemed not to be Outstanding. For the purposes of determining whether the Trustee shall be protected in relying on such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common

control with the Authority. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of Counsel shall be full protection to the Trustee.

SUPPLEMENTAL INDENTURES

The Authority and the Trustee may enter into a Supplemental Indenture without the consent of the Bondholders: (a) to add to the covenants and agreements of the Authority under the Indenture or to surrender any right or power reserved or conferred upon the Authority and which shall not adversely affect the interests of the Registered Owners of the Bonds; (b) to cure any ambiguity, or to cure, correct or supplement any defective or inconsistent provisions contained in the Indenture, or to include provisions relating to the administration of any Credit Facility, as the Authority and the Trustee may deem necessary or desirable and not inconsistent with the Indenture and which shall not adversely affect the interests of the Registered Owners of the Bonds, or for other purposes as the Authority and the Trustee may deem desirable but only if and to the extent that such Supplemental Indenture does not in any manner adversely affect or impair the rights of the Bondholders under the Indenture; (c) to subject, describe or redescribe any property subjected or to be subjected to the lien of the Indenture; (d) to provide for the issuance of Additional Indebtedness or the issuance of a Credit Facility; (e) to modify, amend or supplement the Indenture or any indenture supplemental thereto, to add to the Indenture or any indenture supplemental thereto such other terms, conditions and provision as may be required by said Indenture Act of 1939, as amended, or similar Federal statute; (f) to modify, amend or supplement the Indenture in such manner as may be necessary to obtain or maintain from the Rating Agencies a securities rating on the 2010 Bonds, or any Additional Indebtedness; and (g) to make any change to the Indenture which does not materially adversely affect the security for the Bonds.

With the consent of the Registered Owners of a majority in aggregate principal amount of Bonds as of the relevant Record Date, the Authority and the Trustee, may enter into a Supplemental Indenture for the purpose of adding any provisions or changing in any manner or eliminating any of the provisions of the Indenture; provided, however, that no such supplemental indenture shall extend the fixed maturity of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, or reduce the percentage of Registered Owners of Bonds required to approve any such supplemental indenture. For purposes of obtaining consents to supplemental indentures, a Credit Facility Provider shall be deemed the sole Registered Owner of the series of Bonds secured by the relevant Credit Facility.

Before the Trustee shall enter into any supplemental indenture there shall have been delivered to the Trustee an opinion of Counsel that such supplemental indenture is authorized under the Indenture, will upon the execution and delivery thereof be valid and binding upon the Authority in accordance with its terms, and will not affect the exclusion from gross income of the interest on any Tax-Exempt Bonds for federal income tax purposes.

DEFEASANCE

If the Authority shall pay or cause to be paid, in accordance with the provisions of the Indenture, to the Registered Owners of any Bond, the principal and interest and premium, if any, to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of the Trust Estate and any other money and securities pledged and all other rights granted hereby shall be discharged and satisfied with respect to such Bond. In the event the Authority so provides for all Outstanding Bonds issued under the Indenture, the Trustee shall, upon the request of Authority execute and deliver to Authority, all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver, first to the Credit Facility Provider to the extent of any unreimbursed Payment Obligations, and then to the Authority, all money or securities held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Anything in the Indenture to the contrary notwithstanding and except as the escheat laws of the State may otherwise provide, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for four years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such money were held by the Trustee at such date, or for four years after the date of deposit of such money if deposited with the Trustee after the said date when all of the Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee to the

Authority, as its or their absolute property and free from trust, and the Trustee shall thereupon be released and discharged; provided, however, that before being required to make any such payment, the Trustee shall, at the expense of the Authority, cause to be published once in an Authorized Newspaper, notice that said money remain unclaimed and that, after a date named in said notice, which date shall be not less than ten nor more than twenty days after the date of first publication of such notice, the balance of such money then unclaimed will be returned to the Authority as provided in the Indenture.

MISCELLANEOUS PROVISIONS

In case any one or more of the provisions contained in the Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of the Indenture, but the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained under the Indenture.

All the covenants, promises and agreements in the Indenture contained by or on behalf of the Authority, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Liability of the Authority under the Indenture is limited to the same extent as under the Bonds. No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any Bond hereby secured, or under any judgment obtained against the Authority or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, under or independent of the Indenture, shall be had against any member, officer or employee, as such, past, present or future, of the Authority for the payment for or to the Authority or any receiver thereof, or for or to the Registered Owners of any Bonds issued under the Indenture or otherwise, of any sum that may be due and unpaid by the Authority upon any such Bond. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member, officer or employee of the Authority as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Registered Owner of any Bond issued thereunder or otherwise, of any sum that may remain due and unpaid upon the Bonds and hereby secured or any of them, is hereby expressly waived and released as a condition of and consideration for the execution of the Indenture and the issuance of such Bond.

Neither the State nor any political subdivision thereof shall be liable for the payment of the principal of or interest on any of the Bonds issued under the Indenture, or for the performance of any pledge, mortgage, obligation or agreement or indebtedness of the Authority, and none of the Bonds of the Authority issued under the Indenture shall be construed to constitute an indebtedness of said State or political subdivisions within the meaning of any constitutional or statutory provision whatsoever.

APPENDIX D

Proposed Form of Opinion of Bond Counsel

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_____, 2010

DELAWARE SOLID WASTE AUTHORITY

\$24,625,000
Solid Waste System Revenue Bonds,
Tax-Exempt Series of 2010A

\$18,855,000
Solid Waste System Revenue Bonds,
Taxable Build America Bonds (Direct Pay)
Series of 2010B

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as bond counsel in connection with the issuance on the date hereof of \$24,625,000 Solid Waste System Revenue Bonds, Tax-Exempt Series of 2010A (the "2010A Bonds") and \$18,855,000 Solid Waste System Revenue Bonds, Taxable Build America Bonds (Direct Pay) Series of 2010B (the "2010B Bonds", and together with the 2010A Bonds, the "2010 Bonds"), dated the date hereof, by the Delaware Solid Waste Authority, a body politic and corporate constituting a public instrumentality (the "Authority") of The State of Delaware (the "State"). The 2010 Bonds are subject to redemption, in whole or in part, at the times, in the manner and upon the terms set forth in the 2010 Bonds.

The 2010 Bonds are issued in fully registered form in the denominations of \$5,000 and integral multiples thereof. The 2010 Bonds are all of like date and tenor, except as to date of maturity, rate of interest and provision for redemption. The 2010 Bonds are subject to extraordinary optional redemption prior to maturity under the conditions and subject to the restrictions set forth in the Indenture (hereinafter defined).

The 2010 Bonds are issued pursuant to Chapter 64 of Title 7 of the Code of Delaware, as amended (the "Act"), a resolution of the Authority dated May 27, 2010 (the "Resolution") and a Trust Indenture dated as of December 1, 2010 (the "Original Indenture"), as supplemented by a First Supplemental Trust Indenture dated as of June 1, 2010 (the "First Supplemental Indenture," and together with the Original Indenture, the "Indenture"), by and between the Authority and Wilmington Trust Company, Wilmington, Delaware as Trustee (the "Trustee"), for the purposes of financing the construction of Area F at the Sandtown Landfill and Cell 5 at the Jones Crossroads Landfill, and various other secondary projects described in the Authority's Capital Improvement Program, making a deposit to the Debt Service Reserve Fund, and paying costs associated with the issuance of the 2010 Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other material related to the 2010 Bonds and we express no opinion herein relating thereto.

As Bond Counsel for the Authority, we have examined, among other things: (a) evidence of the incorporation of the Authority; (b) a certified copy of the Bond Resolution; (c) the executed Indenture; (d) certificates of Authority officials and the Trustee as to material factual matters, including certificates of the Authority and Trustee with respect to the execution and authentication of the 2010 Bonds; (e) representations of the Authority relating to compliance with the Internal Revenue Code of 1986, as amended (the "Code"); (f) an opinion of Parkowski, Guerke & Swayze, P.A., Dover, Delaware, General Counsel to the Authority, on which we have relied as to the organization and existence of the Authority; and (g) a Form 8038-G, Internal Revenue Service Information Return for Tax-Exempt Governmental Bond Issues, with respect to the 2010A Bonds, a Form 8038-B, Internal Revenue Service Information Return for Build America Bonds and Recovery Zone Economic Development Bonds, with respect to the 2010B Bonds and a Form 8038-CP, Return for Credit Payments to Issuers of Qualified Bonds, with respect to the 2010B Bonds. In addition, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary for the purposes of the opinion rendered below, including the Authority's Tax Certificate (the "Tax Certificate"). In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. We have relied upon the aforesaid instruments, certificates and documents as to any facts material to our opinion, when

relevant facts were not independently established and on the performance of the covenants of the Authority contained in the Resolution. We have relied, as to the execution, authentication and delivery of, and payment for, the 2010 Bonds, on certificates of the Authority and the Trustee.

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

(1) The Authority is a body politic and corporate constituting a public instrumentality of the State duly created and validly existing under and by virtue of the Act.

(2) The 2010 Bonds have been duly authorized, issued and sold by the Authority.

(3) The First Supplemental Indenture has been duly authorized, executed and delivered by the Authority and accepted by the Trustee and is a valid, binding and enforceable instrument in accordance with its terms.

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

(5) The 2010 Bonds constitute legal and valid limited obligations of the Authority enforceable against the Authority in accordance with their terms. The 2010 Bonds are entitled to the benefits and the security, and are subject only to the terms and conditions, set forth in the Resolution and the Indenture.

(6) Interest (including accrued original issue discount) on the 2010A Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2010A Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the 2010A Bonds to be includable in gross income retroactive to the date of issuance of the 2010A Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2010A Bonds is not subject to the alternative minimum tax imposed on individuals and corporations. We express no opinion regarding other federal tax consequences relating to the 2010A Bonds or the receipt of interest thereon.

(7) In addition, under existing law, the 2010 Bonds, their transfer and the interest paid thereon or income therefrom, including any profit from a sale or exchange, shall at all times be free from taxation by the State of Delaware or any subdivision thereof.

The foregoing opinions relating to the enforceability against the Authority of the Resolution, the Indenture and the 2010 Bonds are qualified to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights and remedies of creditors generally, and general principles of equity.

APPENDIX E

Certain Definitions

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APPENDIX E

CERTAIN DEFINITIONS

The following terms words and phrases have the following meanings as used in this Official Statement, except as otherwise expressly provided or unless the context clearly requires otherwise:

“2006 Improvements” shall have the meaning ascribed to it in the Indenture.

“Accountant” means such independent certified public accountant or accounting firm as shall at the time be employed by the Authority for the purpose of performing the functions and duties of the independent certified public accountant under this Indenture or the Act.

“Accreted Value” means at any particular time, the value of any Capital Appreciation Indebtedness used for the purpose of determining any required principal amount for Bondholders’ consents or approvals, the redemption price of such Indebtedness or the priority of any claim for payment of interest or principal upon the occurrence of an Event of Default, all as provided in the Supplemental Indenture authorizing the issuance of any such Capital Appreciation Indebtedness.

“Accrued Debt Service” means for any calendar month, the sum of Accrued Interest and Accrued Principal for that month for all of Outstanding Bonds.

“Accrued Interest” means for any calendar month, the interest component of Debt Service Requirements which has accrued or will accrue on any particular series of Outstanding Bonds during that month less (i) any interest component which accrues during such period, which is to be paid from money or Investment Securities or the earnings thereon, which money or Investment Securities are on deposit in a separate fund or account such as a capitalized interest subaccount or are otherwise segregated for such purpose, and (ii) any interest which has accrued but is not due and payable within the 12-month period immediately following such accrual. For purposes of this definition, the interest component which has accrued but is not due and payable within the 12-month period immediately following such accrual shall be included as Accrued Interest in twelve equal consecutive monthly installments commencing on the twelfth month preceding the payment date. A Supplemental Indenture authorizing the issuance of Additional Parity Indebtedness may modify or amend this definition of Accrued Interest for such Additional Parity Indebtedness.

“Accrued Principal” means for any calendar month, the principal component of Debt Service Requirements which has “accrued” or will “accrue” on a particular series of Outstanding Bonds during that month less any principal component which accrues during such period but is to be paid from money or Investment Securities or the earnings thereon which money or Investment Securities are on deposit in a separate fund or account or are otherwise segregated for such purpose. For purposes of this definition, it shall be assumed that the principal component accrues in twelve equal monthly installments commencing on the twelfth month preceding the date on which payment is due, except that (i) with respect to the principal component of a series of Bonds which is payable more frequently than annually, the principal component shall accrue in equal monthly installments from one payment date to the next, (ii) if the first principal payment date on a series of Bonds is less than twelve months after the issuance of such series of Bonds, the principal component due on such first payment date shall accrue in equal monthly installments from the date of issuance to the first payment date, and (iii) with respect to Indebtedness which intended to be refinanced upon or prior to its maturity, the entire principal component shall be deemed to accrue in the month in which such indebtedness is due and payable and not in monthly installments prior to such date. In all events, principal shall be determined to accrue in monthly amounts sufficient to assure the full amount due on any principal payment date and to be paid from the Debt Service and Sinking Fund will be on deposit in the Debt Service and Sinking Fund on the payment date. If an Event of Default occurs and Bonds have been declared to be due and payable as provided in this Indenture, then, in each calendar month, the entire unpaid principal of all Bonds which have been accelerated shall be deemed to have accrued in that calendar month. A Supplemental Indenture authorizing the issuance of Additional Parity Indebtedness may modify or amend this definition of Accrued Principal with respect to such Additional Parity Indebtedness.

“Act” means (i) Chapter 64, Title 7, Code of Delaware, Revised 1974, as it may from time to time be amended and (ii) any rules or regulations promulgated by the Authority pursuant to the Act (including, but not limited to, the Licensing Regulations) as the same may from time to time be modified or amended.

“Act of Bankruptcy” means with respect to any Person the occurrence of one of the following events: (a) the Person shall become insolvent or shall fail to pay its debts generally as they become due, or shall admit in writing its inability to pay its indebtedness; (b) the Person shall file a case under the Federal Bankruptcy Code to be declared a bankrupt or for reorganization; (c) the Person shall consent to, or petition or apply to any authority for the appointment of a receiver, liquidator, trustee or similar official for itself or for all or any part of its properties; (d) any such receiver, liquidator, trustee or similar official shall otherwise have been appointed and shall not have been removed, dismissed or stayed within sixty (60) days of such appointment; or (e) insolvency, reorganization, arrangement or liquidation proceedings (or similar proceedings) shall have been instituted by or against the Person, and if instituted against the Person, shall not have been dismissed within sixty (60) days of being instituted.

“Additional Indebtedness” means any Indebtedness incurred by the Authority subsequent to the issuance of the 2010 Bonds. Additional Indebtedness may constitute Additional Parity Indebtedness, Subordinated Indebtedness, Non-Recourse Indebtedness, Credit Notes or any combination thereof.

“Additional Parity Indebtedness” means any Indebtedness of the Authority incurred pursuant to the Indenture and secured by a lien on the Pledged Revenues on a parity basis with the 2006 Bonds and the 2010 Bonds.

“Advance-Refunded Municipal Bonds” means obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by Government Obligations held in trust for the payment thereof which Advance-Refunded Municipal Bonds are rated in the highest rating category by a Rating Agency that maintains a credit rating with respect to such Advance-Refunded Municipal Bonds.

“Annual Budget” means the budget or amended budget for a Fiscal Year, as adopted by the Authority in accordance with the provisions of the Indenture as may be in effect from time to time.

“Authority” means the Delaware Solid Waste Authority.

“Authority Facility” or “Authority Facilities” means all Existing Facilities for the Processing of System Solid Waste and any Improvements thereto.

“Authorized Denominations” means with respect to the 2010 Bonds, a minimum denomination of \$5,000 and whole multiples of \$5,000 in excess of \$5,000.

“Authorized Newspaper” means a newspaper selected by the Trustee printed in the English language and customarily published at least five (5) days each week and generally circulated within the Borough of Manhattan, City and State of New York, and when successive publications in an Authorized Newspaper are required they may be made in the same or different Authorized Newspapers.

“Authorized Representative” or “Authorized Officer” means in the case of the Authority, the Chairman, Vice Chairman, General Manager or Chief Financial Officer of the Authority, or any other officer or person authorized to perform specific acts or duties by resolution duly adopted by the Board of the Authority, and in the case of any Credit Facility Provider, the President or any Vice President of the Credit Facility Provider, or any other officer authorized to perform specific acts or duties by resolution duly adopted by the Board of Directors, or relevant committee thereof, of the Credit Facility Provider.

“Balloon Indebtedness” shall mean Indebtedness intended to be refinanced upon or prior to its maturity and 50% or more of the initial principal amount thereof matures or is payable at the option of the holders thereof, on the same date, which portion of the principal is not required by the documents governing such Indebtedness to be amortized by redemption prior to such date. In calculating the Debt Service Requirement for purposes of determining the Debt Service Reserve Requirement or compliance with Additional Parity Indebtedness

requirements, such Balloon Indebtedness shall be deemed to be Indebtedness which, from the date of its original issuance is payable over a term equal to twenty (20) years amortized with level annual debt service at a rate of interest equal to that set forth in writing as being a reasonable rate on such Balloon Indebtedness by a nationally recognized firm of investment bankers or financial advisory firm selected by the Authority.

“Beneficial Owners” means purchasers of Bonds whose ownership interest is evidenced only in the Book-Entry System maintained by the Depository.

“Bondholder”, “Holder”, “holder” and “Registered Owner” means the person in whose name any Bond is registered upon the registration books maintained by the Trustee pursuant to the Indenture.

“Bond Redemption and Improvement Fund” means the fund so designated which is created by the Indenture.

“Bond” or “Bonds” means the 2006 Bonds, 2010 Bonds and any Additional Parity Indebtedness issued pursuant to the Indenture.

“Book-Entry System” means a system for clearing and settlement of securities transactions among participants of a Depository (and other parties having custodial relationships such participants) through electronic or manual book-entry changes in accounts of such participants maintained by the Depository for recording ownership of the Bonds by Beneficial Owners and transfers of ownership interests in the Bonds.

“Business Day” or “business day” means with respect to the 2010 Bonds any day (other than Saturday or Sunday) during which (i) commercial banks located in the State and in any of the cities in which the Principal Office of the Trustee or any then current Credit Facility Provider are located is not required or authorized by law to close; and (ii) The New York Stock Exchange, Inc. is not closed.

“Capital Appreciation Indebtedness” means any Additional Indebtedness with a stated value at maturity, the interest on which is not payable until maturity or earlier redemption. In calculating the Debt Service Requirement in any Fiscal Year for Capital Appreciation Indebtedness for purposes of determining the Debt Service Reserve Requirement or compliance with Additional Parity Indebtedness requirements, the Debt Service Requirement for such Indebtedness during such Fiscal Year shall be determined in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Capital Appreciation Indebtedness.

“Capital Component” means the payment schedule listed in a certificate executed by an Authorized Representative of the Authority and delivered to the Trustee, together with the name and address of the appropriate payee, which reflects (i) that portion of any payment obligation of the Authority pursuant to a Capital Service Contract which, in accordance with Generally Accepted Accounting Principles, is characterized as the capital or debt service component of such payment obligation, or (ii) in the event Generally Accepted Accounting Principles are not dispositive, that portion of any payment obligation of the Authority pursuant to a Capital Service Contract which on or before the execution of such Capital Service Contract the parties to said Capital Service Contract agree constitute the capital or debt service costs with respect to the facility which is the subject of the Capital Service Contract. In the event the parties to a Capital Service Contract cannot reach a mutual agreement as to what portion of the payment obligation constitute the Capital Component, all payment obligations under the Capital Service Contract shall be deemed to constitute the Capital Component. The Authority shall provide to the Trustee promptly after the execution of any Capital Service Contract the certificate describing the Capital Component.

“Capital Service Contract” means any long-term contract between the Authority and any other Person (i) all or a portion of which would be capitalized under Generally Accepted Accounting Principles, (ii) pursuant to which a Person other than the Authority agrees to Process System Solid Waste, and (iii) is with respect to a facility that is not financed by the issuance of Indebtedness of the Authority and is to be owned and operated by a Person other than the Authority.

“Central Waste Management Center” means the existing 164-acre landfill located on a 529-acre site near Sandtown, Kent County, Delaware and affiliated equipment and facilities.

“Cherry Island Landfill” means the Northern Solid Waste Facility–2 at Cherry Island located in the City of Wilmington, New Castle County, Delaware.

“City” means the City of Wilmington, Delaware.

“Code” means the Internal Revenue Code of 1986, as amended, and with respect to a specific section thereof, such reference shall be deemed to include (i) the regulations promulgated under such section, (ii) any successor provision of similar import hereafter enacted, (iii) any corresponding provisions of any subsequent Internal Revenue Code, (iv) the regulations prescribed under the provisions described in (ii) and (iii), and (v) any published revenue rulings applicable thereto.

“Construction Fund” means the fund so designated which is established pursuant to the Indenture.

“Cost” or “Costs” or “Costs of the Project” means with respect to any project the costs chargeable thereto in accordance with Generally Accepted Accounting Principles and includes, without limitation, repayment of temporary loans and interest thereon incurred to pay such costs as well as the cost of acquisition, construction, reconstruction, repair, alteration, improvement and extension of any building, structure, or facility; stored materials or construction work in progress; the cost of machinery and equipment; the cost of land, rights in land (including land rent during construction), easements, privileges, agreements, franchises, utility extensions, access roads and site development necessary or useful and convenient for such project or in connection therewith; financing costs including, but not limited to, discount on Bonds, costs of issuance of Bonds, the fees and expenses of the Authority, engineering, architectural and inspection costs, construction management fees, bond guaranty fees or reserves required by any Credit Facility Provider, Trustee or fiscal agents’ fees, cost of financial, legal, professional and other services and advice; organization, administrative, insurance, and other incidental expenses of any Person prior to and during acquisition or construction; the Rebate Amount; and all such other expenses as may be necessary or incidental to the financing, acquisition, construction or completion of such project or part thereof including, but not limited to, capitalized or other construction period interest, interest payments or deposits into a reserve fund, if any, and other costs permitted by the Act to be paid out of the proceeds of the Bonds.

“Counsel” means an attorney at law or law firm (who may be counsel for the Authority or a Credit Facility Provider) not unsatisfactory to the Trustee.

“Credit Agreement” means any agreement pursuant to which a Credit Facility is issued or provided for.

“Credit Facility” or “Credit Facilities” means any guaranty, letter of credit, insurance policy, surety bond, standby bond purchase agreement or other credit facility or liquidity facility, and any extension or renewal thereof which is delivered to the Trustee as security or liquidity for the payment of the principal or purchase price of or interest on any series of Bonds or any portion thereof, and includes any Reserve Fund Credit Facility.

“Credit Facility Bonds” means those Bonds which are purchased from funds drawn under a Credit Facility by the Trustee during the period of time that such Bonds are not remarketed and are held by or for the account of any Credit Facility Provider.

“Credit Facility Provider” means the provider of any Credit Facility, and includes any Reserve Fund Credit Facility Provider.

“Credit Note” means the promissory note or other instrument evidencing the Authority’s obligations to a Credit Facility Provider pursuant to a Credit Agreement.

“Debt Service and Sinking Fund” means the fund so designated which is established pursuant to the Indenture.

“Debt Service Requirements” means, with reference to a particular series of Indebtedness for any specified period, the amounts required to be paid by the Authority to the Trustee or the holders of such Indebtedness (or any trustee or paying agent for such holders) in respect of the principal of such Indebtedness (including mandatory

redemptions or prepayments) and the interest thereon, and the amounts required to be paid by the Authority as lease rentals in respect of Indebtedness in the form of capitalized leases provided that, for the purposes of the foregoing:

(a) The amount deemed payable by the Authority in respect of interest on any Indebtedness shall not include interest funded from the proceeds thereof or, upon initial issuance, any accrued interest;

(b) The amount deemed payable by the Authority in respect of the principal of and interest on any Balloon Indebtedness, Capital Appreciation Indebtedness, or Variable Rate Indebtedness shall be calculated and, to the extent required, recalculated as provided in this Indenture; and

(c) With respect to any series of Bonds secured by a Credit Facility, Debt Service Requirements shall include any actual reimbursement obligation then due and payable to the relevant Credit Facility Provider.

“Debt Service Reserve Fund” means the fund so designated which is established pursuant to the Indenture.

“Debt Service Reserve Requirement” means with respect to a particular series of Bonds as of a particular date, the lesser of: (a) the maximum annual Debt Service Requirements with respect to the Outstanding Bonds of such series in the then current and all future Fiscal Years; (b) 125% of the average annual Debt Service Requirements with respect to the Outstanding Bonds of such series in the then current and all future Fiscal Years; or (c) ten percent (10%) of the proceeds of such series of Tax-Exempt Bonds (including, for this purpose, the Series 2010B Bonds) minus original issue discount, if any, or such other amount equal to the maximum amount of proceeds derived from the sale of such Tax-Exempt Bonds which may be deposited in the Debt Service Reserve Fund pursuant to the then applicable provisions of the Code. The Debt Service Reserve Requirement maybe satisfied in whole or in part by a Reserve Fund Credit Facility. Notwithstanding the above provisions, the Debt Service Reserve Requirement for capitalized leases that constitute Additional Parity Indebtedness shall be zero, so long as the lease documents provide for a twelve month grace period before the occurrence of a default under such lease shall constitute an Event of Default under the Indenture or result in either the acceleration of payments due on Bonds other than the capitalized lease, or the appointment of a receiver with respect to any facility other than the facility financed with such capitalized lease.

“Defeasance Obligations” means money and any of the following: (i) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including “CATS,” “TIGRS” and “TRS” unless the Authority obtains a Rating Confirmation with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts; (ii) non-callable obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof), including, but not limited to Resolution Funding Corp. debt obligations, and U.S. Agency for International Development guaranteed notes (must mature at least 4 business days before the appropriate payment date); (iii) certificates rated “AAA” by S&P and in one of the two highest long-term rating categories by Moody's and Fitch (if rated by Fitch) evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (ii), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian; (iv) bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (x) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (y) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (i), (ii) or (iii) which fund may be applied only to the payment when due of such bonds or other obligations and (z) rated “AAA” by S&P and in one of the two highest long-term rating categories by Moody's and Fitch (if rated by Fitch); and (v) non-callable Senior Debt obligations of U.S. government-sponsored agencies that are not backed by the full faith and credit of the U.S. government, including, but not limited to, Federal Home Loan Mortgage Corp. debt obligations, Farm Credit

System consolidated system-wide bonds and notes, Federal Home Loan Banks consolidated debt obligations, Federal National Mortgage Association debt obligations, Student Loan Marketing Association debt obligations, Resolution Funding Corp. debt obligations, and U.S. Agency for International Development guaranteed notes (must mature at least 4 business days before the appropriate payment date).

“Depository” means the Depository Trust Company, New York, New York or any successor depository designated pursuant to the Indenture.

“DNREC” means the Department of Natural Resources and Environmental Control of the State of Delaware.

“Eastern Time” means the prevailing local time in the City of New York, New York.

“Engineer” means such engineer or firm of engineers registered in the State as shall be at the time employed by the Authority for the purpose of performing the function and duties of an engineer under this Indenture or the Act and not unsatisfactory to the Trustee or any Credit Facility Provider. Except as otherwise expressly provided herein, the Engineer need not be Independent of the Authority.

“Event of Default” means any of the events described in the Indenture.

“Existing Facilities” means the facilities owned or operated by the Authority as of June 1, 2010.

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an Opinion of Counsel, which shall also be Bond Counsel, to the effect that such action is permitted under the Indenture and, if such Bonds are: (i) tax-exempt, will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes, and (ii) Build America Bonds, will not result in the loss of the Subsidy Payments to the Authority or its designee.

“Federal Bankruptcy Code” means Title 11 of the United States Code.

“First Supplemental Indenture” means the First Supplemental Trust Indenture dated as of June 1, 2010 between the Authority and the Trustee.

“Fiscal Year” means the period of twelve months beginning July 1 of each year and ending on June 30 of the next succeeding year, or any other twelve month period adopted by the Authority as their fiscal year for accounting purposes.

“Generally Accepted Accounting Principles” shall mean those accounting principles applicable in the preparation of financial statements of municipalities, authorities, or corporations as appropriate, as promulgated by the Governmental Accounting Standards Board, the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body.

“Government Obligations” means United States Treasury bills or other interest-bearing direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the principal and interest of which are unconditionally guaranteed by the United States of America.

“Improvements” means any and all projects or any portion thereof which are useful or desirable in connection with the Processing of System Solid Waste, whether within or without the State, to be owned or operated by the Authority the costs of which are properly chargeable to a plant or property account under Generally Accepted Accounting Principles, including but not limited to any extended, additional or replacement facilities or portions thereof developed or acquired by the Authority, and any or all easements, franchises, interests in real estate, rights-of-way, equipment or appurtenances necessary or useful for such facility.

“Indebtedness” means, as to the Authority, at a particular time, all items which would, in conformity with Generally Accepted Accounting Principles, be classified as liabilities on a balance sheet of the Authority at such time. Indebtedness shall not in any event include (a) current obligations payable from current revenue, including current payments for the funding of pension or other employee benefit plans but shall include the current portion of Indebtedness classified as a current obligation under Generally Accepted Accounting Principles; (b) obligations under contracts for supplies, services and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pension benefits paid; and (c) rentals payable in future years under leases, other than leases properly capitalized under Generally Accepted Accounting Principles.

“Independent” means a Person who is not an officer, director or employee of the Credit Facility Provider or a member, officer or employee of the Authority; provided, however, that the fact that such Person is retained regularly by or transacts business with the Authority or the Credit Facility Provider shall not make such Person an employee within the meaning of this definition.

“Indenture” means the Trust Indenture dated as of December 1, 2006 between the Delaware Solid Waste Authority and Wilmington Trust Company, as Trustee, and all modifications thereof and amendments and supplements thereto, including the First Supplemental Indenture.

“Investment Securities” shall mean and include any of the following if and to the extent the same are at the time legal for investment of Authority funds:

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued by any of the following: Federal Home Loan Banks, Federal National Mortgage Association, Government National Mortgage Association, Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Export-Import Bank of the United States, or Federal Land Banks;
- (d) All other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency or person controlled or supervised by and acting as an instrumentality of the United States government pursuant to authority granted by Congress;
- (e) (i) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or any successor federal deposit insurance corporation or entity or (ii) in interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution which either (A) has an unsecured, uninsured and unguaranteed obligation rated “Prime-1” or “A3” or better by Moody’s or “A-1” or “A-” or better by S&P or (B) is the lead bank of a parent bank holding company with an unsecured, uninsured and unguaranteed obligation meeting the rating requirements in (e)(i)(A) above, and provided further that with respect to (i) and (ii) any such obligations are held by the Trustee or a bank, trust company or national banking association other than the issuer of such obligations (unless the issuer is the Trustee);
- (f) Repurchase agreements collateralized by securities described in subparagraphs (a), (b), (c) or (d) above with any registered broker/dealer subject to the Securities Investors’ Protection Corporation or with any commercial bank (including the Trustee), provided that (1) a specific written repurchase agreement governs the transaction, (2) the securities, free and clear of any lien, are held, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not

less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures described in 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq., in such securities is created for the benefit of the Trustee, (4) the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation, and (5) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103% and (6) the collateral was not acquired by the broker/dealer pursuant to a repurchase agreement or reverse repurchase agreement;

(g) Money market funds rated “Am” or “Am-G” or better by Moody’s or S&P;

(h) Commercial paper rated “Prime-1” or better by Moody’s or “A-1” or better by S&P;

(i) Obligations rated “A3” or better by Moody’s or “A-” or better by S&P;

(j) Shares of investment companies which are authorized to invest only in assets or securities described in subparagraphs (a), (b), (c) and (d) above or cash equivalent investments; provided, however, that investment in obligations described in this clause (j) shall not exceed \$500,000;

(k) Advance-Refunded Municipal Bonds;

(l) Tax-Exempt Obligations that are rated “A” or better by Moody’s or “A-” or better by S&P, or shares of investment companies that invest only in such obligations;

(m) Certificates that evidence ownership of the right to payments of principal of or interest on Government Obligations, provided that (1) such obligations shall be held in trust by a bank or trust company or national banking association meeting the requirements for a successor Trustee under this Agreement, (2) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations, and (3) the underlying Government Obligations are held in a special account separate from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated; and

(n) The Trustee’s “cash sweep account” or other short term investment fund of the Trustee or its subsidiaries, the assets of which consist of other Investment Securities defined above.

(o) Investment agreements with commercial banks or other companies or with insurance companies rated A+ or better by Best’s having a net capital and surplus of at least \$25,000,000; provided that such commercial banks or other companies or insurance companies have an unsecured, uninsured and unguaranteed obligation (or claims - paying ability) rated “A3” or better by Moody’s and “A-” or better by S&P, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements; and provided further that: (i) interest is paid at a fixed rate during the entire term of the agreement, on or before the dates on which such interest is reasonably expected to be needed for the purposes thereof; (ii) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day’s notice (provided such notice may be amended or canceled at any time prior to the withdrawal date); (iii) the agreement is not subordinated to any other obligations of such insurance company or bank; and (iv) the Trustee receives an opinion of Counsel that such agreement is an enforceable obligation of such insurance company or bank or other company.

(p) Any other security permitted by law and which does not result in a downgrade in the ratings of the Bonds. Notwithstanding the foregoing, the rating requirements and the percentage restrictions set forth in this definition of Investment Securities shall apply only at the time of the purchase of the Investment Security.

“Lien” means any sale, transfer, assignment, disposition, mortgage, pledge, security interest, lien, judgment lien, easement or other encumbrance on title, excluding Permitted Encumbrances.

“Licensing Regulations” means the Solid Waste Licensing and Disposal Regulations promulgated by the Authority pursuant to the Act, as they may from time to time be modified or amended.

“Moody’s” means Moody’s Investors Service, Inc., New York, New York, its successors and assigns, or if such corporation dissolves or no longer performs the functions of a security rating agency, such other nationally recognized securities rating agency designated by the Authority and not unacceptable to either the Trustee or the remarketing agent, if any.

“1986 Code” means the Code.

“Non-Recourse Indebtedness” means any Indebtedness of the Authority (i) secured by a Lien on any real property, fixtures, tangible property or revenue of the Authority other than Pledged Revenues or any part of Authority Facilities, (ii) which is not a general obligation of the Authority, and (iii) the liability for which is effectively limited to the property or revenue subject to such Lien with no recourse, directly or indirectly, to any other property.

“Officer’s Certificate” means a certificate or statement signed by an Authorized Representative or Authorized Officer of the Authority, or, as the context may require, of the Credit Facility Provider.

“Operating, Insurance and Capital Reserve Fund” means the fund so designated which is created in the Indenture.

“Operating Expenses” means the operating expenses reasonably incurred or to be incurred by the Authority in connection with the Processing of System Solid Waste or otherwise reasonably incurred or to be incurred in connection with the ownership and operation of Authority Facilities, determined in accordance with Generally Accepted Accounting Principles including, without limiting the generality of the foregoing, all reasonable costs of operating, maintaining, insuring and repairing the improvements and extensions as may be necessary or proper to maintain adequate service, all taxes imposed upon the Authority or its assets or properties, auditing fees, legal fees, engineering fees, office expenses, general administrative and management expenses, compensation and expenses of the Trustee, provided, however, that Operating Expenses shall not include depreciation on any System properties or facilities, interest on Indebtedness, Payment Obligations or other non-cash charges.

“Operating Fund” means the fund so designated which is described in the Indenture.

“Operating Revenues” means for any period the Revenues of the Authority, excluding any extraordinary gain or loss resulting from the extinguishment of Indebtedness, the sale of capital assets, the proceeds of insurance claims and settlement, and of condemnation awards or payments in lieu thereof, or the proceeds of any Additional Indebtedness, all determined in accordance with Generally Accepted Accounting Principles.

“Outstanding”, when used with reference to a series of Bonds, shall, subject to the provisions of the Indenture, mean as of any particular time all of the Bonds authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (b) Bonds for the payment or redemption of which money in the necessary amount shall have been deposited with the Trustee, and with respect to Bonds to be redeemed prior to maturity, notice of such redemption shall have been given or provided for as provided in the Indenture;
- (c) Bonds in substitution for which other Bonds shall have been authenticated and delivered pursuant to the terms of the Indenture; and

(d) Bonds which are deemed to have been paid pursuant to the provisions of Article XIV hereof.

“Paying Agent” shall mean the Trustee or any other or successor Paying Agent appointed in accordance with any Supplemental Indenture.

“Payment Date” or “payment date” means, (a) with respect to regularly scheduled payments of interest on the 2010 Bonds (also referred to as “Interest Payment Date”), December 1, 2010 and each June 1 and December 1 thereafter; (b) with respect to payment of principal on the 2010 Bonds upon maturity, June 1, 2011 and each June 1 thereafter; (c) with respect to the redemption of the 2010 Bonds, the date provided in the notice of redemption; (d) with respect to payments of principal of or interest on Additional Indebtedness, such dates as may be specified in the applicable Supplemental Indenture; and (e) in the case of payments to Bondholders after the occurrence of an Event of Default, such other date or dates as the Trustee shall establish for the payment of principal or interest.

“Payment Obligations” means all amounts due and owing to a Credit Facility Provider under a Credit Agreement.

“Permitted Encumbrances” means, as of any particular time, (i) leases, encumbrances, mortgages, easements or rights of way with respect to real estate of the Authority which the Authority has determined by resolution to be necessary or desirable in connection with the development by any Person of facilities for the Processing of System Solid Waste, or Separate Facilities, (ii) liens for *ad valorem* taxes, assessments or other governmental charges, permitted to exist as provided herein or not then delinquent, (iii) any mortgage or security agreement securing any Credit Facility Provider as permitted herein, (iv) any Lien created under this Indenture, (v) existing utility, access and other easements and rights of way, restrictions and exceptions and future encumbrances of like nature not arising out of the borrowing of money or the securing of advances of credit which will not interfere with or impair the operation of the property for its intended purpose, (vi) liens arising in connection with workers’ compensation, unemployment insurance, old age pensions and social security benefits and liens securing appeal and release bonds, provided that adequate provision for the payment of all such obligations has been made by the Authority, (vii) attachment and judgment liens, so long as the same are being contested in good faith and by appropriate legal proceedings, (viii) any mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s lien or right or purchase money security interest in respect thereof if payment is not yet due and payable under the contract in question or which is being contested in accordance with the provisions hereof, (ix) those matters shown on Exhibit A hereto, which were in existence at the time of the issuance of the 2010 Bonds, and (x) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds of title as normally exist with respect to properties similar in character to the property and as do not, in the opinion of Counsel, have a material adverse effect on the use of the property for the purposes intended.

“Person” means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization, a governmental body, political subdivision, municipality or authority or any other group or entity.

“Pledged Revenues” means all Revenues of the Authority.

“Prime Rate” means the rate of interest publicly announced by Citibank, N.A., New York, New York or its successors from time to time as its “prime rate” effective in New York, New York, with the Prime Rate for any given calendar month being calculated by using the Prime Rate in effect as of the first day of such month.

“Principal Office”, when referring to the Trustee or any Paying Agent, means the office where any such institution maintains its principal corporate trust office, and when referring to a Credit Facility Provider means the office at which a demand for payment must be made.

“Private Facilities” means any and all projects or any portion thereof which an Authorized Officer of the Authority certifies in writing are useful or desirable in connection with the Processing of System Solid Waste, whether within or without the State, the costs of which are properly chargeable to a plant or property account under Generally Accepted Accounting Principles, including but not limited to the acquisition of capacity, and any or all

easements, franchises, interests in real estate, rights-of-way, equipment or appurtenances necessary or useful for such project, so long as such project or facility is neither owned nor operated by the Authority.

“Process or Processing” means the collection, transportation, storage, transfer, processing or disposal of any or all System Solid Waste, or any fraction, residue or derivative thereof.

“Project Budget” means a statement, and any amendments thereof, of the estimated Costs of an Improvement, as set forth in an Officer’s Certificate of the Authority, setting forth the Costs in such categories and reasonable detail as shall be satisfactory to the Trustee and Credit Facility Provider, if any.

“Rate Covenant” means the covenant of the Authority set forth in the Indenture.

“Rating Agencies” means S&P, Moody’s, and any other nationally recognized credit rating agency, to the extent that such entity then maintains a credit rating with respect to the relevant security.

“Rebate Amount” means all interest income and profits earned on the investment of the proceeds of Tax-Exempt Bonds which is required to be paid to the United States under Section 148(f) of the Code, calculated and determined in accordance with the Regulations in effect from time to time under that Section.

“Rebate Fund” means the separate fund created under the Indenture.

“Record Date” means, as the case may be, (i) the Regular or Special Record Date for payment of the purchase price, principal of or interest on a series of Bonds or (ii) the record date established by the Authority in accordance with the Indenture for obtaining consents from bondholders.

“Registered Owner” means the Person or Persons in whose names particular Bonds are registered on the registration books of the Authority kept for that purpose by the Trustee, as Bond register.

“Regular Record Date” means with respect to the 2010 Bonds the fifteenth day (whether or not a Business Day) of the calendar month immediately preceding the relevant Payment Date.

“Representation Letter” means the Letter of Representation from the Authority to the Depository.

“Reserve Fund Credit Facility” means the letter of credit, insurance policy or surety bond, together with any substitute or replacement therefor, if any, complying with the provisions of the Indenture, thereby fulfilling all or a portion of the Debt Service Reserve Requirement.

“Reserve Fund Credit Facility Provider” means any provider of a Reserve Fund Credit Facility.

“Revenues” means (a) Service Payments, Subsidy Payments, all receipts, revenue, income, rates, rents, service and user fees and other amounts received by or on behalf of the Authority for the Processing of System Solid Waste, or otherwise derived by the Authority from its ownership or operation of Authority Facilities, and all rights to receive the same whether in the form of accounts receivable, general intangibles, contract rights, chattel papers instruments or other rights, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Authority, and all proceeds of the foregoing; and (b) all income, interest and profits received from the investment of money held in any fund established under the Indenture.

“Revenue Fund” means the fund so designated which is described in the Indenture.

“Secured Obligations” means the various obligations secured by this Indenture as described in the granting clauses hereto.

“Separate Facility” or “Separate Facilities” means any project or facility acquired or developed by or on behalf of the Authority that (i) does not constitute an Existing Facility, (ii) is not intended to Process System Solid Waste and (iii) is declared by a certified resolution adopted by the Board of Directors of the Authority prior to the

issuance of Indebtedness incurred to finance such project or facility to be a Separate Facility. For example, Separate Facilities may include disposal facilities for infectious waste, hazardous waste, industrial process solid waste, or inert waste. Separate Facilities may be located at or adjacent to Authority Facilities without affecting their status as Separate Facilities so long as the Revenues derived from such Separate Facilities are segregated from the Revenues derived from the Authority Facilities.

“Service Payments” means any payments however characterized actually paid to the Authority in accordance with contractual arrangements with Persons pursuant to which such Person agrees to Process System Solid Waste, including, but not limited to, Capital Service Contracts. Service Payments shall include but not be limited to, revenues from the sale or other disposition of energy or any other recovered material of commercial value derived in connection with the Processing of System Solid Waste such as ferrous metals, glass, aluminum and humus.

“Settlement Account” means the separate account established by the Trustee pursuant to the Indenture.

“S&P” means Standard & Poor’s Corporation, New York, New York, its successors and assigns, or if such corporation dissolves or no longer performs the functions of a security rating agency, such other nationally recognized securities rating agency designated by the Authority and not unacceptable to either the Trustee or the remarketing agent, if any.

“Solid Waste” has the meaning provided for in the Licensing Regulations.

“Southern Waste Management Center” means the 200-acre landfill located on a 570-acre site approximately equidistant between Seaford and Millsboro in Sussex County, Delaware, and affiliated equipment and facilities.

“Special Record Date” means such date as may be fixed by the Trustee for the payment of defaulted interest in accordance with the Indenture.

“State” means the State of Delaware.

“State-wide Plan” means the State-wide Plan for Solid Waste Management adopted by the Authority pursuant to Section 6403(j) of the Act, as the same may from time to time be updated and amended.

“Stated Amount” means the amount set forth in any Credit Facility as the maximum amount the Trustee is permitted to draw from said Credit Facility, in respect of both principal and interest, as such amount is reduced and reinstated from time to time in accordance with the terms of the Credit Facility.

“Subordinated Indebtedness” means any Indebtedness of the Authority secured by a Lien on the Pledged Revenues that is by its terms expressly subordinated to the Lien on the Pledged Revenues securing the Bonds.

“Subsidy Payments” means the cash subsidy equal to 35% of the interest payable on the 2010B Bonds which the Authority expects to receive from the United States Treasury pursuant to the American Recovery and Reinvestment Act of 2009.

“Supplemental Indenture” means any indenture, amending, modifying or supplementing the Indenture made, signed and becoming effective in accordance with the terms hereof.

“System Solid Waste” means (i) all Solid Waste generated within the State and of the type generally accepted by the Authority at Existing Facilities, and (ii) any type of Solid Waste generated within the State that the Authority, by adoption of a resolution of its Board of Directors, has elected to include within the definition of System Solid Waste, but shall not include Unacceptable Waste.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government or public instrumentality, including Bonds, that such interest is excluded from gross income for federal tax purposes (other

than for an owner who is a “substantial user” of the project being financed or a “related person” within the meaning of Section 147(a) of the Code), whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code. The Trustee may conclusively rely on an opinion of Independent Counsel experienced in the field of Tax-Exempt obligations to the effect that a particular series of Bonds is Tax-Exempt.

“Trust Estate” means the revenue, receipts, property, rights and interest of the Authority which are subject to the lien of this Indenture including, but not limited to, the Pledged Revenues, proceeds of Additional Indebtedness, and moneys and Investment Securities held by the Trustee hereunder, or other property or revenues covered by the granting clauses of this Indenture.

“Trustee” means Wilmington Trust Company of Wilmington, Delaware in its capacity as trustee under this Indenture, or its successors in the trust.

“2006 Bonds” means the Authority’s \$95,715,000 original aggregate principal amount of Solid Waste System Revenue Bonds, Series of 2006 issued pursuant to the Indenture.

“2010 Bonds” means the Authority’s \$43,480,000 original aggregate principal amount of Solid Waste System Revenue Bonds, Series of 2010 consisting of the 2010A Bonds and the 2010B Bonds.

“2010A Bonds” means the Authority’s \$24,625,000 aggregate principal amount of Solid Waste System Revenue Bonds, Tax-Exempt Series of 2010A issued pursuant to the Indenture.

“2010B Bonds” means the Authority’s \$18,855,000 aggregate principal amount of Solid Waste System Revenue Bonds, Taxable Build America Bonds (Direct Pay) Series of 2010B issued pursuant to the Indenture.

“Unacceptable Waste” means Solid Waste (i) that in the reasonable judgment of the Authority by reason of its composition, characteristics or quantity requires special handling or has a reasonable likelihood of endangering public health, safety or the environment or otherwise adversely affecting facilities for the Processing of System Solid Waste or the operation of such facilities or (ii) that the Authority is precluded from accepting by virtue of any statute, regulation, order, standard, policy, permit condition or similarly binding authority from the United States Environmental Protection Agency, DNREC or any other governmental agency or unit having appropriate jurisdiction.

“Variable Rate Indebtedness” means any Bond, the rate of interest on which is subject to change prior to maturity and which cannot be determined in advance of such change, including but not limited to Bonds in a commercial paper mode. In calculating the Debt Service Requirement for purposes of determining the Debt Service Reserve Requirement or compliance with Additional Parity Indebtedness requirements, such Variable Rate Indebtedness shall be deemed to be Indebtedness bearing interest at not less than the greater of: (i) the average rate borne over the preceding three (3) years by instruments substantially similar to those intended to be issued or, if such instruments do not exist, by such variable rate indebtedness for which the interest rate is computed by reference to an index comparable to those to be utilized for the proposed Variable Rate Indebtedness; (ii) the then-current variable interest rate on such Variable Rate Indebtedness; or (iii) the average of the applicable variable interest rates for the preceding twelve (12) month period in the case of existing Variable Rate Indebtedness. Any ongoing liquidity facility charges and remarketing agent fees imposed in connection with such Variable Rate Indebtedness shall be deemed to be interest on such Variable Rate Indebtedness. The interest rate used in calculating the Debt Service Reserve Requirement for Variable Rate Indebtedness shall be determined upon the original issuance of such Variable Rate Indebtedness and may be reset from time to time at the option of the Authority in accordance with the provisions of this paragraph.

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APPENDIX F

Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of December 1, 2006 (the "Disclosure Agreement") is executed and delivered by the DELAWARE SOLID WASTE AUTHORITY (as more fully defined below, the "Authority") in connection with the issuance of its Solid Waste System Revenue Bonds, Series of 2006. The Authority, intending to be legally bound, hereby covenants and agrees as follows:

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

Section 2. Definitions. In addition to the definitions set forth in the 2006 Bond Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Additional Bonds" shall mean any indebtedness of the Authority issued subsequent to the 2006 Bonds which the Authority has declared in writing to be covered by this Disclosure Agreement.

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

"Bond Resolution" shall mean the 2006 Bond Resolution and, to the extent relevant, any other bond resolution or authorizing document with respect to Additional Bonds.

"Bondholder" or "Holder" shall mean any registered holder of Bonds, provided however that with respect to any Bond registered in a "street name" or the name of a nominee such as The Depository Trust Company, such terms shall mean the beneficial owner of that Bond as defined in S.E.C. Rule 13d-3.

"Bonds" shall mean the 2006 Bonds and any Additional Bonds, if any.

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

"Insurer" shall mean MBIA, as Issuer of a municipal bond insurance policy with respect to the 2006 Bonds.

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

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

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

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

MUNICIPAL SECURITIES RULEMAKING BOARD
Continuing Disclosure Information System
1900 Duke Street
Suite 600
Alexandria, VA 22314
(703) 797-6600 (phone)
(703) 683-1930 (fax)

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

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
<http://www.bloomberg.com/markets/rates/municontacts.html>
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
<http://www.dpcdata.com>
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: 212-771-6999; 800-689-8466
Fax: 212-771-7390
<http://www.ftid.com>
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.

55 Water Street, 45th Floor

New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

www.jjkenny.com/jjkenny/pser_descrip_data_rep.html

Email: nrmsir_repository@sandp.com

"2006 Bond Resolution" shall mean the bond resolution duly adopted by the Board of Directors of the Authority with respect to the 2006 Bonds on September 28, 2006 as supplemented by a supplemental resolution adopted on October 26, 2006.

"2006 Bonds" shall mean the Authority's \$95,715,000 aggregate principal amount Solid Waste System Revenue Bonds, Series of 2006 dated the Delivery Date.

"2006 Underwriter" shall mean the investment banking firms of Citigroup Global Markets Inc., Bear Sterns & Co. Inc., Janney Montgomery Scott LLC and Ferris, Baker Watts, Inc.

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

"Participating Underwriter" shall mean the 2006 Underwriter and any of the original underwriters of any Additional Bonds required to comply with the Rule in connection with offering of such Additional Bonds.

"Repository" shall mean each National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission including by way of example the staff interpretive guidance dated June 23, 1995 from Robert L.D. Colby, Deputy Director or the letter dated September 19, 1995 from Catherine McGuire, Chief Counsel, Division of Market Regulation addressed to John S. Overdorff, Esquire.

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

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

Section 3. Provision of Annual Reports.

The Authority shall, or shall cause the Dissemination Agent to, not later than the first day of the eighth calendar month immediately following the end of the Authority's fiscal year, provide to the Insurer and each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent, if any. Given the Authority's current fiscal year, this obligation to provide an Annual Report occurs by not later than February 1 of each year, commencing February 1, 2007. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided however that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report.

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

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

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

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

Section 4. Content of Annual Reports.

(a) The Authority's Annual Report shall contain or incorporate by reference the following information with respect to the relevant fiscal year:

- (i) audited financial statements in form and content substantially the same as those appended to the Official Statement of the Authority dated December 13, 2006;
- (ii) tipping fee schedule
- (iii) amount of solid waste disposed of or recycled at Authority facilities; and

(iv) the total number of employees of the Authority.

(b) Notwithstanding the provisions of Section 4(a) above, in the event the Authority provides for the repayment of the Bonds through an economic defeasance, such that repayment of the principal of and interest on the Bonds are expected to be derived from escrowed securities, and not the general revenues of the Authority (the "Defeased Bonds"), the Authority's Annual Report with respect to such Defeased Bonds shall only contain or incorporate by reference a report by a certified public accountant or person qualified by experience to do so (the "Verification Report") as to the mathematical accuracy of computations showing the sufficiency of the receipts from the escrowed securities to pay, when due, the principal, interest and redemption premium (if any) requirements of the Defeased Bonds. Any cross reference to the Verification Report may be contained in a footnote to the Authority's audited financial statements.

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

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

Section 5. Reporting of Significant Events.

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

- (i) Principal and interest payment delinquencies;
- (ii) Non payment-related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

- (vii) Modifications to rights of Bondholders;
- (viii) Bond calls (other than mandatory sinking fund redemptions);
- (ix) Defeasances of Bonds;
- (x) Release, substitution, or sale of property securing repayment of any Bonds; or
- (xi) Rating changes.

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

Section 6. Alternative Filing. Notwithstanding the foregoing, any filing under this Disclosure Agreement with the Repositories or the State Repository, if any, may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 7. Accounting Standards. The financial statements described in Section 4(a)(i) above shall be audited in accordance with both (a) generally accepted accounting principles applicable in the preparation of financial statements of municipalities and other public entities as such principles are from time to time promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body ("GAAP"), and (b) applicable federal and state auditing statutes, regulations, standards and/or guidelines; provided however that the Authority may from time to time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal and state statutes, regulations, standards and/or guidelines. Any such modification of accounting standards to conform to changes in either GAAP or applicable federal or state auditing statutes, regulations, standards or guidelines shall not constitute an amendment to this Disclosure Agreement within the meaning of Section 9 hereof, provided that such modifications are disclosed in the first Annual Report to be provided subsequent to such modifications.

Section 8. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) the assumption by a successor Obligated Person of all of the obligations of the prior Obligated Person both hereunder and under the Bonds. The prior Authority shall provide timely written notice to each Repository of any termination of its obligations hereunder.

Section 9. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor Dissemination Agent.

Section 10. Amendments.

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

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

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

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

Compliance with the provisions of this Section 10(a) shall be conclusively evidenced by a written opinion of nationally recognized bond counsel to the effect that the modification or amendment satisfies the requirements of this Section 10(a) and the then-current requirements of the Rule.

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

presentation of the financial information. Written notice of any such change in accounting principles shall be provided in a timely fashion to each Depository.

Section 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, the Paying Agent, any Participating Underwriter or any Bondholder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance; provided however that nothing herein shall limit any Bondholder's rights under applicable federal securities law.

Section 13. Severability. In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision or the Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

Section 14. Entire Agreement. This Disclosure Agreement contains the entire agreement of the Authority with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto, provided however that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

Section 15. Captions. The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

Section 16. Beneficiaries. This Disclosure Agreement is being entered into solely for the benefit of the Participating Underwriters and Bondholders from time to time of the Bonds, and nothing in this Disclosure Agreement expressed or implied is intended to or shall be construed to give to any other person or entity any legal or equitable right, remedy or claim under or in

respect of this Disclosure Agreement or any covenants, conditions or provisions contained herein.

Section 17. Governing Law. This Disclosure Agreement shall be deemed to be a contract made under the laws of the State of Delaware, and all provisions hereof shall be governed and construed in accordance with the laws of the State of Delaware, without reference to the choice of law principles thereof.

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

DELAWARE SOLID WASTE AUTHORITY

(SEAL)

Attest:


N.C. Vasuki

By:

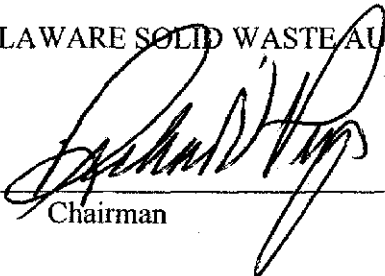

Chairman

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Delaware Solid Waste Authority

Name of Bond Issue: \$95,715,000 Solid Waste System Revenue Bonds, Series of 2006

Date of Issuance: December 20, 2006

CUSIP: 246412 DL1

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds in a timely manner as required by its Continuing Disclosure Agreement dated as of December 20, 2006. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

DELAWARE SOLID WASTE AUTHORITY

By: _____
Authorized Officer

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