NEW ISSUE/REFUNDING ISSUE – BOOK - ENTRY ONLY

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the State of Connecticut with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, interest on the 2010 Series A Bonds and the 2010 Series C Bonds is excludable from the gross income of the owners thereof for purposes of Federal income taxation and will not be treated as a preference item for purposes of computing the Federal alternative minimum tax for individuals and corporations, interest on the 2010 Series A Bonds is excludable from adjusted current earnings for purposes of calculating the Federal alternative minimum tax on corporations, and interest on the 2010 Series C Bonds is includable in adjusted current earnings for purposes of calculating the Federal alternative minimum tax on corporations, all as described under "Tax Exemption of the 2010 Series A Bonds and the 2010 Series C Bonds" herein. In the opinion of Bond Counsel, based on existing statutes, interest on the 2010 Series B Bonds is included in the gross income of the owners thereof for purposes of Federal income taxation. In the opinion of Bond Counsel, under existing statutes, interest on the 2010 Series A, B and C Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. For a discussion of the inclusion of interest income on the 2010 Series A, B and C Bonds in the definition of "gross income" for purposes of the Corporation Business Tax imposed by Chapter 208 of the Connecticut General Statutes and other Federal and State tax consequences of ownership or disposition of the 2010 Series A, B and C Bonds, see "Tax Exemption of the 2010 Series A Bonds and the 2010 Series C Bonds" and "Tax Status of the 2010 Series B Bonds" herein.

$737,675,000
State of Connecticut

$199,570,000 Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2010 Series A
$400,430,000 Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2010 Series B
(Taxable Build America Bonds – Direct Pay)
$137,675,000 Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2010 Series C

Dated: Date of Delivery **Due: November 1, as shown herein**

The $199,570,000 State of Connecticut Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2010 Series A (the "2010 Series A Bonds"), the $400,430,000 State of Connecticut Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2010 Series B (Taxable Build America Bonds – Direct Pay) (the "2010 Series B Bonds"), and the $137,675,000 State of Connecticut Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2010 Series C (the "2010 Series C Bonds", together with the 2010 Series A Bonds and the 2010 Series B Bonds, collectively, the "2010 Series A, B and C Bonds") are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, N.Y. DTC will act as securities depository for the 2010 Series A, B and C Bonds. Purchases of the 2010 Series A, B and C Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 2010 Series A, B and C Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the 2010 Series A, B and C Bonds. See "Book-Entry Only System" herein.

The 2010 Series A Bonds and the 2010 Series C Bonds will be issued as tax-exempt obligations, and the 2010 Series B Bonds will be issued as taxable obligations designated "Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), for which the State of Connecticut (the "State") will elect to receive the credit pursuant to Section 6431 of the Code.

Principal of and semiannual interest on the 2010 Series A, B and C Bonds will be paid directly to DTC by U.S. Bank National Association, Trustee, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. Interest on the 2010 Series A, B and C Bonds will be payable semiannually on May 1 and November 1 of each year, commencing May 1, 2011. Disbursement of such payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct and Indirect Participants, as more fully described herein. The 2010 Series A, B and C Bonds are subject to redemption prior to maturity as more fully described herein.

(See inside front cover for maturities, interest rates and prices or yields)

The 2010 Series A, B and C Bonds will be issued on a parity with earlier series of Senior Bonds (as defined herein) issued by the State for the Infrastructure Program (as defined herein) under a Senior Indenture of Trust by and between the State and the Trustee, as supplemented and amended, and as further supplemented by the Supplemental Indenture for the 2010 Series A, B and C Bonds. **Bonds issued pursuant to the Senior Indenture, including the 2010 Series A, B and C Bonds, are special obligations of the State payable solely from the taxes and other revenues of the State pledged therefor. The Bonds (as defined herein) shall not be payable from nor charged upon any funds other than such pledged revenues, nor shall the State or any political subdivision thereof be subject to any liability thereon except to the extent of such pledged revenues. The issuance of the Bonds pursuant to the Indentures (as defined herein) shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation (except for taxes included in such pledged revenues) whatever therefor or to make any additional appropriations for their payment.**

The 2010 Series A, B and C Bonds are offered, when, as and if issued and received by the Underwriters, subject to the approval of legality by Updike, Kelly & Spellacy, P.C., Hartford, Connecticut, Bond Counsel, and Lewis & Munday, A Professional Corporation, Detroit, Michigan, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriters by their counsel, Pullman & Comley, LLC, Hartford, Connecticut and Bryant Miller Olive P.C., Washington, D.C. It is expected that the 2010 Series A, B and C Bonds in definitive form will be available for delivery at DTC in New York, New York, on or about November 10, 2010.

Treasurer of the State of Connecticut

Citi

Goldman, Sachs & Co. **Jackson Securities**

BofA Merrill Lynch **Siebert Brandford Shank & Co., L.L.C.**

Barclays Capital **J.P. Morgan** **Loop Capital Markets**

Morgan Stanley **M.R. Beal & Company** **Prager, Sealy & Co., LLC**

Ramirez & Co., Inc. **Raymond James & Associates, Inc.** **RBC Capital Markets**

Sterne, Agee & Leach, Inc. **Wells Fargo Bank, National Association**

October 28, 2010

$737,675,000
State of Connecticut

$199,570,000 Special Tax Obligation Bonds
Transportation Infrastructure Purposes, 2010 Series A

MATURITY SCHEDULE

November 1	Amount	Interest Rate	Price or Yield
2011	$18,245,000	2.000%	0.345%
2012	18,905,000	5.000	0.710
2013	19,870,000	5.000	0.970
2014	20,890,000	5.000	1.290
2015	21,960,000	5.000	1.660
2016	23,090,000	5.000	1.990
2017	24,270,000	5.000	2.330
2018	25,515,000	5.000	2.580
2019	26,825,000	5.000	2.840

$400,430,000 Special Tax Obligation Bonds
Transportation Infrastructure Purposes, 2010 Series B
(Taxable Build America Bonds – Direct Pay)

MATURITY SCHEDULE

November 1	Amount	Interest Rate	Price or Yield
2020	$28,075,000	4.126%	100.000
2021	29,295,000	4.376	100.000
2022	30,635,000	4.576	100.000
2023	32,105,000	4.776	100.000
2030	280,320,000*	5.459	100.000

*Term bond subject to mandatory sinking fund redemption. See "Redemption" herein.

$137,675,000 Special Tax Obligation Refunding Bonds
Transportation Infrastructure Purposes, 2010 Series C

MATURITY SCHEDULE

November 1	Amount	Interest Rate	Price or Yield
2012	$11,040,000	2.000%	0.710%
2013	20,920,000	2.000	0.970
2014	20,665,000	3.000	1.290
2016	3,035,000	3.000	1.990
2017	2,310,000	3.000	2.330
2018	2,000,000	3.000	2.580
2018	9,435,000	5.000	2.580
2019	6,155,000	4.000	2.840
2019	8,105,000	5.000	2.840
2020	11,020,000	4.000	3.030
2020	12,660,000	5.000	3.030
2021	20,230,000	5.000	3.220*
2022	10,100,000	5.000	3.330*

*Priced at the stated yield to the November 1, 2020 optional redemption date at a redemption price of 100%; however, any such redemption is at the election of the Treasurer.

This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the 2010 Series A, B and C Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State or the operations of the Special Transportation Fund since the date hereof. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. Certain projections in this Official Statement are based on various assumptions and contingencies which are uncertain and which may not materialize. All quotations from and summaries and explanations of provisions of laws of the State contained in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the 2010 Series A Bonds, the 2010 Series B Bonds and the 2010 Series C Bonds and the proceedings of the State Treasurer relating thereto are qualified in their entirety by reference to the definitive forms of such bonds and such proceedings. This Official Statement is submitted only in connection with the sale of such bonds by the State and may not be reproduced or used in whole or in part for any other purpose, except as specifically authorized by the State. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. 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 such bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2010 SERIES A, B AND C BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Financial Advisors
Public Resources Advisory Group
A.C. Advisory, Inc.

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INFORMATION COVERING RESTRICTIONS IN
CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

THE FOLLOWING INFORMATION HAS BEEN PROVIDED BY THE UNDERWRITERS FOR USE IN THE OFFERING OF THE STATE OF CONNECTICUT'S (THE "ISSUER") $400,430,000 SPECIAL TAX OBLIGATION BONDS, 2010 SERIES B (TAXABLE BUILD AMERICA BONDS – DIRECT PAY) (THE "2010 SERIES B BONDS") IN THE OFFICIAL STATEMENT. THE ISSUER MAKES NO REPRESENTATION AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION. REFERENCES TO "SECURITIES" HEREIN MEANS THE 2010 SERIES B BONDS.

NO ACTION HAS BEEN TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE 2010 SERIES B BONDS OR POSSESSION OR DISTRIBUTION OF THE OFFICIAL STATEMENT OR ANY OTHER OFFERING MATERIAL IN ANY FOREIGN JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, EACH OF THE UNDERWRITERS HAS AGREED THAT IT WILL COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE 2010 SERIES B BONDS OR POSSESSES OR DISTRIBUTES THIS OR ANY OTHER OFFERING MATERIAL AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE 2010 SERIES B BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES AND THE ISSUER SHALL HAVE NO RESPONSIBILITY THEREFOR.

MINIMUM UNIT SALES

THE 2010 SERIES B BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE 2010 SERIES B BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 20 UNITS (BEING 20 2010 SERIES B BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $100,000).

NOTICE TO PROSPECTIVE INVESTORS LOCATED IN AUSTRALIA

ANY OFFER OF SECURITIES IN CONNECTION WITH THIS NOTICE WILL NOT BE MADE BY WAY OF A DISCLOSURE DOCUMENT UNDER PART 6D OF THE CORPORATIONS ACT (CTH) (THE "ACT").

NEITHER THE ISSUER NOR THE UNDERWRITER IS REQUIRED TO PROVIDE YOU WITH A PROSPECTUS OR OTHER DISCLOSURE DOCUMENT FOR THE ISSUE OF SECURITIES BECAUSE OF THE APPLICATION OF SPECIFIC EXEMPTIONS FROM THE REQUIREMENTS FOR DISCLOSURE SET OUT IN SECTION 708 OF THE ACT. IN PARTICULAR, THIS NOTICE IS BEING PROVIDED TO YOU ON THE BASIS THAT:

(A) ANY OFFER IN CONNECTION WITH THIS NOTICE IS A PERSONAL OFFER WITHIN THE MEANING OF SECTION 708(2) OF THE ACT, AND THAT OFFER WILL NOT RESULT IN ANY BREACH REFERRED TO IN THAT SECTION;
(B) SECTION 708(8) OF THE ACT APPLIES AND YOU ARE A SOPHISTICATED INVESTOR IN ACCORDANCE WITH THE TERMS OF THAT SECTION;
(C) YOU ARE AN EXPERIENCED INVESTOR WITHIN THE MEANING OF SECTION 708(10) OF THE ACT; OR
(D) YOU ARE A PROFESSIONAL INVESTOR IN ACCORDANCE WITH SECTION 708(11) OF THE ACT).

ANY DOCUMENTS PROVIDED IN CONNECTION WITH THIS NOTICE ARE FURNISHED SOLELY FOR INFORMATION PURPOSES ONLY AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSONS EXCEPT WITH OUR PRIOR WRITTEN CONSENT. THE DOCUMENTS ARE STRICTLY CONFIDENTIAL.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR OR TO PURCHASE ANY SECURITIES AND NEITHER THIS NOTICE NOR ANYTHING CONTAINED IN IT WILL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT ON THE PART OF THE ISSUER OR UNDERWRITER TO ISSUE OR TRANSFER SECURITIES TO ANY PERSON.

NOTICE TO RESIDENTS OF BRAZIL

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (COMISSÃO DE VALORES MOBILIÁRIOS – "CVM"). ANY PUBLIC OFFERING, AS DEFINED UNDER BRAZILIAN LAWS AND REGULATIONS OF THE SECURITIES IN BRAZIL IS NOT LEGAL WITHOUT SUCH PRIOR REGISTRATION UNDER LAW NO. 6.385/76.

NOTICE TO RESIDENTS OF CANADA (BRITISH COLUMBIA, ONTARIO, AND QUEBEC)

THE OFFERING OF THE SECURITIES IN CANADA IS BEING MADE IN THE PROVINCES OF BRITISH COLUMBIA, ONTARIO AND QUÉBEC (EACH, A "CANADIAN JURISDICTION" AND COLLECTIVELY, THE "CANADIAN JURISDICTIONS") PURSUANT TO EXEMPTIONS FROM THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS. THE SECURITIES WILL BE OFFERED TO "ACCREDITED INVESTORS" IN THE CANADIAN JURISDICTIONS PURSUANT TO SECTION 2.3 (THE "ACCREDITED INVESTOR EXEMPTION") OF NATIONAL INSTRUMENT 45-106 - *PROSPECTUS AND REGISTRATION EXEMPTIONS* OF THE CANADIAN SECURITIES ADMINISTRATORS ("NI 45-106"). UNDER THE ACCREDITED

INVESTOR EXEMPTION, A SUBSCRIBER OR ANY PRINCIPAL ON WHOSE BEHALF THE SUBSCRIBER IS ACTING AS AGENT (A "CANADIAN PURCHASER") MUST QUALIFY AS AN "ACCREDITED INVESTOR", AS SUCH TERM IS DEFINED IN NI 45-106. ALL CANADIAN PURCHASERS OF THE SECURITIES WILL BE REQUIRED TO EXECUTE A SUBSCRIPTION AGREEMENT WHICH WILL CONTAIN REPRESENTATIONS, WARRANTIES, COVENANTS AND ACKNOWLEDGMENTS OF THE CANADIAN PURCHASER TO ESTABLISH THE AVAILABILITY OF SUCH EXEMPTION AND TO ENSURE COMPLIANCE WITH APPLICABLE CANADIAN SECURITIES LAWS.

RESALE RESTRICTIONS

THE SECURITIES ACQUIRED BY CANADIAN PURCHASERS HEREUNDER MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN ANY MANNER UNLESS SUCH SALE, TRANSFER OR DISPOSITION COMPLIES WITH THE RESALE RESTRICTIONS OF THE SECURITIES LAWS OF THE CANADIAN JURISDICTIONS. PURSUANT TO APPLICABLE CANADIAN PROVINCIAL AND TERRITORIAL SECURITIES LAWS, THE SECURITIES ACQUIRED BY A CANADIAN PURCHASER HEREUNDER WILL BE SUBJECT TO RESTRICTIONS ON RESALE UNTIL SUCH TIME AS:

(A) THE APPROPRIATE "HOLD PERIODS" HAVE BEEN SATISFIED AND SUCH PURCHASER HAS COMPLIED WITH OTHER APPLICABLE REQUIREMENTS, INCLUDING THE FILING OF APPROPRIATE REPORTS PURSUANT TO APPLICABLE SECURITIES LEGISLATION;
(B) A FURTHER STATUTORY EXEMPTION MAY BE RELIED UPON BY SUCH PURCHASER; OR
(C) AN APPROPRIATE DISCRETIONARY ORDER IS OBTAINED PURSUANT TO APPLICABLE SECURITIES LAWS.

AS THE ISSUER IS NOT A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY OF CANADA, THE APPLICABLE HOLD PERIOD FOR THE SECURITIES MAY NEVER EXPIRE, AND IF NO FURTHER STATUTORY EXEMPTION MAY BE RELIED UPON AND IF NO DISCRETIONARY ORDER IS OBTAINED, THIS COULD RESULT IN A CANADIAN PURCHASER HAVING TO HOLD THE SECURITIES FOR AN INDEFINITE PERIOD OF TIME. EACH CERTIFICATE REPRESENTING THE SECURITIES ISSUED TO CANADIAN PURCHASERS WILL BEAR A LEGEND INDICATING THAT THE RESALE OF SUCH SECURITIES IS RESTRICTED.

THE FOREGOING IS A SUMMARY ONLY OF APPLICABLE RESALE RESTRICTIONS AND IS SUBJECT TO THE EXPRESS PROVISIONS OF APPLICABLE SECURITIES LEGISLATION. ALL CANADIAN PURCHASERS SHOULD CONSULT WITH THEIR OWN LEGAL ADVISORS TO DETERMINE THE EXTENT OF THE APPLICABLE HOLD PERIOD AND THE POSSIBILITIES OF UTILIZING ANY FURTHER STATUTORY EXEMPTIONS OR THE OBTAINING OF A DISCRETIONARY ORDER.

INDIRECT COLLECTION OF PERSONAL INFORMATION

BY PURCHASING THE SECURITIES, A CANADIAN PURCHASER ACKNOWLEDGES THAT ITS NAME, RESIDENTIAL ADDRESS, TELEPHONE NUMBER AND OTHER SPECIFIED INFORMATION MAY BE DISCLOSED TO CANADIAN SECURITIES REGULATORY AUTHORITIES AND BECOME AVAILABLE TO THE PUBLIC IN ACCORDANCE WITH THE REQUIREMENTS OF APPLICABLE CANADIAN LAWS. BY PURCHASING THE SECURITIES, A CANADIAN PURCHASER CONSENTS TO THE DISCLOSURE OF SUCH INFORMATION.

BY PURCHASING THE SECURITIES, A CANADIAN PURCHASER THAT IS RESIDENT IN THE PROVINCE OF ONTARIO ACKNOWLEDGES THAT IT HAS BEEN NOTIFIED BY THE ISSUER: (A) OF THE REQUIREMENT TO DELIVER TO THE ONTARIO SECURITIES COMMISSION (THE "OSC") THE FULL NAME, RESIDENTIAL ADDRESS AND TELEPHONE NUMBER OF SUCH PURCHASER, THE NUMBER AND TYPE OF SECURITIES PURCHASED, THE TOTAL PURCHASE PRICE, THE EXEMPTION RELIED UPON AND THE DATE OF DISTRIBUTION; (B) THAT THIS INFORMATION IS BEING COLLECTED INDIRECTLY BY THE OSC UNDER THE AUTHORITY GRANTED TO IT IN APPLICABLE SECURITIES LEGISLATION; (C) THAT THIS INFORMATION IS BEING COLLECTED FOR THE PURPOSES OF THE ADMINISTRATION AND ENFORCEMENT OF THE SECURITIES LEGISLATION OF ONTARIO; AND (D) THAT THE ADMINISTRATIVE SUPPORT CLERK CAN BE CONTACTED AT THE ONTARIO SECURITIES COMMISSION, SUITE 1903, BOX 55, 20 QUEEN STREET WEST, TORONTO, ONTARIO M5H 3S8, OR AT (416) 593-3684, AND CAN ANSWER ANY QUESTIONS ABOUT THE OSC'S INDIRECT COLLECTION OF THIS INFORMATION.

RIGHTS OF ACTIONS FOR DAMAGES OR RESCISSION

ONTARIO PURCHASERS

THE *SECURITIES ACT* (ONTARIO) (THE "ONTARIO ACT") PROVIDES CANADIAN PURCHASERS RESIDENT IN THE PROVINCE OF ONTARIO WITH, IN ADDITION TO ANY OTHER RIGHT THEY MAY HAVE AT LAW, RIGHTS OF RESCISSION OR DAMAGES, OR BOTH, WHERE THIS DOCUMENT AND ANY AMENDMENT TO IT CONTAINS A MISREPRESENTATION (AS DEFINED BELOW). HOWEVER, SUCH RIGHTS MUST BE EXERCISED BY THE PURCHASERS WITHIN THE TIME LIMITS PRESCRIBED BY THE ONTARIO ACT. CANADIAN PURCHASERS RESIDENT IN THE PROVINCE OF ONTARIO SHOULD CONSULT WITH A LEGAL ADVISOR OR REFER TO THE APPLICABLE PROVISIONS OF THE ONTARIO ACT, FOUND IN SECTION 130.1, FOR THE COMPLETE TEXT OF THESE RIGHTS, THE DEFENCES AVAILABLE TO THE ISSUER AND OTHERS AND THE TIME LIMITS DURING WHICH THESE RIGHTS MUST BE EXERCISED.

THE RIGHTS OF ACTION SUMMARIZED BELOW SHALL BE AVAILABLE TO EACH CANADIAN PURCHASER OF THE SECURITIES RESIDENT IN ONTARIO AND ARE IN ADDITION TO AND WITHOUT DEROGATION FROM ANY OTHER RIGHT OR REMEDY AVAILABLE AT LAW TO SUCH PURCHASER AND ARE INTENDED TO CORRESPOND TO THE RIGHTS AGAINST AN ISSUER OF SECURITIES PROVIDED IN THE ONTARIO ACT AND ARE SUBJECT TO THE DEFENCES CONTAINED THEREIN. WHERE USED IN THIS SECTION, "MISREPRESENTATION" MEANS AN UNTRUE STATEMENT OF MATERIAL FACT OR AN OMISSION TO STATE A MATERIAL FACT THAT IS REQUIRED TO BE STATED OR THAT IS NECESSARY TO MAKE A STATEMENT NOT MISLEADING IN THE LIGHT OF THE CIRCUMSTANCES IN WHICH IT WAS MADE.

IN THE EVENT THAT THIS DOCUMENT, TOGETHER WITH ANY AMENDMENTS HERETO, IS DELIVERED TO A CANADIAN PURCHASER RESIDENT IN ONTARIO AND CONTAINS A MISREPRESENTATION, SUCH PURCHASER SHALL BE DEEMED TO HAVE RELIED UPON SUCH MISREPRESENTATION AND HAS, SUBJECT AS HEREINAFTER PROVIDED, A STATUTORY RIGHT OF ACTION AGAINST THE ISSUER EITHER FOR DAMAGES OR ALTERNATIVELY, WHILE STILL THE OWNER OF ANY THE SECURITIES, RESCISSION, PROVIDED THAT:

(A) AN ACTION IS COMMENCED TO ENFORCE SUCH RIGHT (I) IN THE CASE OF AN ACTION FOR RESCISSION, WITHIN 180 DAYS AFTER THE DATE OF PURCHASE, OR (II) IN THE CASE OF AN ACTION FOR DAMAGES, WITHIN THE EARLIER OF 180 DAYS FOLLOWING THE DATE SUCH PURCHASER FIRST HAD KNOWLEDGE OF THE MISREPRESENTATION AND THREE YEARS AFTER THE DATE OF THE PURCHASE;

(B) A PERSON OR COMPANY WILL NOT BE LIABLE IF IT PROVES THAT SUCH PURCHASER PURCHASED THE SECURITIES WITH KNOWLEDGE OF THE MISREPRESENTATION;

(C) IN THE CASE OF AN ACTION FOR DAMAGES, THE ISSUER WILL NOT BE LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT IT PROVES DOES NOT REPRESENT THE DEPRECIATION IN VALUE OF THE SECURITIES AS A RESULT OF THE MISREPRESENTATION RELIED UPON;

(D) IN NO CASE WILL THE AMOUNT RECOVERABLE IN ANY ACTION EXCEED THE PRICE AT WHICH THE SECURITIES WERE SOLD TO SUCH PURCHASER; AND

(E) IF SUCH PURCHASER ELECTS TO EXERCISE THE RIGHT OF RESCISSION, IT WILL HAVE NO RIGHT OF ACTION FOR DAMAGES.

NOTWITHSTANDING THE FOREGOING, A CANADIAN PURCHASER RESIDENT IN THE PROVINCE OF ONTARIO WILL NOT HAVE THE RIGHTS REFERRED TO ABOVE IF SUCH PURCHASER IS:

(A) A CANADIAN FINANCIAL INSTITUTION, MEANING EITHER:

(i) AN ASSOCIATION GOVERNED BY THE *COOPERATIVE CREDIT ASSOCIATIONS ACT* (CANADA) OR A CENTRAL COOPERATIVE CREDIT SOCIETY FOR WHICH AN ORDER HAS BEEN MADE UNDER SECTION 473(1) OF THAT ACT; OR

(ii) A BANK, LOAN CORPORATION, TRUST COMPANY, TRUST CORPORATION, INSURANCE COMPANY, TREASURY BRANCH, CREDIT UNION, CAISSE POPULAIRE, FINANCIAL SERVICES CORPORATION, OR LEAGUE THAT, IN EACH CASE, IS AUTHORIZED BY AN ENACTMENT OF CANADA OR A JURISDICTION OF CANADA TO CARRY ON BUSINESS IN CANADA OR A JURISDICTION IN CANADA;

(B) A SCHEDULE III BANK, MEANING AN AUTHORIZED FOREIGN BANK NAMED IN SCHEDULE III OF THE *BANK ACT* (CANADA);

(C) THE BUSINESS DEVELOPMENT BANK OF CANADA INCORPORATED UNDER THE *BUSINESS DEVELOPMENT BANK OF CANADA ACT* (CANADA); OR

(D) A SUBSIDIARY OF ANY PERSON REFERRED TO IN PARAGRAPHS (A), (B) OR (C), IF THE PERSON OWNS ALL OF THE VOTING SECURITIES OF THE SUBSIDIARY, EXCEPT THE VOTING SECURITIES REQUIRED BY LAW TO BE OWNED BY THE DIRECTORS OF THE SUBSIDIARY.

THE FOREGOING SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS OF THE ONTARIO ACT AND THE RESPECTIVE REGULATIONS AND RULES THEREUNDER. EACH CANADIAN PURCHASER RESIDENT IN ONTARIO SHOULD REFER TO THE COMPLETE TEXT OF SUCH PROVISIONS OR CONSULT WITH A LEGAL ADVISOR.

LANGUAGE OF DOCUMENTS

UPON RECEIPT OF THIS DOCUMENT, THE PURCHASER HEREBY CONFIRMS THAT HE, SHE OR IT HAS EXPRESSLY REQUESTED THAT ALL DOCUMENTS EVIDENCING OR RELATING IN ANY WAY TO THE OFFER AND/OR SALE OF THE SECURITIES BE DRAWN UP IN THE ENGLISH LANGUAGE ONLY. *PAR LA RECEPTION DE CE DOCUMENT, L'ACHETEUR CONFIRME PAR LES PRESENTES QU'IL A EXPRESSEMENT EXIGE QUE TOUS LES DOCUMENTS FAISANT FOI OU SE RAPPORTANT DE QUELQUE MANIERE QUE CE SOIT A L'OFFRE OU A LA VENTE DES VALEURS MOBILIERES DECRITES AUX PRESENTES (INCLUANT, POUR PLUS DE CERTITUDE, TOUTE CONFIRMATION D'ACHAT OU TOUT AVIS) SOIENT REDIGES EN ANGLAIS SEULEMENT.*

NOTICE TO PROSPECTIVE INVESTORS IN THE PEOPLES REPUBLIC OF CHINA (PRC)

THIS DOCUMENT HAS NOT BEEN AND WILL NOT BE CIRCULATED OR DISTRIBUTED IN THE PRC, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD, AND WILL NOT BE OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, TO ANY RESIDENTS OF THE PRC EXCEPT PURSUANT TO APPLICABLE LAWS AND REGULATIONS OF THE PRC. FOR THE PURPOSES OF THIS PARAGRAPH, THE PRC DOES NOT INCLUDE TAIWAN, HONG KONG OR MACAU.

NOTICE TO PROSPECTIVE INVESTORS IN DENMARK

THIS DOCUMENT DOES NOT CONSTITUTE A PROSPECTUS UNDER ANY DANISH LAW AND HAS NOT BEEN FILED WITH OR APPROVED BY THE DANISH FINANCIAL SUPERVISORY AUTHORITY AS THIS DOCUMENT HAS NOT BEEN PREPARED IN THE CONTEXT OF A PUBLIC OFFERING OF SECURITIES IN DENMARK WITHIN THE MEANING OF THE DANISH SECURITIES TRADING ACT OR ANY EXECUTIVE ORDERS ISSUED PURSUANT THERETO. PURSUANT TO SECTION 11 (1) OF THE DANISH PROSPECTUS ORDER NO. 223 OF 10 MARCH 2010 AND SECTION 2 OF THE DANISH EXECUTIVE ORDER NO. 222 OF MARCH 10, 2010, THIS DOCUMENT WILL ONLY BE DIRECTED TO:

(A) QUALIFIED INVESTORS AS DEFINED IN SECTION 2 OF THE DANISH PROSPECTUS ORDER NO. 223 OF 10 MARCH 2010 AND/OR
(B) FEWER THAN 100 NATURAL OR LEGAL PERSON IN DENMARK, AND/OR
(C) INVESTORS WHO ACQUIRE SECURITIES FOR A TOTAL CONSIDERATION OF AT LEAST EUR 50,000 PER INVESTOR FOR EACH SINGLE OFFER OF SECURITIES, AND/OR
(D) SECURITIES WHICH ARE SUBJECT TO A MINIMUM DENOMINATION EQUIVALENT TO AT LEAST EUR 50,000 PER SECURITY.

ACCORDINGLY, THIS DOCUMENT MAY NOT BE MADE AVAILABLE NOR MAY THE SECURITIES OTHERWISE BE MARKETED AND OFFERED FOR SALE IN DENMARK OTHER THAN IN CIRCUMSTANCES WHICH ARE DEEMED NOT TO BE CONSIDERED AS MARKETING OR AN OFFER TO THE PUBLIC IN DENMARK.

NOTICE TO PROSPECTIVE INVESTORS IN DUBAI

THIS DOCUMENT RELATES TO AN EXEMPT OFFER IN ACCORDANCE WITH THE OFFERED SECURITIES RULES OF THE DUBAI FINANCIAL SERVICES AUTHORITY.

THIS DOCUMENT IS INTENDED FOR DISTRIBUTION ONLY TO PERSONS OF A TYPE SPECIFIED IN THOSE RULES. IT MUST NOT BE DELIVERED TO, OR RELIED ON BY, ANY OTHER PERSON.

THE DUBAI FINANCIAL SERVICES AUTHORITY HAS NO RESPONSIBILITY FOR REVIEWING OR VERIFYING ANY DOCUMENTS IN CONNECTION WITH EXEMPT OFFERS. THE DUBAI FINANCIAL SERVICES AUTHORITY HAS NOT APPROVED THIS DOCUMENT NOR TAKEN STEPS TO VERIFY THE INFORMATION SET OUT IN IT, AND HAS NO RESPONSIBILITY FOR IT.

THE SECURITIES TO WHICH THIS DOCUMENT RELATES MAY BE ILLIQUID AND/OR SUBJECT TO RESTRICTIONS ON THEIR RESALE. PROSPECTIVE PURCHASERS OF THE SECURITIES OFFERED SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE SECURITIES.

IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS DOCUMENT YOU SHOULD CONSULT AN AUTHORISED FINANCIAL ADVISER.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

THIS DOCUMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF DIRECTIVE 2003/7 1/EC (THE "PROSPECTUS DIRECTIVE"), AS IMPLEMENTED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (THE "EEA"), FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER WITHIN THE EEA OF THE SECURITIES SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE INITIAL PURCHASERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SECURITIES CONTEMPLATED IN THIS DOCUMENT.

IN RELATION TO EACH MEMBER STATE OF THE EEA THAT HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A "RELEVANT MEMBER STATE"), WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE, THE OFFER OF ANY SECURITIES WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS DOCUMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THAT RELEVANT MEMBER STATE, OTHER THAN: (A) TO LEGAL ENTITIES WHICH ARE AUTHORIZED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORIZED OR REGULATED, WHOSE

CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES; (B) TO ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (I) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR, (II) A TOTAL BALANCE SHEET OF MORE THAN EURO 43,000,000, AND (III) AN ANNUAL NET TURNOVER OF MORE THAN EURO 50,000,000, AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS; OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE; PROVIDED THAT NO SUCH OFFER OF THE SECURITIES SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO THE SECURITIES IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SECURITIES, AS THE SAME MAY BE VARIED IN THAT RELEVANT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT RELEVANT MEMBER STATE AND THE EXPRESSION "PROSPECTUS DIRECTIVE" MEANS DIRECTIVE 2003/7 1/BC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE.

NOTICE TO RESIDENTS OF FRANCE

THE SECURITIES HAVE NOT BEEN OFFERED OR SOLD AND WILL NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, BY WAY OF A PUBLIC OFFER IN FRANCE (OFFRE AU PUBLIC, AS DEFINED IN ARTICLES L. 411-1, OF THE CODE MONÉTAIRE ET FINANCIER). THE SECURITIES MAY ONLY BE SUBSCRIBED FOR OR HELD BY QUALIFIED INVESTORS (INVESTISSEURS QUALIFIÉS), AS DEFINED BY ARTICLES L. 411-2, D. 411-1 AND D. 411-2 OF THE CODE MONÉTAIRE ET FINANCIER,.

THIS DOCUMENT IS FURNISHED TO POTENTIAL QUALIFIED INVESTORS SOLELY FOR THEIR INFORMATION AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSON. IT IS STRICTLY CONFIDENTIAL AND IS SOLELY DESTINED FOR QUALIFIED INVESTORS TO WHICH IT WAS INITIALLY SUPPLIED. THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR OR TO PURCHASE ANY SECURITIES AND NEITHER THIS DOCUMENT NOR ANYTHING HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

THIS DOCUMENT OR ANY OTHER MATERIAL RELATING TO THE SECURITIES MAY NOT BE DISTRIBUTED TO THE PUBLIC IN FRANCE OR USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF SECURITIES IN FRANCE OTHER THAN IN ACCORDANCE WITH ARTICLES L. 411-2, D. 411-1 AND D. 411-2 OF THE CODE MONÉTAIRE ET FINANCIER. THIS DOCUMENT HAS NOT BEEN SUBMITTED TO THE "AUTORITÉ DES MARCHÉS FINANCIERS" FOR APPROVAL AND DOES NOT CONSTITUTE AN OFFER FOR SALE OR SUBSCRIPTION OF SECURITIES. ANY CONTACT WITH POTENTIAL QUALIFIED INVESTORS IN FRANCE DOES NOT AND WILL NOT CONSTITUTE FINANCIAL AND BANKING SOLICITATION (DÉMARCHAGE BANCAIRE ET FINANCIER) AS DEFINED IN ARTICLES L. 341-1 ET SEQ. OF THE CODE MONÉTAIRE ET FINANCIER.

NOTICE TO PROSPECTIVE INVESTORS IN GERMANY

THE SECURITIES HAVE NOT BEEN, WILL NOT BE AND MAY NOT BE OFFERED, PROMOTED OR SOLD, EITHER DIRECTLY OR INDIRECTLY, IN GERMANY BY WAY OF AN OFFER TO THE PUBLIC WITHIN THE MEANING OF SECTION 2 NO. 4 OF THE SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ). THE SECURITIES MAY ONLY BE OFFERED TO, SOLD TO, SUBSCRIBED FOR OR HELD BY QUALIFIED INVESTORS WITHIN THE MEANING OF SECTION 2 NO. 6 OF THE SECURITIES PROSPECTUS ACT OR, IF APPLICABLE, ANY PERSON IN GERMANY WHOSE PROFESSIONAL OR COMMERCIAL ACTIVITIES INVOLVE THEM IN THE ACQUIRING OR DISPOSING OF INVESTMENTS WITHIN THE MEANING OF SECTION 8F SUBSECTION 2 NO. 4 OF THE SALES PROSPECTUS ACT (VERKAUFSPROSPEKTGESETZ) EITHER AS PRINCIPAL OR AGENT.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SUBSCRIBE FOR OR BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN GERMANY. THIS DOCUMENT IS GIVEN TO POTENTIAL INVESTORS SOLELY FOR THEIR INFORMATION AND MAY NOT BE DISTRIBUTED TO ANY OTHER PERSON. IT IS CONFIDENTIAL AND SOLELY TARGETED AT THE RECIPIENTS, I.E. QUALIFIED INVESTORS WITHIN THE MEANING OF SECTION 2 NO. 6 OF THE SECURITIES PROSPECTUS ACT, TO WHICH IT HAS BEEN INITIALLY SUPPLIED.

NOTICE TO RESIDENTS OF HONG KONG

THE SECURITIES HAVE NOT BEEN AUTHORISED BY THE SECURITIES AND FUTURES COMMISSION IN HONG KONG FOR PUBLIC OFFERING IN HONG KONG, NOR HAS A COPY OF THIS DOCUMENT BEEN REGISTERED WITH THE REGISTRAR OF COMPANIES IN HONG KONG.

THE SECURITIES MAY NOT BE OFFERED OR SOLD BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE, OR FORM PART OF, AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP.32 OF THE LAWS OF HONG KONG), OR (II) TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP.571 OF THE LAWS OF HONG KONG) AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP.32 OF THE LAWS OF HONG KONG), AND

THAT NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SECURITIES MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO THE SECURITIES WHICH ARE OR ARE INTENDED TO BE SOLD OR OTHERWISE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) AND ANY RULES MADE THEREUNDER.

NOTICE TO RESIDENTS OF JAPAN

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW OF JAPAN (LAW NO. 25 OF 1948, AS AMENDED, THE "FIEL"). THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEL AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

NOTICE TO PROSPECTIVE INVESTORS IN KOREA

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENTS SERVICES AND CAPITAL MARKETS ACT OF KOREA AND THE DECREES AND REGULATIONS THEREUNDER (THE "FSCMA") AND THE SECURITIES HAVE BEEN AND WILL BE OFFERED IN KOREA AS A PRIVATE PLACEMENT UNDER THE FSCMA. NONE OF THE SECURITIES MAY BE OFFERED, SOLD AND DELIVERED DIRECTLY OR INDIRECTLY, OR OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT PURSUANT TO THE APPLICABLE LAWS AND REGULATIONS OF KOREA, INCLUDING THE FSCMA AND THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND THE DECREES AND REGULATIONS THEREUNDER (THE "FETL"). FOR A PERIOD OF ONE YEAR FROM THE ISSUE DATE OF THE SECURITIES, THE DENOMINATION OF THE SECURITIES MAY NOT BE SUB-DIVIDED. FURTHERMORE, THE PURCHASER OF THE SECURITIES SHALL COMPLY WITH ALL APPLICABLE REGULATORY REQUIREMENTS (INCLUDING BUT NOT LIMITED TO REQUIREMENTS UNDER THE FETL) IN CONNECTION WITH THE PURCHASE OF THE SECURITIES.

EACH UNDERWRITER WILL REPRESENT AND AGREE THAT IT HAS NOT OFFERED, SOLD OR DELIVERED THE SECURITIES DIRECTLY OR INDIRECTLY TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA AND WILL NOT OFFER, SELL OR DELIVER THE SECURITIES DIRECTLY OR INDIRECTLY TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FSCMA, THE FETL AND OTHER RELEVANT LAWS AND REGULATIONS OF KOREA.

NOTICE TO PROSPECTIVE INVESTORS IN THE NETHERLANDS

1. IN ACCORDANCE WITH THE DUTCH FINANCIAL SUPERVISION ACT ("WET OP HET FINANCIEEL TOEZICHT" OR "WFT") AND THE WFT EXEMPTIONS REGULATION (IN DUTCH: "VRIJSTELLINGSREGELING WFT") A STRAIGHT FORWARD OFFERING OF THE SECURITIES TO THE PUBLIC IN THE NETHERLANDS REQUIRES PUBLICATION OF A PROSPECTUS THAT IS DULY APPROVED BY THE COMPETENT DUTCH AUTHORITY (I.E. NETHERLANDS AUTHORITY FOR THE FINANCIAL MARKETS, IN DUTCH: "AUTORITEIT FINANCIËLE MARKTEN" OR "AFM") OR BY A COMPETENT AUTHORITY OF ANOTHER EUROPEAN MEMBER STATE, UNLESS:

   (A) THE SECURITIES ARE OFFERED EXCLUSIVELY TO QUALIFIED INVESTORS AS DEFINED IN THE WFT; AND/OR
   (B) THE SECURITIES ARE OFFERED TO LESS THAN 100 PEOPLE, NOT BEING QUALIFIED INVESTORS AS DEFINED IN THE WFT; AND/OR
   (C) THE SECURITIES ARE OFFERED IN MINIMUM LOTS OF EUR 50,000 IN TERMS OF NOMINAL VALUE OR SUBSCRIPTION PRICE; AND/OR
   (D) THE TOTAL CONSIDERATION VALUE OF THE OFFERING OF SECURITIES INVOLVES A TOTAL AMOUNT OF LESS THAN EUR 100,000 CALCULATED OVER A 12-MONTH-PERIOD; AND/OR
   (E) THE OFFERING OF SECURITIES FORMS PART OF AN OFFER UNDER WHICH THE TOTAL CONSIDERATION VALUE OF THE OFFER, CALCULATED OVER A PERIOD OF TWELVE MONTHS, DOES NOT EXCEED EUR 2.5 MILLION, PROVIDED THAT IN ALL RELEVANT DOCUMENTATION AND ADVERTISEMENTS THE OFFEROR MENTIONS THAT THE OFFER IN QUESTION IS EXEMPTED FROM THE STATUTORY REQUIREMENT TO PUBLISH A PROSPECTUS; AND/OR
   (F) THE SECURITIES ARE OFFERED TO INVESTORS, NOT BEING QUALIFIED INVESTORS, WHO HAVE CONCLUDED A WRITTEN MANDATE AGREEMENT ("SCHRIFTELIJKE OVEREENKOMST VAN LASTGEVING") WITH AN ASSET MANAGER ENTITLED TO PROVIDE INVESTMENT SERVICES UNDER THE LAW OF THE NETHERLANDS AND WHO IS ENTITLED IN TERMS OF THAT AGREEMENT TO

UNDERTAKE OR REALISE TRANSACTIONS AT HIS OWN DISCRETION WITHOUT TAKING ORDERS FROM OR CONSULTING WITH THE INVESTORS WHO GRANTED THE MANDATE.

2. IN LIGHT OF THE ABOVE, THE SECURITIES THAT ARE OFFERED TO YOU WITHOUT PUBLICATION OF A PROSPECTUS THAT IS DULY APPROVED BY THE AFM OR BY A COMPETENT AUTHORITY OF ANOTHER EUROPEAN MEMBER STATE SHALL NOT BE DEEMED TO BE IN VIOLATION OF THE WFT AND THE WFT EXEMPTION REGULATION, IF AND INSOFAR AS:

   (A) YOU ARE A QUALIFIED INVESTOR AS DEFINED IN THE WFT; AND /OR
   (B) YOU ARE NOT A QUALIFIED INVESTOR AS DEFINED IN THE WFT, BUT YOU HAVE CONCLUDED A WRITTEN MANDATE AGREEMENT ("SCHRIFTELIJKE OVEREENKOMST VAN LASTGEVING") WITH AN ASSET MANAGER ENTITLED TO PROVIDE INVESTMENT SERVICES UNDER THE LAW OF THE NETHERLANDS AND WHO IS ENTITLED IN TERMS OF THAT AGREEMENT TO UNDERTAKE OR REALISE TRANSACTIONS IN THE SECURITIES AT HIS OWN DISCRETION WITHOUT BEING REQUIRED TO TAKE ORDERS FROM OR CONSULT WITH YOU; AND/OR
   (C) YOU INVEST AT LEAST EUR 50,000 IN THE ACQUISITION OF THE SECURITIES.

3. THE OFFERING OF SECURITIES IS ONLY AIMED AT, DIRECTED AND MADE TO PROSPECTIVE INVESTORS IN THE NETHERLANDS WHO FALL WITHIN THE SCOPE OF PAR. 2 ABOVE AND, THEREFORE, ANY RESPONSE TO AN OFFER OF SECURITIES MADE BY AN INVESTOR THAT DOES NOT FALL WITHIN THE SCOPE OF PAR. 2 ABOVE SHALL NOT BE DEEMED TO CONSTITUTE NOR IMPLY ACCEPTANCE OF THE OFFER AND THE OFFEROR SHALL IN THAT CASE NOT BE HELD TO SELL THE SECURITIES TO THAT INVESTOR.

4. THIS NOTICE IS FURNISHED TO PROSPECTIVE INVESTORS IN THE NETHERLANDS ONLY IN CONNECTION WITH THIS DOCUMENT AND IS SOLELY FOR THEIR INFORMATION. THIS OPINION IS NOT TO BE USED, CIRCULATED, QUOTED OR OTHERWISE RELIED UPON BY ANY OTHER PERSON OR ENTITY OR, FOR ANY PURPOSE.

NOTICE TO PROSPECTIVE INVESTORS IN NEW ZEALAND

NO ACTION HAS BEEN TAKEN TO AUTHORIZE THE OFFER OF ANY OF THE SECURITIES TO THE PUBLIC IN NEW ZEALAND. ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD, OR RE-OFFERED OR RESOLD, AND THIS DOCUMENT OR ANY OTHER MATERIAL IN CONNECTION WITH THE SECURITIES MAY NOT BE ISSUED, CIRCULATED, DELIVERED OR DISTRIBUTED, IN NEW ZEALAND, EITHER DIRECTLY OR INDIRECTLY, OTHER THAN TO:

   (A) PERSONS WHOSE PRINCIPAL BUSINESS IS THE INVESTMENT OF MONEY OR WHO, IN THE COURSE OF AND FOR THE PURPOSES OF THEIR BUSINESS, HABITUALLY INVEST MONEY;
   (B) PERSONS WHO ARE EACH REQUIRED TO PAY A MINIMUM SUBSCRIPTION PRICE OF AT LEAST $500,000 FOR THE SECURITIES BEFORE THE ALLOTMENT OF THOSE SECURITIES;
   (C) PERSONS WHO HAVE EACH, IN A SINGLE TRANSACTION, PREVIOUSLY PAID THE ISSUER OF THE CURRENT SECURITIES A MINIMUM SUBSCRIPTION PRICE OF AT LEAST $500,000 FOR OTHER SECURITIES ISSUED BY THE SAME ENTITY BEFORE THE ALLOTMENT OF SUCH OTHER SECURITIES AND PROVIDED THAT THE OFFER OF THE CURRENT SECURITIES IS MADE WITHIN 18 MONTHS OF THE DATE OF THE FIRST ALLOTMENT OF THE PREVIOUS SECURITIES; OR
   (D) PERSONS WHO ARE "ELIGIBLE PERSONS" (AS DEFINED IN SECTION 5(2CC) OF THE SECURITIES ACT 1978 (NZ)),

IN EACH CASE AS INTERPRETED IN ACCORDANCE WITH THE SECURITIES ACT 1978 (NZ) AND THE LAWS OF NEW ZEALAND.

ALL PERSONS INTO WHOSE POSSESSION THIS MATERIAL MAY COME MUST INFORM THEMSELVES ABOUT AND STRICTLY OBSERVE THE RESTRICTIONS DETAILED IN THE PRECEDING SENTENCE.

THIS DOCUMENT IS NOT A NEW ZEALAND REGISTERED PROSPECTUS OR INVESTMENT STATEMENT, THE CONTENT OF WHICH IS PRESCRIBED BY THE SECURITIES ACT 1978 (NZ) AND OTHER LAWS, AND DOES NOT CONTAIN THE INFORMATION THAT SUCH DOCUMENTS WOULD BE REQUIRED TO CONTAIN.

NOTICE TO PROSPECTIVE INVESTORS IN NORWAY

THE SECURITIES HAVE NOT AND WILL NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, TO ANY PERSON IN THE NORWAY, OTHER THAN TO LEGAL AND PHYSICAL PERSONS DEEMED TO BE PROFESSIONAL INVESTORS AS FURTHER DEFINED IN SECTION 7-1 OF THE NORWEGIAN REGULATION OF SECURITIES TRADING ("THE REGULATION").

PROFESSIONAL INVESTORS ARE CATEGORIZED AS:

   (A) LEGAL ENTITIES THAT ARE DEEMED TO BE PROFESSIONAL INVESTORS WITHOUT FURTHER REQUIREMENTS, CF. SECTION 7-1 (1) OF THE REGULATION, AND

(B) LEGAL AND PHYSICAL PERSONS THAT MUST BE REGISTERED WITH THE COMPETENT AUTHORITY RESPONSIBLE FOR INSPECTING PROSPECTUSES IN ORDER TO BE DEEMED PROFESSIONAL INVESTORS, CF. SECTION 7-1 (2) AND (3) OF THE REGULATION.

THIS DOCUMENT IS FURNISHED TO POTENTIAL INVESTORS SOLELY FOR THEIR INFORMATION AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSON. IT IS STRICTLY CONFIDENTIAL AND IS SOLELY DESTINED FOR PERSONS OR INSTITUTIONS TO WHICH IT WAS INITIALLY SUPPLIED. THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR OR TO PURCHASE ANY SECURITIES. NEITHER THIS DOCUMENT NOR ANYTHING HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

THIS DOCUMENT HAS NOT BEEN SUBMITTED TO THE OSLO STOCK EXCHANGE / THE NORWEGIAN FINANCIAL SUPERVISORY AUTHORITY FOR APPROVAL.

INVESTMENT SERVICES, INCLUDING OFFERING AND SUBSCRIPTION OF SECURITIES, CAN ONLY BE MADE THROUGH INVESTMENT FIRMS AUTHORIZED BY THE FINANCIAL SUPERVISORY AUTHORITY OF NORWAY, CF. THE NORWEGIAN SECURITIES TRADING ACT CHAPTER 9. THE ISSUER RESERVES ITS RIGHTS, AT ITS SOLE DISCRETION, TO REJECT ANY SUBSCRIPTION MADE THROUGH NON-AUTHORIZED INVESTMENT FIRMS.

SELLING RESTRICTIONS FOR OFFER OF SECURITIES IN SINGAPORE TO ACCREDITED INVESTORS AND INSTITUTIONAL INVESTORS

NEITHER THIS DOCUMENT NOR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH ANY OFFER OF THE SECURITIES HAS BEEN OR WILL BE LODGED OR REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE (MAS) UNDER THE SECURITIES AND FUTURES ACT (CAP.289) OF SINGAPORE (SFA). ACCORDINGLY, MAS ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT. THIS DOCUMENT IS NOT A PROSPECTUS AS DEFINED IN THE SFA AND STATUTORY LIABILITY UNDER THE SFA IN RELATION TO THE CONTENTS OF PROSPECTUSES WOULD NOT APPLY.

THIS DOCUMENT AND ANY OTHER DOCUMENTS OR MATERIALS IN CONNECTION WITH THIS OFFER AND THE SECURITIES MAY NOT BE DIRECTLY OR INDIRECTLY ISSUED, CIRCULATED OR DISTRIBUTED, NOR MAY THE SECURITIES BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA; (II) TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA) PURSUANT TO SECTION 275(1) OF THE SFA; (III) TO ANY PERSON PURSUANT TO THE CONDITIONS OF SECTION 275(1A) OF THE SFA; OR (IV) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH, THE CONDITIONS OF ANY OTHER APPLICABLE PROVISIONS OF THE SFA.

ANY SUBSEQUENT OFFERS IN SINGAPORE OF SECURITIES ACQUIRED PURSUANT TO AN INITIAL OFFER MADE IN RELIANCE ON AN EXEMPTION UNDER SECTION 274 OF THE SFA OR SECTION 275 OF THE SFA MAY ONLY BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 276 OF THE SFA, FOR THE INITIAL SIX MONTH PERIOD AFTER SUCH ACQUISITION TO PERSONS WHO ARE INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR TO ACCREDITED INVESTORS AND CERTAIN OTHER PERSONS (AS SET OUT IN SECTION 275 OF THE SFA). ANY TRANSFER AFTER SUCH INITIAL SIX MONTH PERIOD IN SINGAPORE SHALL BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 257 OF THE SFA, IN RELIANCE ON ANY APPLICABLE EXEMPTION UNDER SUBDIVISION (4) OF DIVISION 1 OF PART XIII OF THE SFA.

IN ADDITION TO THE ABOVE, PURSUANT TO THE REQUIREMENTS OF SECTION 276(3) OF THE SFA, WHERE THE SECURITIES ARE ACQUIRED PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA BY A CORPORATION (OTHER THAN A CORPORATION THAT IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) WHOSE SOLE BUSINESS IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS EACH OF WHOM IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA), SECURITIES OF SUCH CORPORATION SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THE CORPORATION HAS ACQUIRED THE SECURITIES PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA UNLESS THAT TRANSFER IS MADE ONLY TO INSTITUTIONAL INVESTORS (AS DEFINED SECTION 4A OF THE SFA) OR RELEVANT PERSONS (AS DEFINED IN SECTION 275(2) OF THE SFA); OR ARISES FROM AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA; OR NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR THE TRANSFER IS BY OPERATION OF LAW. THIS RESTRICTION DOES NOT APPLY TO SECURITIES PREVIOUSLY MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER SECURITIES OF A CORPORATION LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED.

PURSUANT TO THE REQUIREMENTS OF SECTION 276(4) OF THE SFA, WHERE THE SECURITIES ARE ACQUIRED PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA FOR A TRUST (OTHER THAN A TRUST THE TRUSTEE OF WHICH IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA), THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THE TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THE SECURITIES ARE ACQUIRED FOR THE TRUST PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA UNLESS THAT TRANSFER IS MADE ONLY TO INSTITUTIONAL INVESTORS (AS DEFINED IN

SECTION 4A OF THE SFA) OR RELEVANT PERSONS (AS DEFINED IN SECTION 275(2) OF THE SFA); OR ARISES FROM AN OFFER THAT IS MADE ON TERMS THAT SUCH RIGHTS OR INTEREST ARE ACQUIRED AT A CONSIDERATION OF NOT LESS THAN S$200,000 (OR ITS EQUIVALENT IN A FOREIGN CURRENCY) FOR EACH TRANSACTION, WHETHER SUCH AMOUNT IS TO BE PAID FOR IN CASH OR BY EXCHANGE OF SECURITIES OR OTHER ASSETS; OR NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR THE TRANSFER IS BY OPERATION OF LAW. THIS RESTRICTION DOES NOT APPLY TO SECURITIES PREVIOUSLY MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER SECURITIES OF A CORPORATION LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED.

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$737,675,000
State of Connecticut

$199,570,000 Special Tax Obligation Bonds
Transportation Infrastructure Purposes, 2010 Series A

$400,430,000 Special Tax Obligation Bonds
Transportation Infrastructure Purposes, 2010 Series B
(Taxable Build America Bonds – Direct Pay)

$137,675,000 Special Tax Obligation Refunding Bonds
Transportation Infrastructure Purposes, 2010 Series C

INTRODUCTION

This Official Statement (including the cover page and appendices) provides certain information in connection with the issuance by the State of Connecticut (the "State") of its $199,570,000 Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2010 Series A (the "2010 Series A Bonds"), its $400,430,000 Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2010 Series B (Taxable Build America Bonds – Direct Pay) (the "2010 Series B Bonds"), and its $137,675,000 Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2010 Series C (the "2010 Series C Bonds") (collectively, the 2010 Series A Bonds, the 2010 Series B Bonds and the 2010 Series C Bonds shall be referred to herein as the "2010 Series A, B and C Bonds"). The 2010 Series A Bonds and the 2010 Series C Bonds will be issued as tax-exempt bonds, and the 2010 Series B Bonds will be issued as taxable "Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), for which the State will elect to receive the credit pursuant to Section 6431 of the Code. The State has authorized the issuance of special tax obligation bonds for transportation infrastructure purposes pursuant to Public Act 84-254 of the General Assembly of the State of Connecticut, February Session of 1984, as amended, and other public and special acts adopted by the General Assembly (the "Act"). The State has heretofor authorized the issuance of special tax obligation bonds pursuant to the Act and pursuant to an Indenture of Trust entered into by the State and The Connecticut National Bank, as Trustee, dated as of September 15, 1984, as supplemented by the First through the Fortieth Supplemental Indentures entered into by the State and the Trustee and amended by the Special Tax Obligation Bonds Transportation Infrastructure Purposes Amendment No. 1 dated as of December 9, 1994 and entered into by the State and the Trustee (the foregoing herein collectively the "Senior Indenture"). U.S. Bank National Association, Hartford, Connecticut, is the successor trustee (the "Trustee") under the Senior Indenture. Bonds issued under the Senior Indenture are referred to herein as "Senior Bonds." The Act and the Senior Indenture further authorize the issuance of refunding bonds having equal rank and on a parity with the Senior Bonds. The 2010 Series A Bonds will be the forty-sixth series of Senior Bonds issued under the Senior Indenture. The 2010 Series B Bonds will be the forty-seventh series of Senior Bonds issued under the Senior Indenture. The 2010 Series C Bonds will be the forty-eighth series of Senior Bonds issued under the Senior Indenture.

The Senior Indenture constitutes a contract between the State and the holders of all bonds issued thereunder. Pursuant to the Senior Indenture, all bonds issued thereunder are equally and ratably secured by the pledges and covenants contained therein.

The State has also authorized and issued special tax obligation bonds (the "Second Lien Bonds") junior in right of payment of principal and interest to the Senior Bonds, pursuant to a Second Lien Indenture of Trust entered into by the State and The Connecticut National Bank, as Trustee, dated as of December 1, 1990, as supplemented by the First through Fifth Supplemental Indentures of Trust, and amended by the Second Lien Special Tax Obligation Bonds Transportation Infrastructure Purposes Amendment No. 1 dated as of December 9, 1994 (the foregoing referred to collectively as the "Second Lien Indenture"). U.S. Bank National Association, Hartford, Connecticut is the successor trustee (the "Second Lien Trustee") under the Second Lien Indenture. The Second Lien Indenture was established principally to facilitate the issuance of bonds bearing interest at a variable rate and the entry by the State into interest rate swap agreements in respect thereto. There are currently $532,320,000 Second Lien Bonds outstanding. See "Total Bonds Outstanding."

Special tax obligation bonds authorized by the State for issuance from time to time may be issued under either the Senior Indenture or the Second Lien Indenture upon the terms and subject to the conditions stated in such Indentures. The Senior Bonds and the Second Lien Bonds are herein called collectively the "Bonds," and the Senior Indenture and the Second Lien Indenture are herein called collectively the "Indentures."

There follows in this Official Statement a description of the transportation infrastructure program, the nature of the obligation and the security therefor, the terms of the 2010 Series A, B and C Bonds, the establishment and maintenance of the Special Transportation Fund, including the transportation related revenues of the State to be credited to the Special Transportation Fund and the method of accounting therefor, and the Department of Transportation (the "Department"), which is charged with the management of the transportation infrastructure program. Also included are summaries of certain provisions of the Indentures. All references herein to the Act and the Indentures are qualified in their entirety by reference to the complete text of the Act and each such Indenture, copies of which are available from the State, and all references to the 2010 Series A, B and C Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Senior Indenture.

THE TRANSPORTATION INFRASTRUCTURE PROGRAM

The Infrastructure Program was established in 1984 and is a continuous program which finances the ongoing requirements of the State for the planning, acquisition, removal, construction, equipping, reconstruction, repair, rehabilitation and improvement of, and acquisition of easements and rights-of-way with respect to, State highways and bridges, projects on the interstate highway system, alternate highway projects in the interstate highway substitution program (the "interstate trade-in program"), waterway facilities, mass transportation and transit facilities, aeronautic facilities (excluding Bradley International Airport), the highway safety program, maintenance garages and administrative facilities of the Department, payment of the State's share of the costs of the local bridge program established under the Act, and payment of State contributions to the local bridge revolving fund established under the Act (all such projects being collectively herein called the "Infrastructure Program"). The Infrastructure Program is administered by the Department. For a more detailed description of the Department and the Infrastructure Program, see "The Department of Transportation."

The cost of the Infrastructure Program for State fiscal years 1985-2014, which will be met from federal, State, and local funds, is currently estimated at $25.9 billion. The State's share of such cost, estimated at $10.5 billion, is to be funded from transportation related taxes, fees and revenues deposited in the Special Transportation Fund, as described below, and from the proceeds of special tax obligation bonds. The portion of State program costs not financed by special tax obligation bonds is estimated at $0.7 billion and includes the expenses of the Infrastructure Program which either are not sufficiently large or do not have a long enough life expectancy to justify the issuance of long-term bonds. Such expenses currently include liquid resurfacing, minor bridge repairs, highway maintenance activities, safety improvements, and other minor transportation improvements.

The State's share of the cost of the Infrastructure Program for State fiscal years 1985-2014 to be financed by special tax obligation bonds is currently estimated at $9.8 billion. The actual amount may exceed $9.8 billion to finance reserves and cost of issuance amounts. The issuance of such special tax obligation bonds has eliminated the need for the authorization of additional general obligation bonds of the State for surface transportation purposes. Special tax obligation bonds may also be issued for the purpose of refunding general obligation bonds of the State issued for transportation infrastructure purposes.

During fiscal years 1985-2011, $23.7 billion of the total infrastructure program was approved by the appropriate governmental authorities. The remaining $2.2 billion is required for fiscal years 2012-2014. The $2.2 billion of such infrastructure costs is anticipated to be funded with proceeds of $666 million from the anticipated issuance of new special tax obligation bonds, $37 million in anticipated revenues, and $1.5 billion in anticipated federal funds.

The aggregate of motor fuels taxes, motor vehicle receipts, motor vehicle related licenses, permits and fees, Oil Companies Tax Payments (as hereinafter defined), Sales Tax - DMV Payments (as hereinafter defined), motor vehicle related fines, penalties and other charges and other transportation related revenue sources, including enacted adjustments in all the foregoing sources, are intended to cover the cost of the State's share of the Infrastructure Program, including debt service requirements. After providing for debt service requirements on the Bonds, the balance of the receipts from such revenue sources may be applied to the payment of general obligation bonds of the State issued or previously authorized and to be issued for transportation purposes and for the payment of annually budgeted expenses of the Department and the Department of Motor Vehicles (the "DMV").

The State has established the Special Transportation Fund for the purpose of budgeting and accounting for all transportation related taxes, fees and revenues credited to such Fund and securing the Bonds. See "The Operations of the Special Transportation Fund." In addition, the State has established an Infrastructure Improvement Fund to account for the net proceeds of bonds and bond anticipation notes (the "Notes") issued under public and special acts adopted annually by the General Assembly authorizing such obligations. The 2010 Series A, B and C Bonds are neither payable from nor secured by the Infrastructure Improvement Fund.

During the June 30, 2003 Special Session of the State General Assembly, the General Assembly enacted Public Act 03-1 and Public Act 03-4 to implement certain recommendations of the State Transportation Strategy Board (the "TSB") relative to the financing of various transportation related projects and purposes. Public Act 05-4 of the June 2005 Special Session ("Public Act 05-4") repealed and modified various provisions of Public Act 03-4 (as amended by Public Act 04-182) and provides that annually, the Department, in consultation with the Secretary of the Office of Policy and Management, the State Treasurer and the TSB, is required to prepare financing plans which are to provide for the annual funding and financing of those projects and purposes identified in such annual financing plans (the "TSB Projects and Purposes") based upon funding available or anticipated to be available in the TSB projects account of the Special Transportation Fund (the "TSB projects account").

Public Act 05-4 also eliminated the diversion of certain revenues which constituted Pledged Revenues ("Incremental Revenues") available to fund TSB Projects and Purposes and instituted transfers from the resources of the Special Transportation Fund to the TSB projects account of specific dollar amounts starting in fiscal year 2006 through fiscal year 2016 and thereafter. At present, it is not anticipated that additional funding will be required to fund TSB Projects and Purposes. See "The Transportation Strategy Board."

For purposes of the discussions and descriptions in this Official Statement, the TSB Projects and Purposes shall be deemed to be part of the Infrastructure Program.

NATURE OF OBLIGATION

Legal Authority - State Bond Commission

The State issues Bonds pursuant to the Act, the Indentures and special legislation enacted annually authorizing additional Bonds. Under the terms and provisions of the Act, the State Bond Commission (established pursuant to Section 3-20 of the General Statutes of Connecticut, as amended) is empowered to authorize special tax obligation bonds of the State for transportation infrastructure projects and uses, subject to the annual legislative authorizations (the "Special Acts"). The Act also authorizes the issuance of special tax obligation bonds to refund outstanding special tax obligation bonds and to refund certain general obligation bonds of the State issued for transportation purposes, and authorizes the execution of the Indentures as contracts of the State with the holders of the Bonds. The Act expressly provides that holders of Bonds may sue the State upon such express contract in the Connecticut Superior Court for the Judicial District of Hartford.

The State Bond Commission consists of the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of the Office of Policy and Management, the Commissioner of the Department of Public Works of the State and the Co-chairpersons and the Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly. The Secretary of the Office of Policy and Management serves as secretary to the Commission.

Source of Payment

Special Transportation Fund

The Bonds are special obligations of the State and are payable solely from the revenues of the State pledged therefor as provided in the Act (the "Pledged Revenues") and other receipts, funds or moneys pledged therefor pursuant to the Act and the Indentures. Pursuant to the Act and under the Indentures, all Pledged Revenues received or collected are promptly credited to the Special Transportation Fund established pursuant to Public Act 83-30 of the June 1983 Special Session of the General Assembly, as amended. Pledged Revenues consist of taxes, fees, charges and other receipts, funds or moneys of the State credited to the Special Transportation Fund. These include motor fuels taxes; motor vehicle receipts; motor vehicle related licenses, permits and fees; Oil Companies Tax Payments (as hereinafter defined); Sales Tax - DMV Payments (as hereinafter defined); motor vehicle related fines, penalties and other charges more particularly defined in the Act, including enacted adjustments in all of the foregoing sources; certain federal subsidy payments relating to certain taxable Build America Bonds (See "Designation of 2010 Series B Bonds as Build America Bonds"); and certain transportation related federal revenues of the State credited to the Fund. Other receipts, funds or moneys pledged under the Indentures include investment earnings and moneys in the funds and accounts established thereunder, subject to the application thereof as provided for in the Indentures.

The Act further provides that the Treasurer shall apply the resources in the Special Transportation Fund first to pay or to provide for the payment of debt service requirements (the "Debt Service Requirements") on the Bonds or on Notes in such amount or amounts and in such manner as required by the Indentures and then to pay from the TSB projects account certain amounts identified in approved annual financing plans for TSB Projects and Purposes. The Debt Service Account, the Note Repayment Account and the Reserve Account, which are accounted for as part of the Special Transportation Fund, are maintained and held in trust by the Trustee under the Senior Indenture and are the accounts from which payments of Principal and Interest Requirements on all Senior Bonds, and Interest Requirements on Senior Notes (as defined in the Senior Indenture),

will be paid. The remaining resources of the Special Transportation Fund, pursuant to the proper appropriation thereof and subject to approval by the Governor of allotment thereof, are available for (i) payment of principal on Senior Notes, (ii) payment of amounts required to be deposited with the Second Lien Trustee under the Second Lien Indenture, (iii) payment of the principal of and interest on "General Obligation Bonds of the State issued for Transportation Purposes," as defined in the Act, or any general obligations refunding the same, and (iv) payment of State budget appropriations for the Department and the DMV as described in the Act.

The Act provides that as part of the contract with bondholders, upon authorization of the issuance of the Bonds, all amounts necessary for the punctual payment of Debt Service Requirements are deemed appropriated from the Pledged Revenues and the Treasurer is required to pay such principal and interest as the same shall accrue, but only from the Pledged Revenues and other receipts, funds or moneys pledged to repay the Bonds. In the opinion of Bond Counsel, such amounts are validly deemed to be appropriated from such sources and such payment does not require further legislative approval.

The Act also provides that the obligation of the State to pay the Debt Service Requirements, in addition, will be secured by: (i) a first call upon the Pledged Revenues as they are received by the State and credited to the Special Transportation Fund (such a requirement whereby the Pledged Revenues are first applied to debt service is commonly referred to as a gross pledge); and (ii) a lien upon any and all amounts held to the credit of the Special Transportation Fund from time to time, provided such lien shall not extend to amounts credited to such Fund representing (A) proceeds of short term State notes or (B) transportation related federal revenues of the State. The Act provides that any pledge made by the State shall be valid and binding from the time when the pledge is made, and that any revenues or other receipts, funds or moneys so pledged or thereafter received by the State shall be subject immediately to the lien of such pledge without any physical delivery thereof or further act. In the opinion of Bond Counsel, the pledge in the Senior Indenture granting a first call on Pledged Revenues and a lien upon and security interest in amounts held to the credit of the Special Transportation Fund and other receipts, funds, or moneys pledged in the Senior Indenture, in the manner and to the extent set forth therein, is valid and binding upon the State and against all parties having claims of any kind in tort, contract, or otherwise against the State (including holders of general obligation debt of the State).

Agreements of the State

Pursuant to the Act and under the Senior Indenture, the State has covenanted with the bondholders to impose, charge, raise, levy, collect and apply the Pledged Revenues and other receipts, funds or moneys pledged for the payment of Debt Service Requirements, in such amounts as may be necessary to pay the Debt Service Requirements in each year in which the Senior Bonds or Senior Notes are outstanding. In addition, the State has covenanted that it will not limit, or otherwise alter, the rights or obligations of the appropriate officers of the State with respect to the application of the Pledged Revenues or to impose, maintain, charge or collect the taxes, fees, charges and other receipts constituting the Pledged Revenues as may be necessary to fulfill the terms of the proceedings authorizing the issuance of the Senior Bonds, including the Pledged Revenue coverage requirement described below.

With respect to such Pledged Revenue coverage requirement, the Senior Indenture includes the covenant of the State to provide Pledged Revenues, in each fiscal year, after deducting payments out of Pledged Revenues for reserves required under the Senior Indenture, and computed as of the final business day of such fiscal year, in an amount equal to at least two (2) times the aggregate Principal and Interest Requirements on Senior Bonds and Interest Requirements on Senior Notes in such fiscal year.

In the event the State does not meet the foregoing coverage requirement, such a failure does not constitute an event of default under the Senior Indenture unless the State shall not enact legislation such that the conditions contained in the Senior Indenture would be satisfied if Additional Bonds were then to be issued. See Events of Default subsection under "Summary of Certain Provisions of Senior Indenture" for a more detailed description.

The Senior Bonds are secured by a Reserve Account established and required to be maintained in an amount equal to the maximum Principal and Interest Requirements on Senior Bonds for the current or any future fiscal year (the "Debt Service Reserve Requirement").

In the opinion of Bond Counsel, the foregoing covenants are valid and enforceable covenants of the State, except as enforceability thereof may be limited by insolvency, moratorium and other laws affecting creditors' rights generally heretofore or hereafter enacted and by law applicable to relief in equity and by the reserved police powers of the State; no opinion is expressed as to the availability of a right in equity to specific performance of any covenant requiring legislative action with respect to taxes not presently enacted when an adequate remedy at law for damages is available or another such limitation exists and is applied.

So long as Second Lien Bonds are outstanding under the Second Lien Indenture, the State is also obligated pursuant to the Second Lien Indenture to provide Pledged Revenues, in each fiscal year, after deducting payments out of Pledged Revenues for reserves required under the Indentures and computed as of the final business day of such fiscal year, in an amount equal to at least two (2) times the aggregate Principal and Interest Requirements on all Bonds and Notes outstanding in such fiscal year. For this purpose, Principal and Interest Requirements on Senior Bonds and Senior Notes issued under the Senior Indenture are calculated differently from Principal and Interest Requirements on Second Lien Bonds and Second Lien Notes issued under the Second Lien Indenture. See "Summary of Certain Provisions of the Second Lien Indenture." So long as Second Lien Bonds are outstanding under the Second Lien Indenture, the effect of the Pledged Revenue coverage requirement under the Second Lien Indenture is to require the maintenance of greater Pledged Revenue coverage for Senior Bonds than is required under the Senior Indenture.

Pursuant to the Act, the Senior Indenture provides that the State may limit, modify, rescind, repeal or otherwise alter the character or amount of such Pledged Revenues or substitute like or different sources of taxes, fees, charges or other receipts as Pledged Revenues if, for the ensuing fiscal year of the State, the projected revenues meet or exceed the estimated expenses of the Special Transportation Fund, including accumulated deficits, if any, the Debt Service Requirements on the Senior Bonds and Senior Notes and such Pledged Revenue coverage requirement.

The State does not presently have a constitutional restriction on its power of taxation other than that the State may not tax to provide funds for private purposes as distinguished from public purposes.

Flow of Funds under Senior Indenture

All Pledged Revenues collected by the State or any officer thereof, along with other revenues of the State (such as sales tax revenues), are deposited in various bank accounts of the State throughout the State. The Pledged Revenues will be credited to the Special Transportation Fund held by the State, and, as provided by the Senior Indenture, will be transferred monthly to the extent required to meet Debt Service Requirements for the Senior Bonds and the Senior Notes to the credit of the following accounts or sub-accounts the following sums in the following order:

(i) to the credit of the Bond Service Sub-Account, the Note Repayment Account and the Redemption Sub-Account, respectively, such amounts thereof, if any (or the entire sum so withdrawn if less than the required amount, in which case such sum shall be allocated among the purposes set forth in this subparagraph on a pro rata basis), as may be required (A) to make the amount then held to the credit of the Bond Service Sub-Account equal to the sum of the aggregate unpaid principal accruing on outstanding serial bonds through the dates in the next ensuing month which are the respective anniversary dates of such bonds, assuming the principal of any serial bond accrues ratably over the twelve months preceding its maturity, plus the unpaid interest accruing on each of the Senior Bonds then outstanding through the dates in the next ensuing month which are the respective anniversary dates of such Senior Bonds, plus the amount accruing with respect to principal and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal on Senior Bonds, plus one-twelfth (1/12) of the Principal and Interest Requirements on Senior Bonds for the next ensuing twelve (12) months; (B) to make the amount then held to the credit of the Note Repayment Account held for payment of interest equal to the unpaid interest on Senior Notes accruing through the end of the next ensuing month and unpaid interest accruing pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal of Senior Notes; and (C) to make the amount then held to the credit of the Redemption Sub-Account equal to the aggregate Amortization Requirements, if any, accruing through the respective anniversary dates of the Senior Bonds in the next ensuing month for each of the term bonds then outstanding (plus a ratable portion of the premium, if any, which would be payable on principal amounts of term bonds equal to the amount of such Amortization Requirements if such principal amount of term bonds should be called for mandatory redemption); provided, however, that if the amount so deposited to the credit of the Redemption Sub-Account in any month shall be less than such amount, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited in each subsequent month thereafter until such time as such deficiency shall have been made up;

(ii) to the credit of the Reserve Account, out of any balance remaining after making the deposits under subparagraph (i) above (or the entire balance if less than the required amount), the amount, if any, necessary to maintain the Reserve Account at the Debt Service Reserve Requirement.

Following the monthly transfers described above, the Pledged Revenues of the Special Transportation Fund may be applied to the payment of principal on Senior Notes or other obligations of the State subordinate to the Senior Bonds, to the payment of amounts required to be deposited with the Trustee under the Second Lien Indenture and, subject to appropriation and allotment, payment of the debt service on general obligation bonds of the State issued for transportation purposes and to the payment of State budget appropriations for the Department and the DMV.

If at any time any amounts required to be paid to the Trustee under the Senior Indenture have not been so paid, no payments shall be made from the Special Transportation Fund except with respect to the Senior Bonds and Senior Notes and the Trustee shall be entitled to notify the Treasurer that such amounts are accrued and unpaid, whereupon any Pledged Revenues received by the State and credited to the Special Transportation Fund are required by the Act and Senior Indenture to be paid by the Treasurer forthwith to the Trustee, and shall not be diverted to any other purpose, until such accrued and unpaid amounts have been paid in full.

The Senior Indenture also provides that the State shall at all times do and perform all acts and things permitted by law and necessary to assure that the Pledged Revenues received by the State and credited to the Special Transportation Fund shall be applied first to the payment of Debt Service Requirements. Such covenant provides, among other things, assurance that, if necessary, the State will implement procedures for immediate segregation, upon collection, of Pledged Revenues from other cash receipts of the State.

Refunding Bonds

Refunding Bonds are authorized under the Act and the Senior Indenture to be issued by the State having equal rank and on a parity with the Senior Bonds heretofore issued. Refunding Bonds may be issued at any time and from time to time, in such amounts as the State Bond Commission may deem necessary for the purpose of refunding the principal of the bonds to be refunded, any unpaid interest thereon to the date of redemption thereof, any premium necessary to be paid in connection therewith, and the costs and expenses of issuing such Refunding Bonds. Refunding Bonds shall be issued under and pursuant to a supplemental indenture (or supplemental indentures). The 2010 Series C Bonds are being issued as Refunding Bonds under the Act, the Senior Indenture and the Fortieth Supplemental Indenture.

Additional Bonds

Additional Bonds may be issued by the State having equal rank and on a parity with the Senior Bonds heretofore issued for the Infrastructure Program. Additional Bonds also may be issued junior in right of payment to the Senior Bonds and on a parity with the outstanding Second Lien Bonds issued under the Second Lien Indenture. See "Total Bonds Outstanding." The Public and Special Acts currently provide for the issuance of Bonds for the Infrastructure Program in principal amounts not exceeding in the aggregate $9,822,677,104, of which $2,526,026,352 will be authorized and unissued after the issuance of the 2010 Series A, B and C Bonds. Of such $2,526,026,352 unissued amount, $1,646,299,491 has been authorized by the State Bond Commission. It is anticipated that Additional Bonds will be authorized by public and special acts annually in an amount necessary to finance and to complete the Infrastructure Program. Subject to such statutory authorization, issuance of Additional Bonds requires compliance with the conditions contained in the Senior Indenture and, so long as Second Lien Bonds are outstanding, with the conditions contained in the Second Lien Indenture. The Senior Indenture provides that such Additional Bonds for the Infrastructure Program shall be issued under and pursuant to a supplemental indenture (or supplemental indentures) and subject to compliance with the following conditions:

(1) Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture, after deducting, for the applicable period, payments out of such Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture for reserves required by the Senior Indenture, actually paid into the Special Transportation Fund for any period of twelve consecutive calendar months of the immediately preceding eighteen calendar months were equal to at least two (2) times the aggregate Principal and Interest Requirements on Senior Bonds and Interest Requirements on Senior Notes for such period; provided however, that this condition shall be deemed to be satisfied if such test is satisfied after adjusting such Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture only to reflect any increase(s) or decrease(s) in taxes, fees or charges enacted to be in effect at the time of issuance of such Additional Bonds, and the Secretary of the Office of Policy and Management of the State shall deliver to the Trustee a certificate demonstrating such coverage; and

(2) Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture, after deducting, for the applicable period, payments out of such Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture for reserves required by the Senior Indenture, actually paid into the Special Transportation Fund for any period of twelve consecutive calendar months of the immediately preceding eighteen calendar months are equal to at least two (2) times the aggregate Principal and Interest Requirements on Senior Bonds with respect to the Senior Bonds, including the Additional Bonds to be issued, and Interest Requirements on Senior Notes not being refunded from the proceeds of such Additional Bonds, for the current and each succeeding State fiscal year, after adjusting such Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture only to reflect any increase(s) or decrease(s) in taxes, fees or charges enacted to be in effect for such current or such succeeding fiscal year, and the Secretary of the Office of Policy and Management of the State shall deliver to the Trustee a certificate demonstrating such coverage; and

(3) The State shall have received a letter from the Accountant appointed by the State (i) substantially to the effect that in connection with its examination of the Special Transportation Fund pursuant to Section 7.4 of the Senior Indenture nothing came to their attention that caused them to believe that the State was not then in compliance with the requirement of (1) above and (ii) reporting on the certificates delivered by the State pursuant to the requirement of (1) and (2) above without material qualification; and

(4) The State shall have determined that the principal amount of all Bonds, including the Additional Bonds to be issued, will not exceed any limitation imposed by law and that upon such issue, the amount credited to the Reserve Account will be not less than the Debt Service Reserve Requirement.

The Second Lien Indenture provides that the State may not issue Senior Bonds under the Senior Indenture unless such Senior Bonds could have been issued under the Second Lien Indenture. The conditions stated in the Second Lien Indenture are essentially similar to those in the Senior Indenture, except that the coverage tests referred to in (1) and (2) above must be met with respect to all Bonds and Notes outstanding. For this purpose, Principal and Interest Requirements on Second Lien Bonds and Second Lien Notes are calculated differently than for Senior Bonds and Senior Notes. See "Summary of Certain Provisions of the Second Lien Indenture."

In addition, issuance of Additional Bonds under the Senior Indenture is conditioned upon the State having made all monthly payments to the Trustee required to be made and having deposited in the Bond Service Sub-Account an amount equal to one-twelfth (1/12) of the Principal and Interest Requirements on such Additional Bonds for the ensuing twelve months in which such Senior Bonds are to be outstanding.

Bond Anticipation Notes and Subordinated Indebtedness

Pursuant to the Act and the Senior Indenture, interest on Senior Notes issued in accordance with the Senior Indenture and in anticipation of the receipt of the proceeds of Additional Bonds is payable on a parity with principal and interest on the Senior Bonds. See "Source of Payment-Flow of Funds." No such Senior Notes, under the terms of the Senior Indenture, shall be issued (i) unless the Senior Bonds in anticipation of which they are to be issued have been duly authorized in accordance with the Act and the Senior Indenture, and (ii) if the aggregate principal amount of all Senior Notes then outstanding and to be issued exceeds $50,000,000, unless, as of the date of issuance of such Senior Notes, the State could have issued under the terms of the Senior Indenture an equivalent aggregate principal amount of serial bonds, maturing in equal annual installments of principal and interest, the last installment of which shall mature not later than thirty years after such date, and bearing interest at such rate as the State shall determine in its best judgment to be equivalent to the average interest rate which would have been paid had such Senior Bonds been issued at such time. Senior Notes shall be special obligations of the State payable solely from the proceeds of the Senior Bonds and, to the extent provided in the Senior Indenture or deemed necessary or desirable by the State, from the Special Transportation Fund. The Senior Indenture provides that any obligation of the State to pay the unrefunded principal of Senior Notes, including for this purpose any obligation of the State under a reimbursement agreement entered into in connection with a credit facility providing for payment of the unrefunded principal of Senior Notes, shall be subordinate to any obligation of the State to pay the principal and interest with respect to the Senior Bonds or interest with respect to Senior Notes. The Senior Indenture further provides that the State may not enter into any contract with any noteholder inconsistent with the terms of the Senior Indenture. The full faith and credit of the State shall not be pledged to the repayment of such Senior Notes and the State shall not be obligated to make appropriations from its general fund for the repayment of such Senior Notes.

So long as the Second Lien Bonds are outstanding, the State has covenanted in the Second Lien Indenture not to issue Senior Notes.

Nothing in the Senior Indenture prohibits the State (i) from issuing other indebtedness for any use or purpose of the State payable as to principal and interest from the Special Transportation Fund subject and subordinate to the deposits and credits required to be made to the Debt Service Account, the Senior Note Repayment Account, or the Reserve Account, or (ii) from securing other indebtedness and the payment thereof by a call upon the Pledged Revenues and a lien on and pledge of the Special Transportation Fund junior and inferior to the first call on the Pledged Revenues and to the lien on and pledge of the Special Transportation Fund created in the Indenture for the payment and security of the Senior Bonds. The State may issue notes in anticipation of federal grants and, to the extent any such grants when received are credited to the Fund, the repayment obligation with respect to such notes will be subordinate to any obligation of the State to pay Debt Service Requirements on Senior Bonds and Senior Notes.

State General Taxing Power Not Pledged

Pursuant to the Act, the Bonds shall be special obligations of the State and shall not be payable from nor charged upon any funds other than the Pledged Revenues or other receipts, funds or moneys pledged therefor as provided in the Act, nor shall

the State or any political subdivision thereof be subject to any liability thereon, except to the extent of the Pledged Revenues and such other receipts, funds or moneys pledged therefor. The issuance of the Bonds under the Act and Indentures shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor (except for taxes included in the Pledged Revenues), or to make any additional appropriation for their payment. The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or of any political subdivision thereof, other than the Pledged Revenues and other receipts, funds or moneys pledged therefor. The Bonds shall not be subject to any statutory limitation on the indebtedness of the State and, when issued, shall not be included in computing the aggregate indebtedness of the State with respect to and to the extent of any such limitation. The full faith and credit of the State shall not be pledged to the repayment of the Bonds.

THE 2010 SERIES A, B AND C BONDS

Purpose of the 2010 Series A, B and C Bonds

The Public and Special Acts currently provide for the issuance of $9,822,677,104 in special tax obligation bonds, in one or more series, to fund, together with anticipated federal grants, a portion of the costs of various purposes of the Infrastructure Program. The 2010 Series A Bonds and the 2010 Series B Bonds are issued under the authorized but unissued balance for Bonds of $2,246,299,491 currently remaining pursuant to the Public and Special Acts and authorization by the State Bond Commission. It is expected that in each year special legislation will empower the State Bond Commission to authorize additional special tax obligation bonds to finance the Infrastructure Program. The 2010 Series C Bonds are being issued to refund certain Senior Bonds (See "Plan of Refunding").

On August 17, 2010, the State Bond Commission authorized the issuance and sale by the Treasurer of the 2010 Series A, B and C Bonds to fund a portion of the projects and uses authorized in the Public and Special Acts and to refund certain outstanding Senior Bonds as well as the execution of the Fortieth Supplemental Indenture by the Governor, the Treasurer, and the Comptroller, the Official Statement, a Continuing Disclosure Agreement, an Escrow Agreement and a Certificate of Determination executed by the Treasurer and filed with the Secretary of the State Bond Commission.

Designation of 2010 Series B Bonds as Build America Bonds

The federal American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009), enacted February 17, 2009 (the "Recovery Act") authorizes state and local governments to issue two general types of taxable Build America Bonds ("Taxable BABs"), with the federal government providing subsidies for a portion of their borrowing cost. One type of Taxable BAB provides a federal tax credit to the bondholder; the other provides a credit in the form of an interest subsidy payment directly to the issuer ("Taxable BABs – Direct Pay"). The 2010 Series B Bonds will be issued as Taxable BABs – Direct Pay. Pursuant to the Recovery Act, the State will receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the 2010 Series B Bonds on or about each interest payment date. Any such cash subsidy payments received by the State relating to Bonds, including the 2010 Series B Bonds, will be credited to the Special Transportation Fund and are then pledged to the payment of all Bonds subject to the lien of the Indentures. Receipt of such subsidy payments is not a condition of payment of any portion of the principal and interest on the Bonds, including, without limitation, the 2010 Series B Bonds.

Description of the 2010 Series A, B and C Bonds

The 2010 Series A, B and C Bonds will be dated the date of delivery and will bear interest at the rates and mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the 2010 Series A, B and C Bonds is payable on May 1 and November 1 of each year, commencing May 1, 2011. The 2010 Series A, B and C Bonds are issuable as fully registered bonds in the denomination of $5,000 or any integral multiple thereof.

Principal of and interest on the 2010 Series A, B and C Bonds will be paid directly to The Depository Trust Company ("DTC") by U.S. Bank National Association, the Trustee under the Senior Indenture, as Paying Agent so long as DTC or its nominee, Cede & Co., is the Bondowner. (See "Book-Entry-Only System" herein.)

Redemption

2010 Series A Bonds. The 2010 Series A Bonds are ***not*** subject to optional redemption prior to maturity.

2010 Series B Bonds.

a. Make-Whole Optional Redemption

The 2010 Series B Bonds are subject to redemption prior to their stated maturity dates, at the election of the Treasurer, in whole or in part at any time, at a redemption price equal to the greater of:

(1) the issue price set forth on the inside cover hereof (but not less than 100% of the principal amount) of such 2010 Series B Bonds to be redeemed; or

(2) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of such 2010 Series B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2010 Series B Bonds are to be redeemed, discounted to the date on which such 2010 Series B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus thirty (30) basis points, plus, in each case, accrued interest on such 2010 Series B Bonds to be redeemed to the redemption date. The redeemed 2010 Series B Bonds may be in such amounts and in such order of maturity and bear such interest rate or rates (but pro rata among 2010 Series B Bonds bearing the same interest rate within a maturity) as the Treasurer may determine.

"Treasury Rate" means, with respect to any redemption date for a particular bond, the yield to maturity for the stated maturity of such bond of United States Treasury securities with a constant maturity (excluding inflation indexed securities) as compiled and published and publicly available in the Federal Reserve Statistical Release H.15 (519), at least two business days, but not more than 45 calendar days, prior to the redemption date, as determined by the Treasurer (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the bond to be redeemed, provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

b. Extraordinary Optional Redemption

The 2010 Series B Bonds are subject to redemption prior to their stated maturity dates at the election of the Treasurer, in whole or in part at any time, upon the occurrence of an Extraordinary Event (as defined below), at a redemption price equal to the greater of: (1) the issue price set forth on the inside cover page hereof (but not less than 100% of the principal amount) of such 2010 Series B Bonds to be redeemed; or (2) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of such 2010 Series B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2010 Series B Bonds are to be redeemed, discounted to the date on which such 2010 Series B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, as defined above, plus one hundred (100) basis points; plus, in each case, accrued interest on such 2010 Series B Bonds to be redeemed on the redemption date. The redeemed 2010 Series B Bonds may be in such amounts and in such order of maturity and bear such interest rate or rates (but pro rata among 2010 Series B Bonds bearing the same interest rate within a maturity) as the Treasurer may determine.

An "Extraordinary Event" will have occurred if Section 54AA or Section 6431 of the Code is modified, amended or interpreted in a manner pursuant to which the State's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

c. Mandatory Sinking Fund Redemption

The 2010 Series B Bonds maturing on November 1, 2030, are subject to mandatory sinking fund redemption, in part pro rata, at a redemption price equal to 100% of the principal amount of bonds to be redeemed, plus accrued interest thereon to the redemption date, without premium, on the dates and in the amounts set forth below:

Mandatory Redemption Date	Principal Amount to be Redeemed
November 1, 2024	$33,795,000
November 1, 2025	35,690,000
November 1, 2026	37,690,000
November 1, 2027	39,810,000
November 1, 2028	42,040,000
November 1, 2029	44,400,000
November 1, 2030	46,895,000*

*Final Maturity

The State, at its option, may credit against mandatory sinking fund redemption requirements on a pro-rata pass-through distribution of principal basis, any 2010 Series B Bonds which would be subject to such mandatory sinking fund redemption requirements which have been purchased and canceled by the State or which have been redeemed and not previously applied as a credit against such mandatory sinking fund redemption requirements.

So long as DTC or a successor securities depository is the sole registered owner of the 2010 Series B Bonds, partial redemptions will be done in accordance with DTC procedures. It is the State's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the State and the Beneficial Owners be made on a pro rata pass-through distribution of principal basis as described below. If the 2010 Series B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2010 Series B Bonds, the particular 2010 Series B Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as such 2010 Series B Bonds are held in book-entry form, the selection for redemption of such 2010 Series B Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, such 2010 Series B Bonds, will be selected for redemption, in accordance with DTC procedures, by lot. However, the State can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among the Beneficial Owners on such pro rata pass-through distribution basis.

2010 Series C Bonds. The 2010 Series C Bonds maturing on or after November 1, 2021 will be subject to redemption, at the election of the Treasurer, on or after November 1, 2020 at any time, in whole or in part and by lot within maturity, in such amounts and in such order of maturity as the Treasurer may determine, at the redemption price (expressed as a percentage of the principal amount of the bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

Redemption Period	Redemption Price
November 1, 2020 and thereafter	100%

Notice of Redemption

Notice of redemption shall be mailed not less than thirty (30) nor more than sixty (60) days prior to the redemption date, by registered mail, to the registered owner of the 2010 Series B Bonds and the 2010 Series C Bonds at the address as it appears on the books of registry or at such address as such owner may have filed with the registrar for that purpose. So long as Cede & Co., as nominee of DTC, is the registered owner of the 2010 Series B Bonds and the 2010 Series C Bonds, all notices of redemption will be sent only to DTC, and delivery of such notices of redemption to DTC's Participants and Indirect Participants and Beneficial Owners of the 2010 Series B Bonds and the 2010 Series C Bonds will be governed by the customary practices and procedures of DTC and said Participants and Indirect Participants. The 2010 Series B Bonds and the 2010 Series C Bonds called for redemption shall, on the redemption date designated in the notice of redemption, become due and payable only if moneys for the payment of such 2010 Series B Bonds and the 2010 Series C Bonds called for redemption together with the applicable redemption premium, if any, and the interest to accrue to the redemption date on such 2010 Series B Bonds and the 2010 Series C Bonds are held for the purpose of payment by the Trustee or Paying Agent.

Plan of Refunding

The 2010 Series C Bonds, and other funds of the State or available to the State under the Senior Indenture, will be used to refund the following maturities and principal amounts of outstanding Senior Bonds on the dates and at the redemption prices set forth below (the "Refunded Bonds").

Series	Maturity Date	Principal Amount	Coupon	Call Date	Call Price
2001 Series A	10/01/2012	$ 6,810,000	4.200%	10/01/2011	100%
2001 Series A	10/01/2012	$ 2,100,000	5.375%	10/01/2011	100%
2001 Series A	10/01/2013	$ 4,600,000	4.300%	10/01/2011	100%
2001 Series A	10/01/2013	$ 4,725,000	5.000%	10/01/2011	100%
2001 Series A	10/01/2014	$ 4,280,000	4.400%	10/01/2011	100%
2002 Series A	07/01/2013	$ 3,100,000	5.375%	07/01/2012	100%
2002 Series A	07/01/2014	$ 5,560,000	4.500%	07/01/2012	100%
2002 Series A	07/01/2015	$ 950,000	4.600%	07/01/2012	100%
2002 Series A	07/01/2016	$ 1,205,000	4.700%	07/01/2012	100%
2002 Series A	07/01/2017	$ 2,170,000	4.750%	07/01/2012	100%
2002 Series A	07/01/2018	$ 970,000	4.800%	07/01/2012	100%

Series	Maturity Date	Principal Amount	Coupon	Call Date	Call Price
2002 Series A	07/01/2019	$ 425,000	4.875%	07/01/2012	100%
2002 Series A	07/01/2020	$ 2,395,000	5.000%	07/01/2012	100%
2002 Series A	07/01/2020	$ 5,200,000	5.375%	07/01/2012	100%
2002 Series A	07/01/2021	$ 7,995,000	5.000%	07/01/2012	100%
2002 Series A	07/01/2022	$ 8,405,000	5.000%	07/01/2012	100%
2002 Series B	12/01/2013	$ 8,200,000	5.000%	12/01/2012	100%
2002 Series B	12/01/2014	$ 880,000	3.800%	12/01/2012	100%
2002 Series B	12/01/2014	$10,115,000	5.250%	12/01/2012	100%
2002 Series B	12/01/2015	$ 1,185,000	3.900%	12/01/2012	100%
2002 Series B	12/01/2016	$ 1,500,000	4.100%	12/01/2012	100%
2002 Series B	12/01/2017	$ 620,000	4.200%	12/01/2012	100%
2002 Series B	12/01/2018	$ 350,000	4.300%	12/01/2012	100%
2002 Series B	12/01/2018	$13,080,000	5.000%	12/01/2012	100%
2002 Series B	12/01/2019	$13,775,000	5.250%	12/01/2012	100%
2002 Series B	12/01/2020	$13,810,000	5.000%	12/01/2012	100%
2002 Series B	12/01/2021	$14,830,000	5.000%	12/01/2012	100%

Upon delivery of the 2010 Series C Bonds, proceeds will be placed in escrow with U.S. Bank National Association (the "Escrow Holder"), under an Escrow Agreement (the "Escrow Agreement") between the Escrow Holder and the State. The Escrow Holder will deposit in an irrevocable trust fund called the Escrow Deposit Fund a portion of the net proceeds of the 2010 Series C Bonds and monies from the Bond Service Sub-Account of the Debt Service Account allocable to the Refunded Bonds and will use such proceeds to purchase direct obligations of, or obligations guaranteed by, the United States of America (the "Government Obligations"), the principal of and interest on which, when due, along with any uninvested cash amounts, will provide amounts sufficient to meet principal, interest payments and redemption prices on the Refunded Bonds, subject to the Escrow Agreement, on the dates such payments are due. All investment income on and maturing principal of the Government Obligations held in the Escrow Deposit Fund and needed to pay the principal and premium of, and interest on, the Refunded Bonds, will be irrevocably deposited by the State for payment of the Refunded Bonds, subject to the Escrow Agreement.

Upon making such deposit with the Escrow Holder and the issuance of certain irrevocable instructions to the Escrow Holder pursuant to the Senior Indenture, the Refunded Bonds, subject to the Escrow Agreement, will, under the terms of the Senior Indenture, no longer be deemed to be outstanding and shall be deemed to have been paid and will cease to be entitled to any lien, benefit or security under the Senior Indenture.

Sources and Uses of Funds

The proceeds to be derived from the sale of the 2010 Series A, B and C Bonds are estimated to be applied as follows:

Sources

Principal Amount of 2010 Series A Bonds	$199,570,000
Principal Amount of 2010 Series B Bonds	$400,430,000
Principal Amount of 2010 Series C Bonds	$137,675,000
Release from Bond Service Sub-Account	$ 2,359,222
Original Issue Premium	$ 41,439,259
Total	$781,473,481

Uses

Deposit into Infrastructure Improvement Fund to pay a portion of the costs of the Infrastructure Program	$615,288,857
Deposit into Escrow Deposit Fund	$153,005,580
Deposit into Reserve Account	$ 9,066,628
Underwriters' Discount	$ 3,558,054
Costs of Issuance	$ 554,362
Total	$781,473,481

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2010 Series A, B and C Bonds. The 2010 Series A, B and C 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 or more fully-registered bond certificates will be issued for each maturity of each series of the 2010 Series A, B and C Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. 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. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of 2010 Series A, B and C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Series A, B and C Bonds on DTC's records. The ownership interest of each actual purchaser of each of the 2010 Series A, B and C Bonds ("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 Series A, B and C 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 Series A, B and C Bonds is discontinued.

To facilitate subsequent transfers, all the 2010 Series A, B and C 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 Series A, B and C 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 Series A, B and C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the 2010 Series A, B and C 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 such other DTC nominee) will consent or vote with respect to the 2010 Series A, B and C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State 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 Series A, B and C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the 2010 Series A, B and C 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 State or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the State or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. Neither the State, the Trustee nor any Underwriter has any responsibility or obligation to DTC's Direct Participants or Indirect Participants or Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or its Direct Participants or Indirect Participants, (2) the payments by DTC or its Direct Participants or Indirect Participants with respect to the principal of or premium, if any, or interest on the 2010 Series A, B and C Bonds, (3) any notice which is permitted or required to be given to Bondowners, (4) any consent given by DTC or other action taken by DTC on behalf of Cede & Co. as Bondowner or (5) the selection by DTC or any of its Direct Participants or any Indirect Participants or any Beneficial Owners to receive payment in the event of a partial redemption of the 2010 Series A, B and C Bonds.

For so long as Cede & Co. is the registered owner of the 2010 Series A, B and C Bonds, all references herein to the Bondowner or owners of the 2010 Series A, B and C Bonds shall mean Cede & Co. and shall not mean any Beneficial Owner or Beneficial Owners of the 2010 Series A, B and C Bonds nor any Direct Participant or Indirect Participant, unless specific exception has been expressed herein.

TOTAL BONDS OUTSTANDING

The following table sets forth all Bonds outstanding as of the date of delivery of the 2010 Series A, B and C Bonds.

Series	Amount Originally Issued	Original Issuance Amount Outstanding	Dated Date	True Interest Cost
Senior Bonds:				
1991 Series B [1]	$266,000,000	$52,000,000	September 15, 1991	6.553%
1992 Series B [1]	275,000,000	43,965,000	September 1, 1992	6.056%
1998 Series A (Refunding)[2]	197,500,000	113,585,000	April 15, 1998	4.831%
1998 Series B [1]	225,000,000	39,755,000	September 15, 1998	4.686%
2001 Series A [1]	175,000,000	8,525,000	September 15, 2001	4.706%
2001 Series B (Refunding)[2]	533,335,000	170,440,000	September 15, 2001	4.086%
2002 Series A [1]	112,000,000	12,115,000	May 1, 2002	4.741%
2002 Series B [1]	215,000,000	49,600,000	November 1, 2002	4.230%
2003 Series B	200,000,000	155,945,000	November 15, 2003	4.221%
2004 Series A	200,000,000	159,115,000	November 15, 2004	4.159%
2004 Series B (Refunding)[2]	89,725,000	83,615,000	November 15, 2004	3.852%
2005 Series A	250,000,000	209,210,000	December 15, 2005	4.326%
2007 Series A	250,000,000	224,995,000	October 25, 2007	4.342%
2008 Series A	300,000,000	280,790,000	December 10, 2008	4.762%
2009 Series A	195,970,000	195,970,000	November 10, 2009	2.963%
2009 Series B	304,030,000	304,030,000	November 10, 2009	3.636%
2009 Series C (Refunding)[2]	49,775,000	49,775,000	November 10, 2009	1.827%
2010 Series A	199,570,000	199,570,000	November 10, 2010	2.201%
2010 Series B	400,430,000	400,430,000	November 10, 2010	3.443%
2010 Series C (Refunding)[2]	137,675,000	137,675,000	November 10, 2010	2.797%
SENIOR LIEN BONDS SUB-TOTAL		$2,891,105,000		
Second Lien Bonds:				
1990 Series 1	$250,000,000	$22,200,000	December 19, 1990	Variable[3]
2008 Series 1 (Refunding)[2]	97,690,000	97,690,000	October 1, 2008	3.555%
2009 Series 1 (Refunding)[2]	415,035,000	412,430,000	January 29, 2009	3.362%
SECOND LIEN BONDS SUB-TOTAL		$532,320,000		
TOTAL BONDS OUTSTANDING		$3,423,425,000		

(1) Certain maturities of Bonds in this series have been refunded or defeased.
(2) Refunding Bonds do not constitute Additional Bonds.
(3) The State entered into Qualified Swaps (see definition in Summary of Certain Provision of the Second Lien Indenture) at the time the 1990 Series 1 Bonds were delivered. Pursuant to the Second Lien Indenture, Principal and Interest Requirements on Second Lien Bonds with respect to the 1990 Series 1 Bonds are calculated on the fixed interest rates payable by the State in connection with the Qualified Swaps.

SOURCE: Office of the State Treasurer

DEBT SERVICE ON OUTSTANDING BONDS

The following schedule sets forth the debt service payments to be made in each State fiscal year on the $3,423,425,000 Bonds issued and outstanding as of the date of delivery of the 2010 Series A, B and C Bonds, excluding principal and interest on previously refunded Bonds. The anticipated issuance of Additional Bonds to finance the Infrastructure Program for State fiscal years 2012 - 2014 is reflected in Tables 7 and 8.

Fiscal Year Ending June 30th	Outstanding Bonds[a]			2010 Series A, B and C Bonds			Total Debt Service[c]
	Principal	Interest[b][d]	Subtotal[c]	Principal	Interest[d]	Subtotal[c]	
2011[e]	$ 65,830,000	$ 77,951,796	$143,781,796	$ -	$16,768,609	$16,768,609	$160,550,405
2012	256,030,000	121,431,498	377,461,498	18,245,000	35,119,885	53,364,885	430,826,383
2013	279,880,000	108,954,269	388,834,269	29,945,000	34,354,410	64,299,410	453,133,679
2014	221,575,000	97,489,869	319,064,869	40,790,000	33,065,435	73,855,435	392,920,304
2015	185,515,000	87,901,340	273,416,340	41,555,000	31,527,260	73,082,260	346,498,600
2016	187,780,000	79,548,247	267,328,247	21,960,000	30,146,035	52,106,035	319,434,282
2017	163,785,000	71,081,627	234,866,627	26,125,000	28,974,260	55,099,260	289,965,887
2018	159,410,000	63,367,793	222,777,793	26,580,000	27,710,085	54,290,085	277,067,878
2019	144,510,000	55,964,957	200,474,957	36,950,000	26,164,935	63,114,935	263,589,892
2020	132,810,000	49,062,634	181,872,634	41,085,000	24,264,835	65,349,835	247,222,469
2021	127,045,000	43,136,409	170,181,409	51,755,000	22,152,398	73,907,398	244,088,807
2022	104,190,000	37,023,814	141,213,814	49,525,000	19,889,586	69,414,586	210,628,400
2023	119,395,000	31,380,105	150,775,105	40,735,000	17,789,432	58,524,432	209,299,537
2024	108,215,000	25,683,473	133,898,473	32,105,000	16,069,336	48,174,336	182,072,809
2025	98,045,000	20,172,096	118,217,096	33,795,000	14,380,234	48,175,234	166,392,330
2026	86,885,000	15,489,431	102,374,431	35,690,000	12,483,641	48,173,641	150,548,072
2027	71,425,000	11,344,093	82,769,093	37,690,000	10,480,734	48,170,734	130,939,827
2028	75,275,000	7,431,019	82,706,019	39,810,000	8,365,372	48,175,372	130,881,391
2029	59,490,000	3,802,039	63,292,039	42,040,000	6,131,276	48,171,276	111,463,315
2030	38,660,000	1,089,758	39,749,758	44,400,000	3,771,896	48,171,896	87,921,654
2031				46,895,000	1,279,999	48,174,999	48,174,999
Total[d]	$2,685,750,000	$1,009,306,267	$3,695,056,267	$ 737,675,000	$ 420,889,652	$1,158,564,652	$4,853,620,919

(a) Outstanding Senior and Second Lien Bonds as of the date of delivery of the 2010 Series A, B and C Bonds (Debt service on refunded Bonds is not included).

(b) The State entered into Qualified Swaps at the time the 1990 Series 1 Bonds were delivered. Pursuant to the Second Lien Indenture, Principal and Interest Requirements on the 1990 Series 1 Bonds are calculated based on the fixed interest rates payable by the State in connection with the Qualified Swaps. Interest on the 1990 Series 1 Bonds for purposes of this table is also calculated based on such fixed interest rates.

(c) Principal and Interest may not add to Totals due to rounding.

(d) Per the federal American Recovery and Reinvestment Act of 2009, the State will receive a cash subsidy payment directly from the United States Treasury equal to 35% of the interest payable for any Taxable BABs – Direct Pay outstanding, including the 2010 Series B Bonds. The federal subsidy payments will be deposited in the Special Transportation Fund as Pledged Revenues and are then pledged for the payment of all Bonds outstanding. Such subsidy payments are not reflected in the calculation of interest.

(e) Reflects principal and interest payments on all Outstanding Bonds as of the date of delivery of the 2010 Series A, B and C Bonds to the end of the current fiscal year.

SOURCE: Office of the State Treasurer

THE OPERATIONS OF THE SPECIAL TRANSPORTATION FUND

Introduction

Pledged Revenues, which are credited to the Special Transportation Fund, consist of (i) the Motor Fuels Tax (which includes the gasoline tax and the special fuels tax, which formerly were levied as separate taxes, and the motor carrier road tax); (ii) Motor Vehicle Receipts (e.g., fee for registration of motor vehicles); (iii) License, Permit and Fee ("LPF") Revenue (e.g., fee for license to sell or repair motor vehicles); (iv) specific amounts of the Petroleum Products Gross Earnings Tax (such tax is commonly, and hereinafter, referred to as the "Oil Companies Tax" and such payments are hereinafter referred to as the "Oil Companies Tax Payments." See "Oil Companies Tax Payments" for a more detailed discussion); (v) specific amounts of the tax imposed on casual sales of motor vehicles, vessels, snowmobiles and aircraft pursuant to Section 12-431 of the Connecticut General Statutes (such tax hereinafter referred to as the "Sales Tax - DMV" and such payments are hereinafter referred to as the "Sales Tax - DMV Payments." See "Sales Tax - DMV Payments" for a more detailed discussion); (vi) moneys formerly received by the State from the Federal Transit Administration ("FTA"), pursuant to Section 9 of the Urban Mass Transportation Act of 1964 (the lien which secures payment of the Bonds does not extend to these transportation related federal revenues until such revenues are credited to the Special Transportation Fund and are available for payment of debt service on Bonds and Notes and program expenses); (vii) specific amounts from the resources of the General Fund beginning in fiscal year 2009-2010; and (viii) other receipts, funds, and moneys credited to the Special Transportation Fund. See "Description of Revenue Sources of the Special Transportation Fund" for a more detailed discussion of these revenues. Other receipts, funds or moneys pledged under the Indentures include investment earnings and moneys in the funds and accounts established thereunder, subject to the application thereof as permitted by the Indentures.

The following table displays a five-year history of collections, as well as the projected collections, which include the tax, fee and charge adjustments enacted as shown on Table 2, for Motor Fuels Tax, Motor Vehicle Receipts and LPF Revenue:

TABLE 1
Historical Collections
(In Millions $)

Fiscal Year Ending June 30	Motor Fuels Tax	Motor Vehicle Receipts	LPF Revenue
2005	483.8	233.9	155.1
2006	480.9	227.3	160.4
2007	478.3	224.7	170.5
2008	495.1	225.5	153.8
2009	495.0	220.8	142.4
2010[(a)]	503.6	220.7	135.0

Projected Collections at Current Rates
(In Millions $)

Fiscal Year Ending June 30	Motor Fuels Tax	Motor Vehicle Receipts	LPF Revenue
2011	490.7	224.7	137.1
2012	497.5	228.9	140.0
2013	501.1	233.9	142.2
2014	504.7	238.5	144.2

(a) As estimated per the Comptroller's monthly report of September 1, 2010 for the period ending June 30, 2010.

SOURCE: Office of Policy and Management

All Pledged Revenues, as collected by the State or any officer thereof, along with all other revenues of the State (such as sales tax revenues), are deposited in bank accounts maintained by the State in several banks throughout the State. The Pledged Revenues are promptly identified and credited to the Special Transportation Fund.

The Special Transportation Fund utilizes the following basis of accounting for budgetary purposes: the Motor Fuels Tax and the Oil Companies Tax Payments are recorded as revenue under the modified accrual method of accounting; Motor Vehicle Receipts, LPF Revenue, Sales Tax - DMV Payments and moneys received from FTA grants are recorded as revenue when received by the State; and interest income from investments held by the Trustee is recorded under the accrual method. Expenditures of the Special Transportation Fund are recorded when the obligation is paid. The foregoing basis of accounting is consistent with that utilized by other funds of the State.

Motor Vehicle Receipts and LPF Revenue received throughout the year as collections are dependent upon transactions, such as car registrations and new license requests. Distributors are required to pay the Motor Fuels Tax, however, on the twenty-fifth calendar day of each month (on the basis of gallons of fuel used or sold during the preceding month), thus providing a constant monthly stream of revenues to be credited to the Special Transportation Fund.

Discussion of Projected Pledged Revenues

The projections of Pledged Revenues provided herein reflect the adjusted taxes, fees and charges which have been enacted by the General Assembly and which have or will become effective during State fiscal years 2005-2014. The following table summarizes the tax, fee and charge adjustments in three categories of revenues which have been or will be credited to the Special Transportation Fund:

TABLE 2
Summary of Enacted Tax and Fee Adjustments

	Fiscal Year Ending June 30[a]									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Motor Fuels Tax (adj. per gallon)[b][c]..	0¢	0¢	0¢	0¢	0¢	0¢	0¢	0¢	0¢	0¢
Motor Vehicle Receipts ($ increase)[d]	9.4	0	0	0	0	0	0	0	0	0
LPF Revenue ($ increase)[d]……	6.4	0	0	0	0	0	0	0	0	0

(a) Except as noted in footnote (b), each tax, fee or charge adjustment were effective on the first day (July 1) of each fiscal year.
(b) The Motor Fuels Tax on diesel fuels was increased from 18¢ to 26¢ effective on August 1, 2002. The Motor Fuels Tax on gasohol was increased from 24¢ to 25¢ effective on July 1, 2004.
(c) Per C.G.S. 12-458h, on July 1, 2008, the motor fuels tax on diesel fuels will be determined by the Commissioner of Revenue Services on an annual basis. The motor fuels tax on diesel fuels was decreased from 45.1¢ to 39.6¢ effective on July 1, 2010.
(d) Includes (i) changes in driver's license expiration requirements from 4-years to 6-years effective July 1, 2001; and (ii) increases in various permits, registration and license fees, effective on January 1, 2004 and July 1, 2004.

SOURCE: Office of Policy and Management

In making the projections of the Motor Fuels Tax provided herein for fiscal years 2011-2014 (the "Projection Period"), the State considered a variety of sources of economic data, including economic forecasts prepared by the State and outside economic forecasting services. The projections of the Motor Fuels Tax are based on estimates of a variety of economic variables for the State and the nation as a whole, including real disposable income, employment and size of the fleet of commercial and passenger vehicles.

Other important variables used to determine the projections of the Motor Fuels Tax include the anticipated price of motor fuels, the fuel efficiency of commercial and passenger vehicle fleets, and economic activity as expressed by the United States index of industrial production.

The Motor Fuels Tax Receipts are projected to grow by 0.4% in fiscal year 2011 and grow by 0.4% for fiscal year 2012 and by 0.7% for fiscal years 2013 and 2014. Motor Vehicle Receipts are projected to grow at 1.8% in fiscal years 2011 and 2012 and by 2.0% for fiscal years 2013 and 2014. LPF revenue is projected to increase by 1.3% in fiscal year 2011 and grow by 2.0% in fiscal year 2012, by 1.5% in fiscal years 2013 and 2014. Interest Income is projected as set forth in footnote (g) to Table 3.

Public Act 09-214 requires the Office of Policy and Management and legislature's Office of Fiscal Analysis to issue consensus revenue estimates each year by October 15. The estimates must cover a five-year period that includes the current biennium and the three following fiscal years. It also requires the two offices, by January 15 and April 30 of each year, to issue either (1) a consensus revision of their previous estimate or (2) a statement that no revision is needed. If the two agencies cannot arrive at a consensus revenue estimate, they must issue separate ones. In such a case, the Comptroller must issue the consensus estimate based upon the separate estimates. On October 15, 2010 the two agencies arrived at consensus revenue estimates for the Special Transportation Fund for fiscal years ending June 30 of 2011, 2012, 2013 and 2014 of $1,182.3 million, $1,218.5 million, $1,281.4 million and $1,305.2 million, respectively.

While the State believes that the assumptions which underlie its projections are appropriate, actual achievement of amounts projected may be affected by less favorable economic conditions than those assumed, and such projections are dependent upon the occurrence of future events. For example, political unrest or war and natural disasters in oil producing and refining regions could substantially reduce petroleum and motor fuels supplies and increase prices. Increased worldwide demand for petroleum and motor fuel may also increase prices. Thus, actual results achieved may vary from the projections

and such variations may be materially adverse. The accompanying projected financial information from 2011-2014 was prepared by the State and was not prepared with a view toward compliance with the published guidelines of the American Institute of Certified Public Accountants for the preparation and presentation of prospective financial information (the AICPA Audit and Accounting Guide for Prospective Financial Information). The prospective financial information is based on assumptions which the State believes to be reasonable; however, there is no assurance that the prospective financial information will prove to be accurate. There will usually be differences between forecasted or projected results and actual results, and those differences may be material. Neither the Special Transportation Fund's independent auditors, nor any other independent accountants, have compiled or examined the prospective financial information. As such, no opinion or any other form of assurance has been expressed thereon and no responsibility for such prospective financial information has been assumed by the Special Transportation Fund's independent auditors.

Historical collections, enacted tax, fee and charge adjustments and economic projections provide the basis for the projections of the major categories of Pledged Revenues that are to be credited to the Special Transportation Fund. The following table summarizes the level of revenue that each category of Pledged Revenues and other receipts is projected to produce through State fiscal year 2014 based upon enacted rates.

TABLE 3
Projected Pledged Revenues for the Special Transportation Fund
(In Millions $)

	Fiscal Year Ending June 30				
	2010[a]	2011	2012	2013	2014
Motor Fuels Tax[b]	503.6	490.7	497.5	501.1	504.7
Sales Tax - DMV[c]	67.8	67.8	68.8	70.5	70.5
Oil Companies Tax[d]	141.9	165.3	165.3	165.3	179.2
Motor Vehicle Receipts	220.7	224.7	228.9	233.9	238.5
LPF Revenue	135.0	137.1	140.0	142.2	144.2
FTA Grants[e]	-	-	-	-	-
Federal Build America Bonds Subsidy[f]	3.0	9.3	13.1	13.1	13.1
Interest Income[g]	6.7	15.0	20.0	22.0	22.0
Transfers From/To Other Funds[h]	64.7	101.1	117.6	166.3	166.3
Transfer to TSB Projects Account[i]	(15.3)	(15.3)	(15.3)	(15.3)	(15.3)
TOTAL	1,128.1	1,195.7	1,235.9	1,299.1	1,323.2
Refunds[j]	(10.2)	(9.9)	(10.1)	(10.4)	(10.7)
TOTAL NET PLEDGED REVENUES	1,117.9	1,185.8	1,225.8	1,288.7	1,312.5
NH Line Project Account Pledged Revenues[k]	-	1.1	3.0	4.8	6.6
TSB Projects Account Pledged Revenues[l]	15.3	15.3	15.3	15.3	15.3
TOTAL PLEDGED REVENUES	1,133.2	1,202.2	1,244.1	1,308.8	1,334.4

(a) Per the Comptroller's monthly report of September 1, 2010 for the period ending June 30, 2010 - adjusted by the Office of Policy and Management.

(b) On and after July 1, 2008, the motor fuels tax on diesel fuels will be determined by the Commissioner of Revenue Services pursuant to C.G.S. 12-458h. The motor fuels tax on diesel fuels is 39.6 cents effective July 1, 2010.

(c) Pursuant to C.G.S. 13b-61b, the Commissioner of Motor Vehicles shall deposit all funds from the tax imposed under Section 12-431 of the General Statutes attributable to motor vehicles to the Special Transportation Fund.

(d) C.G.S. 13b-61a specifies the amount of tax collected on Gross Earnings from the sale of petroleum products attributable to the sale of motor vehicle fuel to be transferred annually to the Special Transportation Fund. Section 138 of Public Act 07-1 of the June Special Session reduced the previously scheduled transfers to $127.8 million in fiscal 2008, $141.9 million in fiscal 2009 and fiscal 2010, $165.3 million in fiscal years 2011, 2012, and 2013. Beginning in fiscal 2014, the annual transfer will be $179.2 million.

(e) The state does not expect to receive any further annual FTA grants due to actions at the federal level. The lien which secures payment of the Bonds did not extend to these transportation-related federal revenues, formerly approximately $3.0 million to $3.3 million each year, until such revenues were credited to the Special Transportation Fund. See Description of Revenue Sources of the Special Transportation Fund-Other Revenues."

(f) Per the federal American Recovery and Reinvestment Act of 2009, the State will receive a cash subsidy payment directly from the United States Treasury equal to 35% of the interest payable for any Taxable Build America Bonds (BABs) - Direct Pay outstanding.

(g) Amounts recorded as interest represent (i) expected investment earnings on the following amounts: (A) Bond proceeds held in the Infrastructure Improvement Fund and not applied for program costs or temporarily utilized for other State purposes, (B) amounts expected to be held by the Trustee in the Debt Service Account under the Senior Indenture and the trustee in the Debt Service Account under the Second Lien Indenture, and (C) balances in the Special Transportation Fund, (ii) expected investment earnings on amounts held in the Reserve Account under the Senior Indenture and the Reserve Account under the Second Lien Indenture, and (iii) accrued interest expected to be received upon the delivery of each series of Bonds.

(h) Pursuant to C.G.S. 14-164m effective July 1, 2001, an additional $6.5 million will be transferred annually from the Special Transportation Fund to the Emission Enterprise Fund. Per Public Act 10-179, sec. 44, $71.2 million shall be transferred from the General Fund to the Special Transportation Fund in fiscal year 2010, $107.55 million shall be transferred in fiscal year 2011 and $124.05 million in 2012, and $172.8 million shall be transferred starting in fiscal year 2013 and annually thereafter.

(i) Public Act 05-4 of the June Special Session, sections 43, 52 and 53, repeals the dedication of "Incremental Revenues" (previously authorized by Public Act 03-04-June 30 Special Session) for the funding of various Transportation Strategy Board projects and purposes and institutes a transfer from the resources of the Special Transportation Fund to the TSB projects account in the amount of $15.3 million in fiscal years 2008-2015. For fiscal year 2016 and thereafter, $0.3 million shall be transferred to the TSB projects account.

(j) Represents refunds for Motor Fuel Taxes, and Motor Carrier Road Taxes when an overpayment of tax liability has been made. Per C.G.S. 14-23 and 14-31, effective July 1, 2001, Refunds of Payments in the Special Transportation Fund will be funded with revenue similar to Refunds of Taxes.

(k) Per C.G.S. 13b-78m, the New Haven line revitalization account revenues are part of the Special Transportation Fund and constitute Pledged Revenues for special tax obligation bonds related to the New Haven line.
(l) TSB projects account revenues as described in footnote (i) are utilized for non-budgeted expenditures, are part of the Special Transportation Fund and constitute Pledged Revenues for Special Tax Obligation Bonds and are also included in the calculation of debt service coverage in Table 7.

SOURCE: Office of Policy and Management

Description of Revenue Sources of the Special Transportation Fund

The Special Transportation Fund receives its moneys from the three categories of transportation related revenues shown in Table 1, from Oil Companies Tax Payments, Sales Tax - DMV Payments, from FTA grants received by the State, and from other sources including investment earnings. The Act provides for periodic adjustments in the transportation related taxes, fees and charges, in the amounts and percentages previously described in Table 2 (see "Discussion of Projected Pledged Revenues").

Motor Fuels Tax

The first category of transportation related revenues is the Motor Fuels Tax, which was credited to the Special Transportation Fund commencing July 1, 1984, and which consists of three taxes: the gasoline tax, the special fuels tax, and the motor carrier road tax. The ten year history of collections of the Motor Fuels Tax is shown in the following table.

TABLE 4
Ten-Year History of Motor Fuels Tax Collections

	Fiscal Year Ending June 30									
Totals	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010[a]**
Amount collected (millions $)…..	417.5	430.3	458.0	464.5	483.8	480.9	478.3	495.1	495.0	503.6
Unit total (millions $) [b]……	17.586	18.047	18.289	18.456	19.226	19.105	19.001	18.298	17.716	17.880
Unit percentage growth (%)……..	2.70	2.62	1.34	0.91	4.17	(0.63)	(0.54)	(3.70)	(3.18)	0.93
Gasoline Tax										
Amount collected (millions $)…..	362.4	376.6	383.8	383.7	401.1	395.5	393.1	379.0	372.1	376.6
Unit total (millions $) [b]……	14.497	15.063	15.352	15.348	16.045	15.820	15.724	15.158	14.883	15.063
Unit percentage growth (%)……..	2.40	3.91	1.92	(0.03)	4.54	(1.40)	(0.61)	(3.60)	(1.82)	1.21
Tax Rate (¢/ gallon)……...	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Special Fuels Tax										
Amount collected (millions $)…..	45.1	45.2	62.7	68.2	69.7	71.0	71.4	99.4	104.9	107.6
Unit total (millions $) [b]……	2.506	2.512	2.483	2.623	2.681	2.731	2.746	2.687	2.417	2.385
Unit percentage growth (%)……..	3.40	0.24	(1.16)	5.64	2.20	1.87	0.56	(2.14)	(10.08)	(1.32)
Tax Rate (¢/ gallon)[c]……...	18.0	18.0	25.3	26.0	26.0	26.0	26.0	37.0	43.4	45.1
Motor Carrier Road Tax										
Amount collected (millions $)…..	10.0	8.5	11.5	12.6	13.0	14.4	13.8	16.7	18.1	19.5
Unit total (millions $) [b]……	0.556	0.472	0.454	0.485	0.500	0.554	0.530	0.452	0.416	0.432
Unit percentage growth (%)……..	2.04	(15.11)	(3.82)	6.74	3.17	10.77	(4.24)	(14.71)	(7.94)	3.82
Tax Rate (¢/ gallon)[c]……...	18.0	18.0	25.3	26.0	26.0	26.0	26.0	37.0	43.4	45.1

(a) As estimated per the Comptroller's monthly report of September 1, 2010 for the period ending June 30, 2010.
(b) The unit total represents millions of dollars of revenue collected per penny of tax.
(c) On and after June 1, 2008, the motor fuels tax on diesel fuels will be determined annually by the Commissioner of Revenue Services pursuant to C.G.S. 12-458h.

SOURCE: Office of Policy and Management

The motor fuel tax rate on gasoline and gasohol is 25¢ per gallon, and on diesel fuel is 39.6¢ per gallon. The first two Motor Fuels Taxes are the gasoline tax and the special fuels tax, which are levied under Connecticut General Statutes ("C.G.S.") Section 12-458 on gallons of fuel used or sold by distributors. The principal fuel subject to the tax is gasoline, but the taxes also are levied on any combustible gas or liquid, including diesel fuel and gasohol, which is used or is suitable for use to generate power for propelling motor vehicles. The distributors liable for these taxes are those entities which distribute fuel within the State, import fuel into the State for distribution within the State, or produce or refine fuels within the State.

There are only six types of transactions that are exempted from these taxes: (i) sales to the United States government and to the State; (ii) sales to a municipality for use by private contractors in the course of performing services for the municipality; (iii) sales (other than at retail outlets) to municipalities or State transit districts for use in vehicles owned by or

leased to those governmental units; (iv) interdistributor sales; (v) transfers from a State storage site to an out-of-state site; and (vi) sales to a licensed exporter for transfer and sale outside the State.

The third Motor Fuels Tax is the motor carrier road tax imposed by C.G.S. Sections 12-479 and 12-483 upon gallons of fuel used by business entities ("motor carriers") which operate any of the following vehicles in the State: (i) passenger vehicles seating more than nine persons; (ii) road tractors or tractor trucks; or (iii) trucks having a registered gross weight in excess of eighteen thousand (18,000) pounds. Such motor carriers pay the tax on the gallons of fuel which they use while operating such vehicles in the State. The number of gallons subject to the tax is determined by multiplying the total number of gallons of fuel used by the motor carrier during each year by a fraction, the numerator of which is the total number of miles traveled by the motor carrier's vehicles within the State during the year, and the denominator of which is the total number of miles traveled by the motor carrier's vehicles both within and outside the State during the year.

Motor Vehicle Receipts

The second category of transportation related revenues credited to the Special Transportation Fund commencing July 1, 1984 is Motor Vehicle Receipts and the normalized collections are adjusted to that date. The Motor Vehicle Receipts category consists of most revenues collected by the Commissioner of Motor Vehicles under forty-eight (48) statutory sections which levy transportation related charges for licenses and services provided by the DMV. The ten-year history of collections of Motor Vehicle Receipts is shown in the following table.

TABLE 5
Ten-Year History of Motor Vehicle Receipts

	Fiscal Year Ending June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010[a]
Total Collections (millions $)……..	196.3	200.7	204.8	219.2	233.9	227.3	224.7	225.5	220.8	220.7
Adjustments (millions $)[b]……	(77.0)	(80.5)	(80.2)	(89.9)	(100.3)	(100.2)	(100.1)	(100.1)	(99.9)	(100.1)
Total Normalized Collections (millions $)[c]……	119.3	120.2	124.6	129.3	133.6	127.1	124.6	125.4	120.9	120.6
Percent Change In Normalized Collections (%)…	5.4	0.8	4.0	3.7	3.4	(4.9)	(2.0)	0.6	(3.6)	(0.2)

(a) As estimated per the Comptroller's monthly report of September 1, 2010 for the period ending June 30, 2010.
(b) Adjusted for: (1) the elimination of the additional vanity plate renewal fees of $30 effective July 1, 1994 under Public Act 93-74; (2) the transfer of safety plate fees from the General Fund effective July 1, 1995; (3) the collection of truck registration fees under the International Registration Plan commencing fiscal year 1997-98; (4) the extension of driver's license duration from 4 years to 6 years under Public Act 01-6; and (5) adjustments for transfer to Transportation Strategy Board under Public Act 05-4 of the June Special Session.
(c) Total Normalized Collections for each State fiscal year equals Total Collections minus the amount of the Adjustments as described in footnote (b) for each such period. By subtracting the amount of such Adjustments from Total Collections it is possible to view more accurately the annual changes in Motor Vehicle Receipts during the period covered by the table.

SOURCE: Office of Policy and Management

License, Permit and Fee Revenue

The third category of transportation related revenues that is credited to the Special Transportation Fund is that of LPF Revenue. The following table sets forth the ten-year history of LPF Revenue and reflects both growth and the effect of increased fees and charges.

TABLE 6
Ten-Year History of License, Permit and Fee Revenue
(In Millions $)

	Fiscal Year Ending June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010[a]
Motor vehicle fines, penalties and surcharges……	28.4	31.5	30.4	28.5	28.2	26.8	24.5	24.5	23.5	22.7
Filing and reproduction fees…….	20.7	22.0	22.2	22.8	22.2	21.1	20.8	19.8	17.1	17.4
Royalties……...	11.3	11.9	11.4	11.7	10.5	12.9	10.8	12.0	10.5	2.9
Motor carrier permits……	3.5	3.2	3.2	3.1	3.2	3.2	0.3	2.1	1.8	1.4
Operator license examination fee.	5.8	6.0	5.9	5.9	6.4	6.4	6.5	5.7	6.1	5.8
Vehicle inspection fee……..	3.1	3.6	3.6	3.8	3.6	3.5	3.4	3.4	3.2	3.3
Sale of Commercial Information……..	9.0	10.0	12.8	21.5	29.3	30.7	29.9	27.9	27.1	27.4
Other[b]……..	33.4	42.5	47.1	57.8	51.7	55.8	74.3	58.4	53.1	54.1
Total……..	115.2	130.7	136.6	155.1	155.1	160.4	170.5	153.8	142.4	135.0

(a) As estimated per the Comptroller's monthly report of September 1, 2010 for the period ending June 30, 2010.
(b) Amounts listed as "Other" LPF Revenue represent collections for (i) gasoline handling charges; (ii) fees for license plates, and for certificates or licenses to repair or sell motor vehicles, relocate site for selling motor vehicles, register new car dealers and repairers, sell gasoline, and locate site for selling fuels; (iii) special vehicle permits; (iv) rental of airport passenger terminals (other than at Bradley International Airport); (v) miscellaneous recoveries; (vi) miscellaneous rentals; (vii) searches for and copies of motor vehicle records; (viii) tolls on ferries; (ix) airport landing charges (other than at Bradley International Airport); (x) operator license information and licenses for drivers' education instructors; (xi) sales of excess State property; (xii) emission inspection late fee; (xiii) registration of weighing devices; and (xiv) clean air fee.

SOURCE: Office of Policy and Management

LPF Revenue consists of amounts levied for certain permits issued and services provided by the State for transportation purposes, for the right to use certain transportation related State property, and for certain traffic fines. The largest such source of LPF Revenue is motor vehicle related fines, penalties, or other charges. The Act requires that traffic fines levied under numerous statutory sections be credited to the Special Transportation Fund as LPF Revenue.

There are a large number of permits which generate LPF Revenue. For example, the fees charged for certification of bus routes (C.G.S. Section 14-49(v)) and for licensing of drivers' education instructors (C.G.S. Section 14-16a) are treated under the Act as LPF Revenue.

In addition to these permit and license fees, LPF Revenue includes what the Act terms Aeronautics, Waterways, and Other Fees and Charges. These are amounts received by the State in connection with the sale or lease of property controlled by the Commissioner of Transportation, including rights-of-way above or below State highways and properties at airports (other than at Bradley International Airport) owned or leased by the State, and charges for pilotage on State waterways.

Beginning in State fiscal year 1985, the Act began crediting to the Special Transportation Fund three other types of LPF Revenue: (i) fees for documents and services provided under C.G.S. Section 14-192(a); (ii) royalty payments for retail sales of gasoline pursuant to C.G.S. Section 13a-80; and (iii) gasoline handling charges which the Department receives from other State agencies for handling motor fuel consumed by State vehicles. All other LPF Revenue was credited to the Special Transportation Fund starting in fiscal year 1986. Commencing on July 1, 1997, per C.G.S. Sections 13b-61(7) through 13b-61(14), transportation related revenue such as the sale of commercial information by the DMV and from other user fees and licenses previously deposited in the General Fund, has been credited to the Special Transportation Fund as LPF Revenue.

Oil Companies Tax Payments

C.G.S. Section 13b-61a specifies the amount of Oil Companies Tax revenue received from the tax imposed on the gross earnings from the sale of petroleum products attributable to sales of motor vehicle fuel was to be deposited by the Commissioner of Revenue Services into the Special Transportation Fund.

Public Act 07-01 of the June Special Session, section 138, revised the previously authorized transfers to $127.8 million in fiscal year 2008, $141.9 million in fiscal year 2009 and fiscal year 2010 and $165.3 million in fiscal years 2011, 2012 and 2013. Beginning in fiscal year 2014, the annual transfer will be $179.2 million.

Prior to July 1, 2005, the Oil Companies Tax was levied, pursuant to C.G.S. Section 12-587, at a rate of five percent (5%) of the gross earnings from the sale of petroleum products in the State. Per Section 40 of Public Act 05-4 of the June 2005

Special Session the tax rates were increased as follows: five and eight-tenths percent effective July 1, 2005, six and three-tenths percent effective July 1, 2006, seven percent effective July 1, 2007, seven and one-half percent effective July 1, 2008, and eight and one-tenth percent effective July 1, 2013. Per Public Act 08-2 of the June 11 Special Session, Section 1 eliminated the 0.5% increase from 7.0% to 7.5% in the Oil Companies Tax that was set to become effective July 1, 2008. The principal petroleum product subject to the tax is motor vehicle fuel, but the gross earnings tax is also levied on the sale of aviation fuel, kerosene, crude oil, and derivatives of petroleum such as paint, fertilizers and asphalt. In the most recently completed 2009-2010 fiscal year, the Oil Companies Tax generated gross collections of $264.9 million. It is assumed that the tax revenue received by the Commissioner of Revenue Services on the gross earnings from the sales of petroleum products attributable to sales of motor vehicle fuel will be sufficient to enable the Commissioner to make all required payments to the Special Transportation Fund when due. C.G.S. 13b-61a(c) states that if Oil Companies Tax receipts are insufficient to fund all required transfers, the Commissioner of Revenue Services shall certify to the Treasurer the amount of the shortfall, and the Treasurer shall then transfer the amount equal to the shortfall from the General Fund to the Special Transportation Fund.

Sales Tax – DMV Payments

Connecticut General Statutes Section 13-61b requires that the Commissioner of Motor Vehicles deposit into the Special Transportation Fund funds received by the State from the tax imposed on casual sales of motor vehicles, vessels, snowmobiles and aircraft pursuant to Section 12-431 of the Connecticut General Statutes attributable to motor vehicles.

Transportation Grants and Restricted Accounts Fund

Public Act 04-2 created the Transportation Grants and Restricted Accounts Fund to facilitate financial reporting under the State's new financial management and human resources computer system called Core-CT (see "Financial Management and Reporting: Core-CT Update"). The Grants and Restricted Accounts Fund was created to isolate transportation related activities that are funded through restricted sources of receipts such as federal and private grants and intercepts from general revenue sources. Prior to the implementation of Core-CT these activities were accounted for and reported within the Special Transportation Fund. Because of the operational requirements of Core-CT, separating restricted receipts from other general revenue sources for transportation related activities facilitated financial reporting. The creation of the Transportation Grants and Restricted Accounts Fund was not intended to change the nature of Pledged Revenues within the Special Transportation Fund. It was created to better accommodate the administrative and operational requirements of Core-CT. While the Transportation Safety Board (TSB) projects account will be reported within the Grants and Restricted Accounts Fund, pursuant to statutory requirements it will continue to constitute a part of Pledged Revenues within the Special Transportation Fund.

Other Revenues

In addition to the above categories of transportation related revenues, interest earnings also are credited to the Special Transportation Fund.

Interest earnings accruing on the funds and accounts created under the Indenture are to be credited to the Special Transportation Fund, with the exception of interest earnings accruing on amounts in the Note Repayment Account. The State expects to invest available amounts credited to the Special Transportation Fund from time to time in the Short Term Investment Fund of the State and other permitted investments. See "Appendix A-Cash Management and Investment Procedures."

Due to budgetary changes at the federal level, the State is not expecting to receive further funding as operating assistance grants from the FTA, which were previously credited to the Special Transportation Fund. FTA operating assistance grants were included in Pledged Revenues upon receipt and were generally available for payment of debt service or program expenses. These grant funds were treated by the State as a reimbursement for mass transit operating expenses previously budgeted and generally paid from other available State cash. These funds which had previously been received as operating assistance grants, however, will likely continue to be received in the future, but as funds for capital improvements. (See Table 3, footnote (e)).

Starting in fiscal year 2010, the Connecticut General Assembly has authorized an annual transfer from the resources of the General Fund to the resources of the Special Transportation Fund. Public Act 09-3 of the June Special Session, which was later modified by Public Act 10-3 and Public Act 10-179, transfers $71.2 million in fiscal year 2010, $107.55 million in fiscal year 2011, $124.05 million in fiscal year 2012 and $172.8 million annually thereafter to the Special Transportation Fund.

Public Act 09-3 of the June Special Session enables the State and municipalities to take advantage of the federal "Build America Bonds" ("BABs") program authorized by the Recovery Act. Under the program, the federal government will subsidize the debt service costs on Taxable BABs – Direct Pay issued by state and local governments between February 17, 2009 and December 31, 2010. The State will receive a cash subsidy payment directly from the United States Treasury equal to 35% of the interest payable for any Taxable BABs – Direct Pay outstanding. Starting July 1, 2009, pursuant to Public Act 09-3

of the June Special Session, all cash subsidy payments received or collected by the State as the issuer of Taxable BABs – Direct Pay including, without limitation, the 2010 Series B Bonds, are credited to the Special Transportation Fund and are then pledged to the payment of all Bonds subject to the lien of the Indentures.

Debt Service Coverage

Under the Senior Indenture, the State has covenanted to provide Pledged Revenues in each fiscal year equal to at least two (2) times the aggregate Principal and Interest Requirements on Senior Bonds and Interest Requirements on Senior Notes in such fiscal year. So long as Second Lien Bonds are outstanding, the State also has covenanted in the Second Lien Indenture to provide Pledged Revenues in each fiscal year equal to at least two (2) times the aggregate Principal and Interest Requirements on all Bonds and Notes in such fiscal year. Principal and Interest Requirements on Second Lien Bonds are calculated according to the Second Lien Indenture. The following table indicates the actual and projected calculation of such coverage tests. The debt service requirements shown in Table 7 do not include several items that are included in Debt Service Requirements on the Bonds in Table 8, including estimated variable rate bond fees but does include an allowance for basis risk on the interest rate swaps for the Second Lien Bonds, 1990 Series 1.

TABLE 7
Actual and Projected Debt Service Coverage
(In Millions $)

	Fiscal Year Ending June 30									
	2005	2006	2007	2008	2009	2010[a]	2011[b]	2012[b]	2013[b]	2014[b]
1. Actual and Projected Pledged Revenues[c]										
Special Transportation Fund Net Revenues…….	939.8	1,001.0	1,098.3	1,080.3	1,042.1	1,117.9	1,185.8	1,225.8	1,288.7	1,312.5
TSB Projects Account Pledged Revenues[d]……..	28.7	25.3	20.3	20.8	15.3	15.3	15.3	15.3	15.3	15.3
New Haven Line Project Account Pledged Revenues[e]……..	0.0	0.0	0.0	0.0	0.0	0.0	1.1	3.0	4.8	6.6
Total Pledged Revenues (Actual)…….....	968.5	1,026.3	1,118.6	1,101.1	1,057.4	1,133.2	1,202.2	1,244.1	1,308.8	1,334.4
2. Principal and Interest Requirements for the 1991B - 2010 A, B and C Senior Bonds[f]…….....	368.3	375.7	369.1	368.4	367.8	381.7	389.8	401.2	333.9	276.8
3. Actual and Projected Principal and Interest Coverage for the 1991B - 2010 A, B and C Senior Bonds[g]……...	2.6x	2.7x	3.0x	3.0x	2.9x	3.0x	3.1x	3.1x	3.9x	4.8x
4. Principal and Interest Requirements on the Outstanding Second Lien Bonds[h]…….	41.2	42.3	43.3	47.3	48.6	47.8	49.0	31.4	59.3	82.5
5. Actual and Projected Principal and Interest Coverage for All Outstanding Senior Bonds and Outstanding Second Lien Bonds[i]……..	2.4x	2.5x	2.7x	2.6x	2.5x	2.6x	2.7x	2.9x	3.3x	3.7x
6. Projected Principal and Interest Requirements for Additional Bonds[j]……...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.5	88.3	134.4
7. Actual and Projected Aggregate Debt Service Coverage for all Bonds[k]……...	2.4x	2.5x	2.7x	2.6x	2.5x	2.6x	2.7x	2.6x	2.7x	2.7x

For a discussion of the assumptions and enacted tax, fee and charge adjustments underlying these projections, see "Discussion of Projected Pledged Revenues."

(a) As estimated per the Comptroller's report of September 1, 2010 for the period ending June 30, 2010.

(b) Fiscal Years 2011-2014 values for projected pledged revenues are per the October 15, 2010 consensus revenue report jointly issued by the Office of Policy and Management and the Office of Fiscal Analysis.

(c) These revenues are budgeted revenues.

(d) TSB project account revenues are utilized for non-budgeted expenditures, are part of the Special Transportation Fund and constitute Pledged Revenues for special tax obligation bonds.

(e) The New Haven line revitalization account revenues are utilized for projects, are part of the Special Transportation Fund and constitute Pledged Revenues for special tax obligation bonds related to the New Haven line.

(f) Reflects actual Principal and Interest Requirements on the Senior Bonds as paid to the Trustee on a one-sixth interest and one-twelfth principal monthly deposit basis.

(g) Line 1 divided by Line 2.

(h) Reflects actual Principal and Interest Requirements on the Second Lien Bonds; debt service on the 1990 Series 1 Bonds assumes the continuation of Qualified Swaps. Does not include variable rate bond fees but it does include an additional $1 million per year basis risk assumption, through the final maturity of the 1990 Series 1 Variable Rate Bonds.

(i) Line 1 divided by the sum of Lines 2 and 4.

(j) Assumes issuance of Additional Bonds (whether under the Senior Indenture or the Second Lien Indenture) authorized and to be authorized by Public and Special Acts, with level debt service, a twenty year final maturity and in the principal amounts and at the average net interest costs listed below for each of the following State fiscal years: 2012 - $550 million at 5.75%, 2013 - $550 million at 6.00%, and 2014 - $525 million at 6.00%. Assumes no issuance of Notes.

(k) Line 1 divided by the sum of Lines 2, 4 and 6.

SOURCE: Office of Policy and Management and Office of the State Treasurer

Expenses of the Special Transportation Fund

Moneys in the Special Transportation Fund not held by the Trustee or otherwise required to pay principal and interest on the Senior Bonds and interest on the Senior Notes may be used to pay (i) principal on Senior Notes, (ii) amounts required to be deposited with the Trustee under the Second Lien Indenture, (iii) debt service on transportation related general obligation bonds of the State, and (iv) the operating expenses of the Department, including both the annual budgeted expenses of the Department and the portion of the costs of the Infrastructure Program not financed by the Bonds but paid from current operations, and operating expenses of the DMV. See "The Transportation Infrastructure Program." The Special Transportation Fund appropriations included in the budget for the 2009-2010 and 2010-2011 fiscal years are set forth in Appendix B.

The Special Transportation Fund budget includes unallocated lapses to recognize that not all budget expenditures will be fully expended and will lapse for budget purposes. The unallocated lapse is reduced in a corresponding amount as agency lapses are identified within specific accounts.

2009 Legislative Changes

During the 2009 regular Legislative session, the Connecticut General Assembly adopted a limited capital budget for the special tax obligation bond program when it passed Special Act 09-1 which provided $64.1 million for road resurfacing in fiscal year 2010.

Public Act 09-3 of the June Special Session (the "Appropriations Act"), included in the net adjustments a delay in the implementation of the Department of Motor Vehicles' Vision Screening Program for two years, saving $1.6 million in fiscal year 2010 and $1.5 million in fiscal year 2011. Other significant expenditure changes include the moving of the Town Aid Road grant program from the operating budget to funding by the issuance of special tax obligations bonds, saving a net $20.8 million in fiscal year 2010 and a net $18.9 million in fiscal year 2011. PA 09-3 of the June Special Session also included $20 million annually in personal services and fringe benefits savings as a result of the retirement incentive program, hiring freeze and wage freeze savings. The fiscal year 2009-2011 biennial budget for the Department of Transportation was also reduced by approximately $16.8 million attributed to savings through reductions in contractual or consultant expenditures and general savings in other expenses. A cut made in PA 09-3 of the June Special Session in the bus and rail subsidy accounts totaling $7.9 million in each year of 2009-2011 biennium was restored in Public Act 09-7 of the September Special Session.

The Appropriations Act also made three changes to the Special Transportation Fund pledged revenues. First, the Appropriations Act transfers $72.0 million in fiscal year 2010 and $117.5 million annually thereafter to the Special Transportation Fund from the General Fund, these amounts were later revised in section 41 of Public Act 09-8 of the September Special Session to $81.2 million in fiscal year 2010, $126.0 million in fiscal years 2011 and 2012, and $172.8 million in fiscal year 2013 and annually thereafter. Second, the Appropriations Act eliminated the $3 million annual transfer from the motor fuels tax revenue to the Conservation Fund. Thirdly, the Appropriations Act reduces the state sales tax rate from 6.0% to 5.5% effective January 1, 2010. However, per section 113 of Public Act 09-3: (a) if any cumulative monthly financial statement issued by the State Comptroller before January 1, 2010, indicates that the estimated gross tax revenue to the General Fund, to the end of the fiscal year ending June 30, 2010, is at least 1% less than the adopted gross tax revenue to the General Fund for fiscal year 2010, the tax rate will remain at 6% and (b) if any cumulative monthly financial statement issued after January 1, 2010, and on or before June 30, 2010, indicates that the estimated gross tax revenue to the General Fund, to the end of the fiscal year ending June 30, 2010, is at least 1% less than the adopted gross tax revenue to the General Fund, the tax rate will remain at 6%. As of January 1, 2010, the sales tax rate remained at 6.0%.

Lastly, the Appropriations Act enables the state and municipalities to take advantage of the federal "Build America Bonds" (BABs) program authorized by the federal American Recovery and Reinvestment Act (ARRA) of 2009. Under the program, the federal government will subsidize the debt service costs on taxable bonds (direct pay option) issued by state and local governments between February 17, 2009 and December 31, 2010. It is designed to increase the marketability of state and local bonds, while lowering capital financing costs for issuers. Starting July 1, 2009, pursuant to the Appropriations Act, all monies received or collected by the State as the issuer of Bonds under the direct pay option are credited to the Special Transportation Fund. (See "Designation of 2010 Series B Bonds as Build America Bonds").

On September 24, 2009, during a special session, the Connecticut General Assembly passed Public Act 09-2 of the September Special Session which provided $579.2 million in fiscal year 2010 and $265.4 million in fiscal year 2011 of special tax obligation bond authorizations. Fiscal year 2010 authorizations include a significant one-time authorization of $250.0 million for the construction of the New Haven rail maintenance facility. The Governor signed the bill on September 25, 2009.

2010 Legislative Changes

During the 2010 Legislative session, the Connecticut General Assembly passed Public Act 10-44 which provided $7.325 million in additional special tax obligation bond authorizations for fiscal year 2011. New fiscal year 2011 authorizations include additional funds for environmental clean-up and funds to repair and upgrade railroad crossings in Connecticut.

Public Act 10-179 (the "Appropriations Act"), includes a net decrease of $3.7 million in Special Transportation Fund appropriations. Significant mid-term budget adjustments include increasing the rail subsidy by $10.2 million and Other Expenses by $3.5 million in the Department of Transportation and a reduction to Debt Service of $8.4 million as a result of lowering projected issuance and favorable interest rates on the fall 2009 special tax obligation bond sale. The Special Transportation Fund will also achieve an additional $8.1 million in personal services savings in fiscal year 2011, over the previously projected savings of $10.4 million as the result of the 2009 State Employees Bargaining Agent Coalition (SEBAC) agreement that contained a retirement incentive plan, wage freezes, furlough days, and various health benefit related provisions.

The Appropriations Act also made the following changes to the Pledged Revenues. First, Public Act 10-3, the deficit mitigation plan, raised numerous Department of Motor Vehicle fines, which is anticipated to generate an additional $2.0 million annually. Second, Public 10-3 and Public Act 10-179 together, reduced the General Fund transfer to Special Transportation Fund by $10.0 million in fiscal year 2010, $18.5 million in fiscal year 2011, and by $2.0 million in fiscal year 2012.

Financial and Management Reporting: Core-CT Update

In July 2003 the State implemented the first phase of a new, fully integrated, Internet based, financial management and human resources system called Core-CT. The system was rolled out in phases by applications over a period of time between July 2003 and July 2007. The new system provides a single point of entry for all State financial, human resources and payroll data. The implementation of Core-CT is the product of several years of work to improve the State's financial reporting and management information systems. From an information technology perspective, Core-CT has allowed the State to standardize and modernize its computer technology bringing uniformity to the computers, programming languages, and data base packages utilized by State government. Core-CT utilizes People Soft ERP software. On-going maintenance and scheduled upgrades to the system are expected to continue.

Core-CT was implemented coincident with an unanticipated and significant downsizing of the State's workforce between 2002 and 2003, resulting in significantly reduced staffing levels in State agency business and financial offices. This left the State with the task of implementing the most ambitious upgrade to its financial systems in history with a smaller and less experienced workforce. In addition, as with the implementation of any large-scale information technology system, Core-CT experienced some initial difficulties. Software anomalies were detected, certain application processing was slow, and some users did not fully understand the new coding conventions and accounting entries required for system processing. These problems were aggravated by technical complications relating to an interface to Core-CT from a new revenue management system implemented in January 2004 at the Department of Revenue Services. While this system is not part of Core-CT, it must interface effectively with Core-CT applications.

Most of the initial Core-CT implementation problems outlined above have been resolved. A State team consisting of employees from the Office of the State Comptroller, the Office of Policy and Management, the Office of Information and Technology and the Department of Administrative Services has been working on an ongoing basis with State agencies, consultants and PeopleSoft representatives to resolve system performance issues that remain outstanding.

As a result of these initial implementation problems, however, the preparation of certain financial statements and reports for the Special Transportation Fund for fiscal year 2004-2005 and fiscal year 2005-2006 were delayed. The Senior Indenture requires the State's financial statements for the Special Transportation Fund to be audited annually and an audit report to be delivered to the State within 120 days after the close of each fiscal year. However, in fiscal years 2005 and 2006 the State was delayed in completing the necessary financial information for submission to the auditors in time to enable them to prepare the required audit report within the 120 day deadline. Such delays did not constitute an event of default under the Indentures. The audited financial statements for fiscal years ending June 30, 2007, June 30, 2008, June 30, 2009 and June 30, 2010 were delivered to the State within the 120 day-deadline, and it is anticipated that future audited financial statements will be delivered in a timely manner.

TABLE 8
Actual and Projected Revenues, Debt Service and Expenditures of the Special Transportation Fund
(In Millions $)

	Fiscal Year Ending June 30									
	2005[a]	2006[a]	2007[a]	2008[a]	2009[a]	2010[b]	2011[c]	2012[c]	2013[c]	2014[c]
Actual & Projected Revenues*										
Motor Fuels Tax, Motor Vehicle Receipts, Licenses, Permits, Fees[d]	872.7	868.6	873.4	874.4	858.2	859.3	852.5	866.4	877.2	887.4
Sales Tax - DMV Payments[e]	69.7	68.4	67.9	64.9	57.1	67.8	67.8	68.8	70.5	70.5
Oil Companies Tax Payments[e]	13.0	43.5	141.0	127.8	141.9	141.9	165.3	165.3	165.3	179.2
Federal Transit Administration Grants[e]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Build America Bonds Subsidy[e]	0.0	0.0	0.0	0.0	0.0	3.0	9.3	13.1	13.1	13.1
Interest Income[e]	32.7	40.1	46.0	36.6	15.6	6.7	15.0	20.0	22.0	22.0
Transfers from / (to) Other Funds[f]	(8.5)	17.2	1.0	7.2	(6.6)	64.7	101.1	117.6	166.3	166.3
Transfers to Transportation Strategy Board[g]	(28.7)	(25.3)	(20.3)	(20.8)	(15.3)	(15.3)	(15.3)	(15.3)	(15.3)	(15.3)
Total Revenues	950.9	1,012.5	1,109.0	1,090.0	1,050.9	1,128.1	1,195.7	1,235.9	1,299.1	1,323.2
Refunds	(11.1)	(11.5)	(10.6)	(9.7)	(8.9)	(10.2)	(9.9)	(10.1)	(10.4)	(10.7)
Total Net Revenues	939.8	1,001.0	1,098.3	1,080.3	1,042.1	1,117.9	1,185.8	1,225.8	1,288.7	1,312.5
Actual & Projected Debt Service and Expenditures*										
Debt Service on the Bonds[h]	411.8	422.7	414.5	418.3	425.6	430.6	443.8	477.6	486.0	498.3
Debt Service on Transportation Related General Obligation Bonds[i]	4.5	3.1	1.8	3.1	3.1	1.0	1.0	1.2	6.2	0.8
DOT Budgeted Expenses[j]	362.2	385.7	423.1	473.7	492.7	473.8	498.5	552.3	567.2	586.9
DMV Budgeted Expenses	49.3	54.3	59.1	61.0	59.3	54.2	53.0	58.3	59.2	61.7
Other Budget Expenses[k]	92.2	115.1	117.4	118.3	125.6	128.3	159.2	166.4	176.0	183.8
Program Costs Paid from Current Operations	15.9	19.8	22.9	20.5	20.5	18.2	18.4	18.7	19.1	19.5
Estimated Unallocated Lapses[l]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(11.0)	(11.0)	(11.0)
Total Expenditures	935.9	1,000.7	1,038.8	1,094.9	1,126.8	1,106.1	1,173.9	1,263.5	1,302.7	1,340.0
Excess (Deficiency)	3.9	0.3	59.5	(14.6)	(84.7)	11.8	11.9	(37.7)	(14.0)	(27.5)
Revised Cumulative Excess (Deficiency)	133.1	133.4	192.9	178.3	93.6	105.4	117.3	79.6	65.6	38.1

* Figures may not add due to rounding

(a) Actual per Comptroller's Annual Reports, presented to conform to budgetary categories.

(b) Per the Comptroller's report of September 1, 2010 for the period ending June 30, 2010.

(c) Expenditures for fiscal year 2011 reflect Public Act 10-179, as amended by Public Act 10-1 and Public Act 10-2 of the June Special Session. Debt Service and unallocated lapse figures for fiscal year 2011 reflect current projections. Fiscal years 2011-2014 values for projected pledged revenues are per the October 15, 2010 consensus revenue report jointly issued by the Office of Policy and Management and the Office of Fiscal Analysis except the Federal Build America Bonds Subsidy also reflects the additional revenue from the 2010 Series B Bonds.

(d) Motor Fuels Taxes, Motor Vehicle Receipts, and LPF Revenue. For a discussion of the assumptions and enacted tax, fee, and charge increases underlying these revenue projections, see "Discussion of Projected Pledged Revenues."

(e) See footnotes to Table 3.

(f) C.G.S. 12-460a specifies the annual transfer to the State's Conservation Fund. Section 118 of Public Act 03-01 of the June 30 Special Session directed that the transfer to the State's Conservation Fund be $2 million for fiscal year 2004 and fiscal year 2005. Pursuant to C.G.S. 14-164m effective July 1, 2001, an additional $6.5 million will be transferred annually from the Special Transportation Fund to the Emission Enterprise Fund. Section 27 of Public Act 05-3 of the June Special Session reduced the transfer to the Emission Enterprise Fund by $4.9 million in fiscal year 2006 and $2.5 million in fiscal year 2007. Public Act 05-251 appropriated $8 million from the General Fund Surplus for Town Aid roads for use in fiscal year 2006 and $8 million for use in fiscal year 2007, which is reflected in this table as a transfer into the fund. Public Act 07-1 of the June Special session appropriated $8 million from the General Fund surplus for Town Aid Roads in fiscal year 2008 and fiscal year 2009, $2.2 million for Bus Operations and $3.9 million for Elderly Demand Responsive Transportation. A transfer of $2.57 million from the General Fund to the Special Transportation Fund was made in fiscal year 2008 from the energy contingency appropriation, which is reflected in this table as a transfer into the fund. Per Public Act 09-111, sec. 2, $6,492,122 was transferred from the resources of the Special Transportation Fund to the resources of the General Fund. Section 513 of Public Act 09-3 of the June Special Session repealed C.G.S. 12-460a which transferred $3 million annually to the State's Conservation Fund starting in fiscal year 2010. Per Public Act 10-179, sec. 44, $71.2 million shall be transferred from the General Fund to the Special Transportation Fund in fiscal year 2010, $107.55 million shall be transferred in fiscal year 2011 and $124.05 million in 2012, and $172.8 million shall be transferred starting in fiscal year 2013 and annually thereafter.

(g) Public Act 03-04 of the June Special Session, as amended by Public Act 04-182, provides that on or after July 1, 2003, and up to and including June 30, 2036 revenues which are attributable to increases in taxes or fees provided for in Sections 1-1h, 14-16, 14-35, 14-41, 14-41a, 14-44i, 14-47, 14-48b, 14-49, 14-50, 14-50b, 14-65, 14-66, 14-67 14-73, 14-192, 14-381, 52-62, 52-63 of the Connecticut General Statutes and revenue specified in Section 113 and 114 of Public Act 03-1 are defined as Incremental Revenues and have been dedicated to fund TSB Projects and Purposes by deposit into the TSB projects account, which is part of the Special Transportation Fund. Public Act 05-4, Sections 43, 52 and 53, repeals the dedication of the Incremental Revenues and institutes a transfer from the resources of the Special Transportation Fund to the TSB projects account in the amount of $25.3 million in fiscal year 2006, $20.3 million in fiscal year 2007 and $15.3 million in each of fiscal years 2008-2015. For fiscal year 2016 and thereafter, $0.3 million shall be transferred to the TSB projects account. Public Act 07-7 of the June Special Session transferred an additional $5.5 million to the TSB projects account for a total transfer in fiscal year 2008 of $20.8 million.

(h) These figures represent Principal and Interest Requirements on special tax obligation bonds and variable rate bond fees for such Bonds, and include the Bonds listed in the table under "Debt Service On Outstanding Bonds" excluding Principal and Interest Requirements on Refunded Bonds. The figures also reflect the issuance of additional bonds with level debt service and a twenty year final maturity in the principal amount and at the average net interest costs listed below for each of the following State fiscal years: $600 million at 4.75% for fiscal year 2011, $550 million at 5.75% for fiscal year 2012, $550 million at 6.0% for fiscal year 2013 and $525 million at 6.0% for fiscal year 2014. See "The Department of Transportation Implementation of and Funding for the Infrastructure Program." Includes actual and estimated rebate liability on the Bonds under the Code. Assumes no issuance of Notes.

(i) Represents payment of that portion of debt service on outstanding general obligation bonds which bear the same ratio to all such debt services as the sum of the amount of bond authorization allocated to the Department by the State Bond Commission in each year that such bonds were issued bears to the total amount of general obligation bonds authorized by the State Bond Commission during all such years.

(j) The major components of the Department's annual budgeted and projected expenses are payments for (i) the rail and bus subsidy; (ii) State highway maintenance costs; (iii) aid to towns for local highway and repair maintenance; (iv) salaries, data processing and other general administrative costs, aeronautics and waterways operations. Certain contingent liabilities arising from defective highway lawsuits are not included in the projected amounts of annual budgeted expenses. See "Litigation."

(k) Represents the cost of fringe benefits, pension costs and salary adjustments for DMV and the Department.

(l) The Special Transportation Fund budget includes amounts for unallocated lapses to recognize that not all budget expenditures will be fully expended and will lapse for budget purposes. The unallocated lapse is reduced by a corresponding amount as agency lapses are identified within specific accounts.

SOURCE: Office of Policy and Management and Department of Transportation.

THE TRANSPORTATION STRATEGY BOARD

The TSB was established under Public Act 01-5 of the June 2001 Special Session to propose a transportation strategy, an implementation cost estimate and funding approaches to the Governor and the General Assembly. The initial transportation strategy was presented on January 15, 2002. The Act also required that the first revised strategy be submitted by December 15, 2002. Implementation of the Board's December 2002 recommendations required actions by the General Assembly and the Governor. The TSB consists of fifteen members. On January 6, 2003, the TSB presented its recommendations to the Governor and the General Assembly. The TSB's five strategic goals are: 1) improve personal mobility within and through Connecticut; 2) improve the movement of goods and freight within and through Connecticut; 3) integrate transportation with economic, land use, environmental and quality of life issues; 4) develop policies and procedures that will integrate the State economy with regional, national and global economies; and 5) identify policies and sources that provide an adequate and reliable flow of funding necessary for a quality multi-modal transportation system. The General Assembly authorized approximately $17 million from General Fund appropriated surplus and $27 million in Special Transportation Fund Bond authorizations to implement the projects included in Section 16 of Public Act 01-5.

Public Act 03-04 of the June 30 Special Session authorized the issuance of approximately $265 million in bonding for a ten-year period backed by dedicated revenue to implement the strategy-related projects recommended by the TSB. It also approved the principles set forth in Section I of the transportation strategy submitted by the TSB to the legislature in January 2003.

Public Act 05-4 repealed the prior diversion of Incremental Revenues to the TSB projects account as well as the authorization for the issuance of the approximately $265 million in special tax obligation bonding over ten years and established fixed transfers from the Special Transportation Fund to the TSB projects account in the amounts of $25.3 million in fiscal year 2006, $20.3 million in fiscal year 2007, $15.3 million in each of fiscal years 2008-2015 and $0.3 million in fiscal year 2016 and thereafter. The Department, in consultation with the Secretary of the Office of Policy and Management, the State Treasurer and the TSB is required to prepare annual financing plans which are to provide for the annual funding and financing of those projects and purposes identified in such annual financing plans based upon funding available or anticipated to be available in the TSB projects account.

Public Act 06-136 authorizes $1.0 billion in new special tax obligation bonding for specific strategic transportation projects and initiatives, supported in the TSB's January 6, 2003 submission. The public act also makes several changes to the TSB's administration and staffing, as well as requiring the TSB to review, and if necessary, revise the State transportation strategy no later than January 1, 2007, and every two years thereafter. The TSB submitted its revised transportation strategy on January 11, 2007. The revised strategy adopts a series of eight guiding principles, which are: (1) a balanced transportation system is essential to Connecticut's economic and social health and welfare; (2) Connecticut's transportation system must be multi-modal; (3) Connecticut's transportation system must be maintained and preserved; (4) Connecticut's transportation policy must support economic development and a sustainable environment; (5) the state's transportation system must be flexible and responsive; (6) the provision of accurate, timely information about system and services is essential; (7)

transportation and development investments must support responsible growth, transit oriented development and the Plan of Conservation and Development; and (8) the State's transportation planning must be comprehensive, inclusive and visionary.

THE DEPARTMENT OF TRANSPORTATION

The State Transportation System

The State's transportation system includes approximately 21,295 miles of improved roads (of which approximately 3,716 miles are maintained by the Department); 5,471 state and local bridges; Bradley International Airport, which is New England's second largest airport, and five other State-owned airports together with numerous municipally and privately owned airports; rail commuter service between New Haven and New York City and related points, operated by MTA Metro-North Railroad which provides 288 weekday trains; Shore Line East rail service between New London and New Haven and on to Stamford, operated by Amtrak which provides 26 weekday trains; and publicly and privately owned bus systems which operate 1,102 vehicles.

Organization and Responsibilities

The Department was established in 1969 and replaced the Connecticut Highway Department. The Department, as of September 10, 2010, had 2,981 employees. The Department's major responsibility is to provide transportation services and facilities to state residents.

The Department is headed by a Commissioner appointed by and directly responsible to the Governor. The Commissioner's office has 47 employees who perform communications, management and legislative services, strategic organizational planning, staff development and other related functions of that office.

The Commissioner exercises direct supervision of all Department activities. As head of the Department, the Commissioner acts as the executive officer of the Governor for achieving the Department's purposes and supervising the Department's activities. The Commissioner, in order to promote economy and efficiency, may organize the Department and any agency therein into such divisions, bureaus, or other units as necessary and may from time to time abolish, transfer, or consolidate such divisions, bureaus, or other units within the Department. Among other functions, the Commissioner has the power, duty, and responsibility (i) to provide for the planning and construction of capital facilities that may be required for the development and operation of a safe and efficient transportation system, (ii) to study the operations of existing transportation facilities to determine the need for changes in such facilities, (iii) to formulate and implement plans and programs to improve transportation facilities and services, and (iv) to report to the General Assembly on an annual basis regarding such matters.

In June 2010, Jeffrey A. Parker was appointed Commissioner of the Department by Governor M. Jodi Rell. Mr. Parker had been serving as Deputy Commissioner. Prior to joining the Department in July 2008, Mr. Parker served as Senior Director for Transportation and Operations for the Metropolitan Atlanta Rapid Transit Authority and, before that, as Director of Subway Operations and Rail Vehicle Engineering for the Massachusetts Bay Transportation Authority.

In March 2007, Albert A. Martin was appointed Deputy Commissioner and oversees the Bureaus of Finance and Administration, and Aviation and Ports. He has 37 years of government and administrative experience, including six years as Director of the Detroit Department of Transportation. Mr. Martin is a nationally recognized expert on the issues of responsible growth and transit-oriented development.

In July 2007, Governor Rell appointed a Commission to study possible reorganizations within the Department. In February 2008, the Commission delivered its report entitled "Report of the Governors Commission on the Reform of the Connecticut Department of Transportation" to the Governor.

The Department is currently composed of six Bureaus, each of which is directed by a Bureau Chief.

Bureau of Highway Operations

The Bureau of Highway Operations has 1,470 employees and is responsible for the safe operation and maintenance of the State's highway and bridge system, including snow and ice control, and equipment repair and maintenance.

Bureau of Engineering and Construction

The Bureau of Engineering and Construction has 859 employees and is responsible for the implementation of the capital program for all transportation modes. It includes engineering and construction services, as well as property acquisition and management, research and material testing.

Bureau of Finance and Administration

The Bureau of Finance and Administration has 392 employees. This bureau provides administrative, service, personnel and support functions, which include budget preparation and control, auditing, purchasing, programming and control of the Department's capital program, external audit, information systems management and equal employment opportunity/affirmative action programs. This bureau provides the administration and oversight of the Infrastructure Program.

Bureau of Policy and Planning

The Bureau of Policy and Planning has 96 employees and is responsible for coordination of transportation policy, strategic planning, monitoring federal and state laws and regulations, maintaining all transportation statistics and estimates, project planning and environmental analysis for all modes of state transportation supervised by the Department, and systems analysis. This bureau has primary input in the determination of the major projects to be accomplished under the Infrastructure Program.

Bureau of Public Transportation

The Bureau of Public Transportation has 81 employees and is comprised of the Office of Rail and the Office of Transit and Ridesharing. The two Offices have numerous technical and administrative oversight responsibilities for all of the public transportation services contracted for and subsidized by the State of Connecticut. Such services include the New Haven Line and Shore Line East commuter rail services; CT Transit bus operations in eight urban areas; express bus services; and urban and rural transit district bus, Americans With Disabilities Act and dial-a-ride services. These services provide over 75 million passengers trips per year at a total annual state subsidy over $239 million. In addition, regulatory sub-units within the Bureau execute the Commissioner of Transportation's regulatory responsibilities relating to the operations of 12 private rail carriers and over 600 companies providing taxi, livery and bus services in the state.

Bureau of Aviation and Ports

The Bureau of Aviation and Ports has 36 employees, and is responsible for the operation and management of Bradley International Airport, the five other State-owned airports, regulation of the State's harbor masters and harbor pilots, Connecticut River ferries and the operation of the State Pier in New London.

Implementation of and Funding for the Infrastructure Program

The Infrastructure Program began on July 1, 1984. In the first twenty-two (22) years (State fiscal years 1985 through 2006) $14.8 billion has been utilized to fund the Infrastructure Program, consisting of the issuance of $5.1 billion in Senior and Second Lien Bonds, $530 million in State appropriations, $9.1 billion in federal funds and $111 million in other resources.

The following is a brief description of the components of the Infrastructure Program for State fiscal years 2005 through 2014. The sources of funding for this period of the program are set forth in Table 9. Actual annual funding amounts for the Infrastructure Program components can be expected to vary from the projected amounts because a major portion of the program is dependent upon the availability of federal funds. The federal figures presented in Table 9 for 2011 through 2014 are projections based upon the current federal Safe, Accountable, Flexible, Efficient, Transportation Equity Act – a Legacy for Users (SAFETEA-LU).

Interstate

The Interstate Program provides for the maintenance and enhancement of the State's portion of the nationwide system of interstate highways. The Interstate Program is projected to cost approximately $718.8 million of which $595.3 million is expected to be paid by federal funds and the remainder, or $123.5 million, is expected to be paid by State funds.

Intrastate

The Intrastate Program provides for improvements to the State's primary and secondary roads. The costs of this program are estimated at $2.24 billion. A portion of the program is eligible for federal funding, which is currently projected at $1.78 billion. State funds are expected to pay for $463 million of the Intrastate Program.

State Bridges

The State Bridge Restoration Program includes the cost of rehabilitating, reconstructing, repairing, or replacing the bridges on the State highway system which have been identified as being in poor or fair condition and in need of repair. The State Bridge Restoration Program is estimated to cost $1.35 billion. The State's share of such costs is estimated to be $324 million, with the balance of $1.03 billion to be met from federal funds.

Local Bridges

The State Local Bridge Program will assist municipalities throughout the State in undertaking the rehabilitation, restoration, replacement and reconstruction of local bridges. To finance the local bridge program, the State has legislated a loan program and a grants-in-aid program that would provide an incentive to municipalities to complete repairs to their bridges. The loan program consists of a revolving fund established by the State for the purpose of providing below market rate loans to municipalities for up to fifty percent (50%) of the cost of the project. Loan repayments by municipalities will be returned to the revolving fund. None of the funds in the revolving fund will constitute security for the Bonds or be used to pay Debt Service Requirements on the Bonds or Notes. The grants-in-aid program provides grants to municipalities on the basis of their economic ability to pay. The grants are made on a sliding scale of ten percent (10%) to thirty-three percent (33%) of project costs. Revolving fund resources will finance new local bridge projects as there are no anticipated federal funds available.

Transit

The Transit Capital Program is a fiscally constrained plan which provides a detailed public transportation capital project listing. The plan forecasts and programs the capital needs associated with all bus and rail capital projects administered or approved by the Bureau of Public Transportation. This includes all capital projects necessary to support two commuter railroads, CT Transit operations in eight urban areas and thirteen active transit districts. Projects are programmed to ensure system safety, maintain the transportation infrastructure, and provide system improvements. The bus portion includes replacement of aged buses on all fixed-route systems, construction of new and rehabilitated bus maintenance and storage facilities, renovation and improvement of bus depots, and improvements within downtown areas to better accommodate bus service. The commuter rail portion of the Transit Capital Program is a continuation of the New Haven Line rail modernization program which was started in the early 1970's, and now includes the recently passed New Haven line revitalization program. The program costs reflect the cost sharing requirements between New York and Connecticut which resulted from arbitration rulings. The commuter rail program also includes investments in the Shore Line East passenger service. The total Transit Capital Program is estimated to cost $1.66 billion of which $1.28 billion is estimated to be supported by federal funds, and $382 million is estimated to be funded from State bond proceeds.

Aviation

The Aviation Program includes the costs of capital improvements to the major airport facilities in the State excluding Bradley International Airport. Capital projects have been scheduled for the five State-owned airports in Windham, Oxford, Groton, Danielson, and Hartford as well as improvements at municipal airports in New Haven, Meriden, Danbury, and Bridgeport. The Aviation Program is estimated to cost $79.3 million and will require approximately $20.0 million in State funds.

Resurfacing

The Resurfacing Program consists of resurfacing and restoring the State highway system. The Department currently anticipates resurfacing approximately 225 two-lane miles of highway per year. Over the period, the cost of the program is estimated to be $1 billion, of which $599.7 million is expected to be paid from bond proceeds, $16 million from other Department budget appropriations, and $391.4 million from federal funds.

Department Facilities

This program includes the costs of renovating, repairing and expanding maintenance garages and other administrative facilities of the Department, and the costs of purchasing leased facilities. The total cost of this program is estimated at $64.0 million, which will be completely borne by the State because no federal funds are available.

Other

The Infrastructure Program also provides funding for STP/Urban Systems, Hazardous Waste, Special Projects and Waterways. The estimated cost of these programs is $3.6 billion, of which $2.8 billion is expected to be paid from bond proceeds and $836.9 million from federal funds.

Other components of the Infrastructure Program are not financed by proceeds of special tax obligation bonds and include safety programs and other road and bridge maintenance. The State's costs of these programs are funded from State budget appropriations for the Department.

The following table sets forth the actual and projected sources of funding, including legislative authorizations for Bonds, for various components of the Infrastructure Program over the ten-year period 2005-2014 and includes projections of amounts to be appropriated as current expenses of the Special Transportation Fund for such purposes:

TABLE 9
Sources of Funding for the Infrastructure Program
(In Millions $)

	Fiscal Year Ending June 30										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total1
Interstate											
Bonds	11.5	11.5	11.5	12.0	12.0	13.0	13.0	13.0	13.0	13.0	123.5
Federal	92.7	77.7	51.8	68.6	22.0	87.0	0.0	56.3	29.3	110.0	595.3
											718.8
Intrastate											
Bonds	39.0	22.5	28.1	112.9	42.0	42.5	44.0	44.0	44.0	44.0	463.1
Federal	205.0	101.1	134.9	597.6	130.3	262.3	19.5	60.1	91.7	176.0	1,778.5
											2,241.6
State Bridges											
Bonds	20.0	20.0	20.0	65.2	34.3	32.3	33.0	33.0	33.0	33.3	323.9
Federal	88.7	87.5	80.0	215.0	48.4	290.7	21.4	33.0	33.0	132.0	1,029.7
											1,353.6
Transit											
Bonds	34.0	34.0	34.0	40.1	40.4	40.0	40.0	40.0	40.0	40.0	382.5
Appropriations	0.0	0.0	0.0	0.15	0.25	0.0	0.0	0.0	0.0	0.0	0.4
Federal	104.0	110.0	89.5	131.8	125.5	143.8	143.8	143.8	143.8	143.8	1,279.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
											1,662.7
Aviation[a]											
Bonds											
	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	20.0
Federal	7.8	1.0	4.6	3.0	5.3	14.3	9.6	4.8	4.8	4.2	59.2
Other	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
											79.3
Resurfacing											
Bonds	49.0	49.0	49.0	54.0	59.0	64.1	68.9	68.9	68.9	68.9	599.7
Appropriations	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	16.0
Federal	0.0	0.0	8.8	36.5	45.0	101.1	50.0	50.0	50.0	50.0	391.4
											1,007.1
Dept. Facilities											
Bonds	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	64.0
Safety											
Appropriations	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	12.0
Federal	9.0	9.0	9.0	9.0	9.0	11.3	12.8	12.8	12.8	12.8	107.5
											119.5
STP/Urban Systems											
Bonds	8.0	8.0	8.0	8.3	8.5	8.5	8.5	8.5	8.5	8.5	83.3
Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal	30.4	32.0	29.9	36.0	38.1	37.4	34.0	41.0	41.0	41.0	367.8
Other[b]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
											451.1
Other Road and Bridge											
Appropriations	9.8	10.0	10.2	10.3	9.4	9.2	9.2	9.2	9.2	9.2	95.7
Federal	15.1	15.1	15.1	15.1	15.1	20.0	20.0	20.0	20.0	20.0	175.5
											271.2
Hazardous Waste											
Bonds	6.0	6.0	6.0	6.0	6.0	6.0	10.8	6.0	6.0	6.0	64.8
Special Projects											
Bonds	0.0	53.0	1,507.2	334.5	178.0	507.0	24.5	0.0	0.0	0.0	2,604.2
Federal	0.0	0.0	0.0	0.0	469.1	0.0	0.0	0.0	0.0	0.0	469.1
											3,073.38
Waterways											
Bonds	0.3	0.2	0.3	1.4	0.3	0.2	0.3	0.2	0.3	0.2	3.7
Totals											
Bonds	176.2	212.6	1,672.5	642.9	389.0	722.0	251.4	222.0	222.0	222.0	4,732.6
Appropriations	12.0	12.2	12.4	12.7	12.8	12.4	12.4	12.4	12.4	12.4	124.1
Federal	552.7	433.3	423.5	1,112.5	907.9	967.9	318.1	421.7	426.3	689.8	6,253.7
Other	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total	741.0	658.1	2,108.4	1,768.1	1,309.7	1,702.3	581.9	656.1	660.8	924.2	11,110.5
Issuance and Reserve	22.3	26.3	28.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	226.0

All line items in this Table captioned "Bonds" refer to legislative bond authorizations not bond issuances. Federal funding after September 30, 2006 is subject to Congressional action. For a summary of the enacted tax, fee and charge adjustments underlying these projections, see Table 2 and Table 3.

(a) Excluding Bradley International Airport.

(b) Local funds.

SOURCE: Department of Transportation

The following table sets forth the amount of special tax obligation bond proceeds used and projected to be required to finance capital program project commitments and the annual amount of special tax obligation bonds issued and estimated to be issued each year for Infrastructure Program expenditures and other expenses through fiscal year 2014.

TABLE 10
Program Project Commitments and Actual and Projected Annual Bond Issuances
(In Millions $)

	Fiscal Year Ending June 30											
	1985 - 2004[a][b][c]	2005[a]	2006[a]	2007[a]	2008[a]	2009[a]	2010	2011	2012	2013	2014	Total
Program Project Commitments	5,000.1	176.2	212.6	1,672.5	642.9	389.0	722.0	251.4	222.0	222.1	222.0	9,732.7
Issuance and Reserve Authority	593.8	22.3	26.3	28.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	819.8
Actual and Projected Annual Issuances[d][e]	5,196.7	200.0	250.0	0.0	250.0	300.0	500.0	600.0	550.0	550.0	525.0	8,921.7

(a) Actual authorized program commitments and bonds issued.
(b) Does not include $21.1 million in previously authorized general obligation transportation related bond authority used in fiscal year 1996.
(c) Does not include $39.9 million in previously authorized general obligation transportation related bond authority.
(d) Actual and projected annual issuances of special tax obligation bonds do not include any special tax obligation bonds which have or may be issued to refund special tax obligation bonds or general obligation bonds of the State issued for transportation purposes.
(e) After 2014, additional special tax obligation bonds in an amount estimated at $1,598 billion are expected to be issued to pay the balance of the cost of program commitments and fund reserves, if necessary.

SOURCES: Office of Policy and Management and Department of Transportation

The annual projected issuances of special tax obligation bonds for any future fiscal year may vary from amounts expected to be required to fund program project commitments in each fiscal year. This results primarily from estimates of the timing of the Department's capital cash flow needs and because a portion of the special tax obligation bond proceeds in each fiscal year are expected to fund Reserve Accounts and issuance costs.

Financial Controls

The Infrastructure Program is administered by the Department and is subject to the standard control procedures of the State and the Department.

In accordance with federal budgeting procedures, the Department has developed annual projections of federal aid for the next three years for the Infrastructure Program, consistent with other capital programs, and an annual program for implementing the Infrastructure Program in accordance with the availability of State and federal funds.

The primary project control mechanisms within the Department are quarterly schedules for awarding construction contracts, monthly project status review meetings to coordinate the activities of various areas, and project cost controls to monitor cost estimates and expenditures against available funds.

The following discussion outlines the manner in which the Department accounts for State and federal funds to insure the proper disbursement thereof.

State Funds

Following the allocation of the State's bond funds by the State Bond Commission and approval by the Governor of allotment thereof, individual project budgets are established in CORE-CT. Purchase orders are then prepared by the operational units of the Department for commitments to outside vendors and automatically checked against available project budgets by CORE-CT.

If a project, or a portion of a project, is to be accomplished with Department staff, the staff is required to keep account of the time spent on each project and to fill out requisitions for materials and equipment used on such project. Central controls are in place and are designed to insure that payments, other than payroll, are not authorized if the requested amount is in excess of that approved for the project.

If the project is to be designed by an outside consultant, the selection process is in accordance with statutory requirements, and the cost is negotiated by the Department. Proposed contracts are subject to review by the Office of Policy and Management and the Attorney General. In addition, proposed contracts for projects other than highways are subject to review by the State Properties Review Board. Except in emergencies, construction contracts above a certain size are awarded as a result of sealed bids. The Department is usually billed monthly by outside contractors and to insure proper progress of the

project, Department liaisons make site checks. The Department's Office of Finance must approve all outside bills and verify billed amounts against internal payment lists to insure that expenditures are within the amount of the contract. The Comptroller, after review and upon a warrant to the Treasurer, then disburses the appropriate funds.

Federal Funds

The Department expects to receive approximately $13 billion in federal funds with respect to the Infrastructure Program projects that have been approved by the State Bond Commission. An additional $393.4 million in federal funds is expected to be received for projects to be paid from approved State appropriations for the Department.

Most of such federal funds are expected to be received from the Federal Highway Administration (the "FHWA"). Upon notification from FHWA of the annual apportionment of federal highway funds, the Department provides FHWA with an annual program of projects. The Department may update the program during the fiscal year, but requested changes must be approved by FHWA. After FHWA approval of an individual project agreement or modification is granted, a federal-aid receivable account is established by the Comptroller. Once the State and federal funds are approved, the project is moved to Open status in CORE-CT. This status allows project expenditures up to the approved amounts. The Department has an extensive cost accounting system for accumulating expenditures by project. The Department bills the FHWA for the federal share of project costs at least every two weeks through the State's integrated CORE-CT financial system. Within a few days of such billing, reimbursement is received by the Department through an electronic transfer process.

The Department also expects to receive project capital grants for the Infrastructure Program from the FTA and project capital grants for rail freight projects from the Federal Railroad Administration. As with FHWA grants, all capital FTA billing requests also are processed through the Concurrent Audit Billing System, and have also transitioned to CORE-CT.

In addition to processing reimbursement requests, the billing system has built-in controls to assure compliance with federal cost limits and other federal requirements. The system also produces various reports, such as listings of all active projects and detailed summaries of expenditures.

The Division of Internal Audits of the Department regularly monitors the billing system to verify the validity of reimbursement requests. A primary purpose of the billing system audits is to maximize federal cost participation by identifying coding errors or other mistakes that misstate reimbursable costs and by insuring that corrective action is taken.

Only federal transportation related operating assistance grants (currently none) are credited to the Special Transportation Fund. Federal transportation related capital grants are credited to the Infrastructure Improvement Fund.

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE

The following statements are summaries of certain provisions of the Senior Indenture. All such summary statements do not purport to be complete and are subject to and qualified in their entirety by reference to the Senior Indenture.

Definitions

The following are definitions of certain terms as used in the Senior Indenture:

"Accountant" means the independent accountant or firm of independent accountants appointed by the State pursuant to Section 7.4 of the Senior Indenture.

"Act" means collectively, Public Act No. 84-254, Special Act No. 84-52 and any other action of the General Assembly of the State, authorizing Senior Bonds to be issued under the Senior Indenture, as the same may be amended from time to time.

"Additional Bonds" means one or more series of additional Bonds, other than the Bonds initially issued under the Senior Indenture in 1984, authorized and issued by the State pursuant to the Senior Indenture, provided that the term "Additional Bonds" does not include Refunding Bonds issued pursuant to Section 2.5 of the Senior Indenture.

"Amortization Requirement" for any period (as applied to term bonds issued under the provisions of Sections 2.2, 2.4 and 2.5 of the Senior Indenture), means the respective amount of principal of term bonds to be amortized in such period with respect to such Senior Bonds as fixed by resolution of the State Bond Commission prior to the delivery of such Senior Bonds. Such Amortization Requirement shall be accrued ratably over the period for which such Amortization Requirement was fixed, and the Amortization Requirement on term bonds of any series accruing for any period other than that for which the State Bond Commission shall have fixed an Amortization Requirement shall be the total of the Amortization Requirement for term bonds of such series accruing in such period. The aggregate amount of such Amortization Requirements for the term bonds of any series shall be equal to the principal amount of the term bonds of such series. The Amortization Requirements for the term bonds of any series shall begin in such year as the State Bond Commission shall determine and shall not end later than the year immediately preceding the maturity of such term bonds.

"Debt Service Requirements" means for any period, the sum of (A) the principal and interest accruing during such period with respect to Senior Bonds, the interest accruing during such period with respect to Senior Notes and the unrefunded principal accruing during such period with respect to Senior Notes, (B) the purchase price of Senior Bonds and Senior Notes which are subject to purchase or redemption at the option of the holder of such Senior Bond or Senior Note, (C) the amounts, if any, required during such period to establish or maintain the funds or accounts existing under the Senior Indenture at the respective levels required to be established or maintained as provided in the Senior Indenture, (D) expenses of issuance and administration with respect to Senior Bonds and Senior Notes, as determined by the State Treasurer, (E) the amounts, if any, becoming due and payable under a reimbursement agreement or similar agreement entered into pursuant to the proceedings authorizing the issuance of Senior Bonds or Senior Notes and (F) any other costs or expenses deemed by the State Treasurer to be necessary or proper to be paid in connection with the Senior Bonds and Senior Notes, including, without limitation, the cost of any credit facility, including but not limited to a letter of credit or policy of bond insurance, issued by a financial institution pursuant to an agreement approved by the proceedings authorizing the issuance of Senior Bonds or Senior Notes.

"Debt Service Reserve Requirement" means an amount equal to the maximum Principal and Interest Requirements on Senior Bonds for the current or any succeeding Fiscal Year on account of all Senior Bonds then outstanding.

"Fiscal Year" means the fiscal year of the State, as it may be established by the State from time to time and initially beginning on July 1 and ending June 30 in each year.

"Infrastructure Improvement Fund" means the Infrastructure Improvement Fund of the State, as provided in Section 5.8 of the Senior Indenture.

"Interest Requirements on Senior Notes," for any period, means the sum of (i) the amount of interest on all Senior Notes accruing in such period; plus (ii) the amount required to pay interest accruing in such period pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal of Senior Notes. In computing the interest payable in any future period on any Senior Note bearing interest at a variable rate, the interest shall be calculated on the basis of the interest rate actually borne by such Senior Note at the time of calculation.

"Pledged Revenues" means the taxes, fees, charges and other receipts of the State credited to the Special Transportation Fund pursuant to Section 13b-61 of the General Statutes of the State, as amended from time to time.

"Principal and Interest Requirements on Senior Bonds," for any period, as applied to Senior Bonds of any series, means the sum of:

(i) the amount of interest accruing on all Senior Bonds of such series in such period; plus

(ii) the amount of principal accruing in such period with respect to all serial bonds of such series then outstanding, assuming the principal of any serial bond accrues ratably over the year preceding the maturity of such serial bond; plus

(iii) the Amortization Requirement accruing for the term bonds of such series for such period; plus

(iv) any other amortization or accrual of original issue discount or principal with respect to Senior Bonds of such series required to be made for such period pursuant to the proceedings authorizing Senior Bonds of such series; plus

(v) the amount accruing with respect to principal and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal of Senior Bonds.

In computing the Principal and Interest Requirements on Senior Bonds for any period for the Senior Bonds of any series, the Trustee assumes that an amount of the term bonds (if any) of such series equal to the Amortization Requirement for the term bonds of such series for such period will be retired by purchase or redemption on or before the last day of such period. In computing the interest payable in any future period on any Senior Bond bearing interest at a variable rate, the interest shall be calculated on the basis of the interest rate actually borne by such Senior Bond at the time of calculation.

"Refunding Bonds" means any one or more series of Senior Bonds authorized and issued by the State pursuant to Section 2.5 of the Senior Indenture.

"Senior Bond" means any bond issued pursuant to the Senior Indenture.

"Senior Note" means any note issued in anticipation of Senior Bonds pursuant to Section 2.6 of the Indenture, including any renewal and replacement Senior Notes.

"Special Transportation Fund" means the Special Transportation Fund of the State created under Section 1 of Public Act No. 83-30 of the State, as amended.

"Supplemental Indenture" means any indenture entered into by the Trustee and the State pursuant to and in compliance with the provisions of Article X of the Senior Indenture providing for the issuance of Additional Bonds or Refunding Bonds, and also means any other indenture between the same parties entered into pursuant to and in compliance with the provisions of Article X of the Senior Indenture amending or supplementing the provisions of the Senior Indenture as originally executed or as theretofore amended or supplemented.

"Trustee" means U.S. Bank National Association successor to The Connecticut National Bank, original trustee, and its successor or successors hereafter appointed in the manner provided in the Senior Indenture.

Pledge of Trust Estate

To secure the payment of the Debt Service Requirements on the Senior Bonds and Senior Notes, and all other amounts due in connection therewith and the performance and observance by the State of all the covenants expressed or implied in the Senior Indenture and in the Senior Bonds and Senior Notes, the State, in the Senior Indenture, has granted to the Trustee a first call on Pledged Revenues as they are received by the State and credited to the Special Transportation Fund, and has granted to the Trustee a lien upon and a security interest in (1) any and all amounts held to the credit of the Special Transportation Fund from time to time, exclusive of amounts held to the credit of such Special Transportation Fund which represent (a) amounts borrowed by the Treasurer of the State in anticipation of revenues pursuant to Section 3-16 of the General Statutes of Connecticut, and (b) transportation related federal revenues of the State, and (2) any and all amounts held by the Trustee to the credit of any fund or account created under the Senior Indenture (collectively, the "Trust Estate").

The Senior Bonds, including the principal thereof and interest and premium, if any, thereon, are payable solely from the Pledged Revenues or other receipts, funds or moneys pledged therefor pursuant to the Senior Indenture. The Senior Bonds shall be equally and ratably secured under the Senior Indenture by the assignments, pledges and charges made or created in the Senior Indenture of or on the properties of the Trust Estate for the payment and security of the Senior Bonds and by a co-equal lien thereon. The aforesaid lien and charge of the Senior Bonds shall constitute a prior and paramount lien and charge on the

Special Transportation Fund and the other receipts, funds and moneys pledged to the payment of the Senior Bonds and from time to time held under the Senior Indenture, subject only to the provisions of the Senior Indenture permitting the application of moneys in the Special Transportation Fund and such other receipts, funds and moneys for the purposes and on the terms and conditions thereof, over and ahead of any parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice of the foregoing lien and charge and over and ahead of all other indebtedness payable from or secured by the Pledged Revenues and such other receipts, funds and moneys which may there after be created or incurred. The pledges, liens, charges and assignments to the Trustee of the Trust Estate made in the Senior Indenture are to be valid and binding from the time of the delivery of and payment for the first series of Senior Bonds issued under the Senior Indenture and the moneys representing the Pledged Revenues and other receipts, funds or moneys so pledged received by the State are to be subject immediately to the lien of such pledge, upon receipt thereof by the State or the Trustee or a Paying Agent under the Senior Indenture without any physical delivery thereof or further act.

The Senior Bonds and Senior Notes are special obligations of the State and are not payable from nor charged upon any funds other than the Pledged Revenues or other receipts, funds or moneys pledged therefor pursuant to the Senior Indenture. Neither the State nor any political subdivision thereof is subject to any liability on the Senior Bonds and Senior Notes except to the extent of the Pledged Revenues, or other receipts, funds and moneys pledged under the Senior Indenture to secure the same. See "Nature of Obligation-State General Taxing Power Not Pledged" above.

Funds and Accounts

Under the Senior Indenture, the following funds and accounts are to be administered as follows:

1. *Special Transportation Fund.* On or before the last day of each month in which Senior Bonds are outstanding, the State shall withdraw from moneys held by it to the credit of the Special Transportation Fund, and deposit with the Trustee to the credit of the following accounts or sub- accounts the following sums in the following order:

(i) to the credit of the Bond Service Sub-Account, the Note Repayment Account and the Redemption Sub-Account, respectively, such amounts thereof, if any (or the entire sum so withdrawn if less than the required amount, in which case such sum shall be allocated among the purposes set forth in this subparagraph on a pro rata basis), as may be required (A) to make the amount then held to the credit of the Bond Service Sub-Account equal to the sum of the aggregate unpaid principal accruing on outstanding serial bonds through the dates in the next ensuing month which are the respective anniversary dates of such bonds, assuming the principal of any serial bond accrues ratably over the twelve months preceding its maturity, plus the unpaid interest accruing on each of the Senior Bonds then outstanding through the dates in the next ensuing month which are the respective anniversary dates of such Senior Bonds, plus the amount accruing with respect to principal and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal on Senior Bonds, plus one-twelfth (1/12) of the Principal and Interest Requirements on Senior Bonds for the next ensuing twelve (12) months; (B) to make the amount then held to the credit of the Note Repayment Account held for payment of interest equal to the unpaid interest on Senior Notes accruing through the end of the next ensuing month and unpaid interest accruing pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal of Senior Notes; and (C) to make the amount then held to the credit of the Redemption Sub-Account equal to the aggregate Amortization Requirements, if any, accruing through the respective anniversary dates of the Senior Bonds in the next ensuing month for each of the term bonds then outstanding (plus a ratable portion of the premium, if any, which would be payable on principal amounts of term bonds equal to the amount of such Amortization Requirements if such principal amount of term bonds should be called for mandatory redemption); provided, however, that if the amount so deposited to the credit of the Redemption Sub-Account in any month shall be less than such amount, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited in each subsequent month thereafter until such time as such deficiency shall have been made up; and

(ii) to the credit of the Reserve Account, out of any balance remaining after making the deposits under subparagraph (i) above (or the entire balance if less than the required amount), the amount, if any, necessary to maintain the Reserve Account at the Debt Service Reserve Requirement.

To the extent not required from time to time for the foregoing purposes, amounts held to the credit of the Special Transportation Fund may be used by the State for any proper purpose, including deposits to the Unrefunded Note Sub-Account from time to time.

2. *Note Repayment Account.* Proceeds of Additional Bonds in respect of which Senior Notes have been issued, proceeds of renewal or replacement Senior Notes issued pursuant to the Senior Indenture, and the monthly deposit described above, shall be deposited by the Trustee to the credit of the Note Repayment Account in the amounts specified in Sections 2.3(a), 2.4(c)(1), 2.6(a) and 5.1(a) of the Senior Indenture. Moneys held to the credit of the Note Repayment Account are to be used by the Trustee for the purpose of paying the interest on outstanding Senior Notes, interest pursuant to any reimbursement

agreement entered into with respect to a credit facility for the payment of principal of Senior Notes, and principal on refunded Senior Notes. Upon such deposit to the credit of the Note Repayment Account of amounts to refund Senior Notes, the principal of Senior Notes in respect of which such deposit is made shall be deemed refunded, and until such a deposit is made to the credit of the Note Repayment Account in respect of a Senior Note the principal of such Senior Note shall be deemed for purposes of the Senior Indenture to be unrefunded. Any moneys remaining in the Note Repayment Account after the last maturity date of such outstanding Senior Notes in excess of the amount of principal due and payable thereon are to be transferred to the credit of the Special Transportation Fund. All proceeds realized from the investment of moneys held to the credit of the Note Repayment Account are to remain therein.

3. *Debt Service Account.* Within the Debt Service Account are three separate sub-accounts known as the "Bond Service Sub-Account," the "Redemption Sub-Account" and the "Unrefunded Note Sub-Account." Moneys held to the credit of the Bond Service Sub-Account, the Redemption Sub-Account, and the Unrefunded Note Sub-Account are to be held in trust and disbursed by the Trustee, as more particularly described below, for (a) the payment of the interest on Senior Bonds as such interest becomes due, (b) the payment of principal on Senior Bonds at their respective maturities, (c) the payment of the purchase or redemption price of the Senior Bonds before maturity, (d) the payment of the unrefunded principal on Notes at their respective maturities, or (e) the payment of principal and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal of Senior Bonds, and interest pursuant to such a reimbursement agreement entered into with respect to payment of principal of Senior Notes, and under the Senior Indenture such moneys are pledged to and charged with such payments as follows:

a. *Bond Service Sub-Account.* The Trustee, from time to time as required, is to withdraw from the Bond Service Sub-Account and, if necessary, from the Reserve Account and the Unrefunded Note Sub-Account, and is to deposit in trust with the Paying Agent sufficient moneys for paying the principal of and the interest on the Senior Bonds as the same shall become due, and shall pay principal and interest pursuant to any reimbursement agreement entered into with respect to payment of principal of Senior Bonds. To the extent necessary to comply with Section 7.6 of the Senior Indenture, the Bond Service Sub-Account is to be depleted, and in order to comply with this requirement, the Trustee, from time to time, is to withdraw such moneys as may be necessary from the Bond Service Sub-Account and deposit said moneys to the credit of the Special Transportation Fund. Accrued interest deposited to the Bond Service Sub-Account on the sale of Senior Bonds may be used to pay costs of issuance of such Senior Bonds as directed by the Treasurer.

b. *Redemption Sub-Account.* Moneys held to the credit of the Redemption Sub-Account are to be applied to the retirement of Senior Bonds issued under the provisions of the Indenture as follows:

(1) Subject to the provisions of (3) below, the Trustee is to endeavor to purchase Senior Bonds secured by the Senior Indenture and then outstanding, whether or not such Senior Bonds are subject to redemption, at the most advantageous price obtainable with reasonable diligence, having regard to the interest rate and price, such price, including brokerage expenses, not to exceed the principal of such Senior Bonds plus the amount of the premium, if any, which would be payable on the next redemption date to the holders of such Senior Bonds under the provisions of Article IV of the Senior Indenture if such Senior Bonds should be called for redemption on such date. The Trustee is to pay the interest accrued on such Senior Bonds to the date of delivery thereof from the Bond Service Sub-Account and the purchase price from the Redemption Sub-Account, but no such purchase shall be made within the period of forty-five (45) days next preceding any interest payment date on which such Senior Bonds are subject to call for redemption under the provisions of the Senior Indenture except from moneys in excess of the amounts set aside or deposited for the redemption of Senior Bonds.

(2) Subject to the provisions of (3) below, the Trustee is to call for redemption on each interest payment date on which Senior Bonds are subject to redemption from moneys in the Debt Service Account such amount of Senior Bonds then subject to redemption as, with the redemption premium, if any, will exhaust the Redemption Sub-Account as nearly as may be; provided, however, that not less than One Hundred Thousand Dollars ($100,000.00) in principal amount of Senior Bonds are to be called for redemption at any one time. Such redemption is to be made pursuant to Article IV of the Senior Indenture. Not less than five (5) days before the redemption date the Trustee shall withdraw from the Bond Service Sub-Account and from the Redemption Sub-Account and set aside in separate accounts on deposit with the Paying Agents the respective amounts required for paying the interest on the Senior Bonds so called for redemption and the principal of, and the premium on, such Senior Bonds.

(3) Moneys in the Redemption Sub-Account are to be applied to the purchase or redemption of Senior Bonds in the following order: (a) term bonds of each series, if any, issued under the Senior Indenture, in the order of maturity as the State shall determine, to the extent of the Amortization Requirement, if any, fixed for the then current period for such term bonds and any deficiency in preceding periods in the purchase or redemption of such term bonds; provided, however, that if none of the term bonds of a series is subject to redemption from moneys in the Debt Service Account and if the Trustee is at any time unable to exhaust the moneys applicable to the Senior Bonds of such series in the purchase of such Bonds, such moneys or the balance of such moneys, as the case may be, is to be retained and, as soon as feasible, applied to the

retirement of the Senior Bonds of such series; (b) to the purchase of any Senior Bonds secured by the Senior Indenture and then outstanding whether or not such Senior Bonds are subject to redemption; (c) to the redemption of the term bonds of each series in proportion (as nearly as practicable) to the aggregate principal amount of the Senior Bonds of such series originally issued; and (d) after the retirement of all term bonds, to the redemption of the serial bonds issued under the provisions of the Senior Indenture in the manner provided therein or in the Supplemental Indenture providing for the issuance of such serial bonds, and to the extent that serial bonds of different series mature on the same date, in proportion (as nearly as practicable) to the principal amount of each series maturing on such date.

c. *Unrefunded Note Sub-Account.* The State shall withdraw from moneys held by it to the credit of the Special Transportation Fund and deposit with the Trustee to the credit of the Unrefunded Note Sub-Account any and all amounts required from time to time to pay unrefunded principal of Senior Notes becoming due and payable; provided, however, that no such withdrawal and credit shall be made unless all amounts required to be deposited by the State to the Debt Service, Reserve and Note Repayment Accounts have been so deposited. Moneys held to the credit to the Unrefunded Note Sub-Account will be used by the Trustee for the purpose of paying the unrefunded principal on outstanding Senior Notes becoming due and payable from time to time; provided, however, that no such application shall be made unless all amounts required to be deposited by the State to the Debt Service, Reserve and Note Repayment Accounts have been so deposited. Any moneys remaining in the Unrefunded Note Sub-Account after the last maturity date of outstanding Senior Notes will be transferred to the credit of the Special Transportation Fund.

4. *Reserve Account.* Moneys held to the credit of the Reserve Account are to be used for the purpose of paying the principal and interest on the Senior Bonds and meeting the Amortization Requirements for any term bonds whenever and to the extent that the moneys held to the credit of the Bond Service Sub-Account and the Redemption Sub-Account, respectively, are insufficient for such purposes. To the extent that moneys held to the credit of the Reserve Account exceed the Debt Service Reserve Requirement, the Trustee shall withdraw such excess from the Reserve Account and deposit it with the State to the credit of the Special Transportation Fund. To the extent necessary to comply with Section 7.6 of the Senior Indenture, if at any time the moneys held for the credit of the Reserve Account (as calculated pursuant to the Senior Indenture) exceed fifteen percent (15%) of the original proceeds of the Senior Bonds then outstanding, then at the option of the State Treasurer either such excess is to be withdrawn by the Trustee from the Reserve Account and deposited to the credit of the Special Transportation Fund, or invested at restricted yield.

In lieu of any deposit required to be made to the Reserve Account by the terms of any provisions of the Senior Indenture, the State will be entitled to substitute a bond of insurance or indemnity in favor of the Trustee in like amount and issued by an insurer under the supervision of an agency of the United States or any State whose outstanding bonds of insurance or indemnity are rated "AA" or better by a nationally recognized rating agency at the time of issuance of such bonds of insurance or indemnity.

5. *Infrastructure Improvement Fund.* The proceeds of Senior Bonds and Senior Notes, to the extent required by the Senior Indenture, are to be deposited in this fund held and administered by the State. The moneys so deposited are to be applied by the State to the purposes for which the Bonds giving rise to such deposits were issued, as provided by applicable law and, pending such application, are not to be subject to any lien or pledge in favor of the holders of Bonds.

Application of Proceeds of Bonds and Notes

Issuance of Senior Bonds. From the net proceeds of the sale of the Senior Bonds received by or on behalf of the State, including the interest accrued thereon from the date thereof to the date of delivery thereof and payment therefor, and after any permitted payment of issuance costs, there will be deposited:

(a) to the credit of the Note Repayment Account an amount sufficient, when adjusted for investment earnings, and taking into account any other funds available or to be available for such purpose, to pay, when due, the principal and interest on all Senior Notes then outstanding and issued in anticipation of such Senior Bonds;

(b) to the credit of the Reserve Account that amount, if any, which when added to the amount then held for the credit of the Reserve Account, will make the total amount held for the credit of the Reserve Account equal to the Debt Service Reserve Requirement;

(c) with the Treasurer, an amount sufficient, when adjusted for investment earnings, and taking into account any other funds available or to be available for such purpose, to pay, when due, the principal and interest on general obligation bonds of the State issued for transportation purposes, for the refunding of which such Senior Bonds were issued;

(d) to the credit of such other Funds or accounts, such deposits or credits, if any, as shall be specified in the Supplemental Indenture providing for the issuance of such series of Senior Bonds; and

(e) any balance of such proceeds to the credit of the Infrastructure Improvement Fund.

The amount received as accrued interest is to be deposited to the credit of the Bond Service Sub-Account.

Issuance of Senior Notes and Application of Note Proceeds. The Senior Indenture authorizes the issuance of one or more series of Senior Notes to provide temporary financing for transportation purposes pending the issuance of Senior Bonds. No Senior Notes shall be issued (i) unless the Senior Bonds in anticipation of which they are to be issued have been duly authorized in accordance with the Act and the Senior Indenture, and (ii) if the aggregate principal amount of all Senior Notes then outstanding and to be issued exceeds fifty million dollars ($50,000,000), unless, as of the date of issuance of such Senior Notes, the State could have issued under the terms of the Senior Indenture an equivalent aggregate principal amount of serial bonds, coming due in equal annual installments of principal and interest, the last installment of which shall be due not later than thirty years after such date, and bearing interest at such rate as the State shall determine in its best judgment to be equivalent to the average interest rate which would have been paid had such Senior Bonds been issued at such time.

Said Senior Notes shall be special obligations of the State payable solely from the proceeds of the Senior Bonds issued under the Senior Indenture and, to the extent provided in the Senior Indenture or deemed necessary or desirable by the State, from the Special Transportation Fund. Any obligation of the State to pay the unrefunded principal of Senior Notes, including for this purpose any obligation of the State under a reimbursement agreement entered into in connection with a credit facility providing for payment of the unrefunded principal of Senior Notes, shall be subordinate to any obligation of the State to pay principal and interest with respect to Senior Bonds or interest with respect to Senior Notes. The Senior Indenture further provides that the State may not enter into any contract with any Senior Noteholder inconsistent with the terms of the Senior Indenture. The full faith and credit of the State will not be pledged to the repayment of such Senior Notes and the State will not be obligated to make appropriations from its general fund for the repayment of such Senior Notes. Such Senior Notes may be renewed and refunded from time to time as may be determined by the Treasurer. Said Senior Notes may be made redeemable. The proceeds of the sale of any issue of Senior Notes is to be applied as follows:

(a) There will be deposited to the credit of the Note Repayment Account an amount sufficient, when adjusted for investment earnings as provided below, and taking into account any other funds available or to be available for such purpose, to pay when due, the principal of and the interest on all Senior Notes then outstanding which are to be renewed or refunded by the present issue. Any deposit made to the Note Repayment Account pursuant to this paragraph shall be adjusted to take into account the income, if any, which may be earned from investment of said deposit between the date of deposit and the maturity date of the Senior Notes then outstanding which are to be renewed or refunded.

(b) There will be made such other deposits or credits, if any, as specified in the proceedings under which such Senior Notes are issued.

(c) The balance of said proceeds will be deposited to the credit of the Infrastructure Improvement Fund.

Depositories of Moneys/Investments

All moneys held by the State under the provisions of the Senior Indenture are to be deposited in the name of the State in one or more funds and accounts with such depository or depositories as the State Treasurer shall designate, except that the Note Repayment Account, the Debt Service Account and the Reserve Account are to be held only by the Trustee. All moneys deposited under the provisions of the Senior Indenture with any depository, or held in a special trust fund prior to payment to the Trustee as aforesaid, are to be trust funds under the terms of the Senior Indenture and are not to the full extent permitted by law to be subject to any lien or attachment by any creditor of the State. Such moneys are to be held in trust and applied in accordance with the terms of the Senior Indenture.

Moneys on deposit in the Note Repayment Account, the Debt Service Account, and the Reserve Account and the sub-accounts in such accounts are to be invested and reinvested by the Trustee, at the direction of the State, to the extent reasonable and practicable in Investment Securities maturing in the amounts and at the times as determined by the State so that the payment required to be made from such funds and accounts may be made when due. In the absence of any direction from the State, the Trustee is to invest and reinvest moneys on deposit in the Note Repayment Account, the Debt Service Account, and the Reserve Account and the sub-accounts in such accounts in Investment Securities maturing in such amounts and at such times as the Trustee determines so that payments required to be made from such funds and accounts may be made when due.

Investment Securities include (i) such obligations, securities and investments as are set forth in subsection (f) of Section 3-20 of the Connecticut General Statutes, as the same may be amended from time to time, including without limitation, obligations of, or guaranteed by, the State or the United States, or agencies or instrumentalities of the United States, or in

certificates of deposit, commercial paper, savings accounts and bank acceptances, and (ii) participation certificates in the short-term investment fund created and existing under Section 3-27a of the Connecticut General Statutes as amended.

Junior Lien Obligations

Nothing contained in the Senior Indenture shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the State from issuing bonds, notes, certificates, warrants or other evidences of indebtedness for any use or purpose of the State payable as to principal and interest from the Special Transportation Fund subject and subordinate to the deposits and credits required to be made to the Debt Service Account, Note Repayment Account, or the Reserve Account or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness and the payment thereof by a call upon the Pledged Revenues and a lien on and pledge of the Special Transportation Fund junior and inferior to the first call on the Pledged Revenues and to the lien on and pledge of the Special Transportation Fund created in the Indenture for the payment and security of the Senior Bonds.

Covenants

The State covenants with the purchasers and holders of all Senior Bonds, among other things:

(1) *Amount of Pledged Revenues.* To impose, charge, raise, levy, collect and apply the Pledged Revenues and other receipts, funds or moneys pledged for the payment of Debt Service Requirements, in such amounts as may be necessary to pay such Debt Service Requirements in each year in which Senior Bonds or Senior Notes are outstanding;

(2) *Coverage Requirements.* To provide Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture in each Fiscal Year beginning in the first full Fiscal Year after the issuance of Senior Bonds, after deducting payments out of Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture for reserves required in the Senior Indenture, computed as of the final business day of such Fiscal Year, in an amount equal to at least two (2) times the aggregate Principal and Interest Requirements on all Senior Bonds outstanding in such Fiscal Year and the Interest Requirements on Senior Notes in such Fiscal Year.

(3) *First Call on Pledged Revenues.*

(a) Unless at such time any and all amounts required to be paid from the Special Transportation Fund to the Trustee or any Bondholder pursuant to the terms of the Senior Indenture shall have been made, the State will not make any payments from the Special Transportation Fund on account of any obligation whatsoever other than the Senior Bonds and Senior Notes, except from amounts held to the credit of the Special Transportation Fund which represent amounts borrowed by the Treasurer of the State in anticipation of revenues pursuant to Section 3-16 of the Connecticut General Statutes. If at any time any such amounts required to be paid to the Trustee have not been so paid, the Trustee is entitled to notify the Treasurer that such amounts are accrued and unpaid, whereupon any Pledged Revenues received by the State and credited to the Special Transportation Fund will be paid by the Treasurer forthwith to the Trustee, and will not be diverted to any other purpose, until such accrued and unpaid amounts have been paid in full.

(b) At all times to do and perform all acts and things permitted by law and necessary to assure that the Pledged Revenues received by the State and credited to the Special Transportation Fund are applied first to the payment of Debt Service Requirements, including, but not limited to, procedures for immediate segregation of Pledged Revenues, upon collection, from other cash receipts of the State, if and to the extent requested by the Trustee or required by any Supplemental Indenture.

(4) *Payment of Principal of and Premium and Interest on Senior Bonds.* To duly and punctually pay, or cause to be paid, but solely from the Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture, the principal of and interest and premium, if any, on each and every Senior Note and Senior Bond at the place, on the dates and in the manner provided in the Senior Indenture and in such Senior Notes and Senior Bonds according to the true intent and meaning of such Senior Notes and Senior Bonds and the Senior Indenture.

(5) *Books and Accounts; Audits.* To maintain and keep (or cause to be maintained and kept) proper books, records and accounts in which complete and correct entries shall be made of all dealings and transactions relating to the Special Transportation Fund and the Infrastructure Improvement Fund. Such accounts are to show the amount of Pledged Revenues available for the purposes of the Senior Indenture and the application of such Pledged Revenues and amounts in the Infrastructure Improvement Fund to the purposes specified in the Indenture and the Act.

The State is to prepare balance sheets and statements of revenues, expenditures and changes in fund balances for each of the above specified funds and is to cause the Special Transportation Fund to be audited by the Accountant, with such

restrictions on audit procedures performed by the Accountant with respect to operating expenses and program costs of the Department as the State may request, provided the State shall cause such operating expenses and program costs to be subject to the customary audit procedures of the State Auditor. Such Accountant is to be selected with special reference to his general knowledge, skill and experience in auditing books and accounts. Such audit is to be made annually and the audit report of the Accountant is to be delivered to the State within one hundred twenty (120) days after the close of each Fiscal Year. A copy of each such annual audit is to be open for public inspection, and is to be mailed to any holder of Senior Bonds filing with the State Treasurer a request for the same. The Trustee is to cooperate fully with the Accountant in completing such audit, and is to make available all books and accounts in its possession pertaining to the Senior Bonds for this purpose.

At the time of delivery of each audit report, the Accountant is also to deliver to the Trustee and the State a letter as to compliance with the coverage covenant described in (2) above.

(6) *Prosecution and Defense of Suits.* To defend, or cause to be defended, against every suit, action or proceeding at any time brought against any Bondholder by a person other than the State upon any claim arising out of the receipt, application or disbursement of any of the Pledged Revenues or any other moneys received, applied or disbursed under the Senior Indenture, or involving the rights of any Bondholder under the Senior Indenture and to indemnify and save harmless all Bondholders against any and all liability claimed or asserted by any person whomsoever, arising out of such receipt, application or disbursement or involving the Pledged Revenues; provided, however, that any Bondholder at his election may appear in and defend any suit, action or proceeding. This covenant is to remain in full force and effect even though the Senior Bonds are no longer outstanding and all indebtedness and obligations secured by the Senior Indenture may have been fully paid and satisfied and the lien, pledge and charge of the Senior Indenture may have been released and discharged.

(7) *State Taxation.* To keep principal and interest of the Senior Notes and Senior Bonds at all times free from taxation, except for estate and gift taxes, imposed by the State or by any political subdivision thereof, provided that interest paid on the Senior Notes or Senior Bonds shall be included in the definition of "gross income" for purposes of the Corporation Business Tax imposed by Chapter 208 of the Connecticut General Statutes. See "Tax Exemption."

In addition, the State covenants:

(1) not to limit or alter the duties imposed on the Treasurer and other officers of the State by the Act and by the proceedings authorizing the issuance of Senior Bonds with respect to application of Pledged Revenues or other receipts, funds or moneys pledged for the payment of Debt Service Requirements as provided in the Senior Indenture and in the Act;

(2) not to issue any bonds, notes or other evidences of indebtedness, other than the Senior Bonds or Senior Notes, having any rights arising out of the Act or secured by any pledge of, or other lien or charge on, the Pledged Revenues or other receipts, funds or moneys pledged for the payment of Senior Bonds or Senior Notes;

(3) not to create or cause to be created any lien or charge on such pledged amounts, other than a lien or pledge created thereon pursuant to the Act, provided nothing in the Senior Indenture prevents the State from issuing evidences of indebtedness (i) which are secured by a pledge or lien which is and shall on the face thereof be expressly subordinate and junior in all respects to every lien and pledge created by or pursuant to the Act; or (ii) for which the full faith and credit of the State is pledged and which are not expressly secured by any specific lien or charge on such pledged amounts or (iii) which are secured by a pledge of or lien on moneys or funds derived on or after such date as every pledge or lien thereon created by or pursuant to the Act shall be discharged and satisfied;

(4) to carry out and perform, or cause to be carried out and performed, each and every promise, covenant, agreement or contract made or entered into by the State or on its behalf with the holders of any Senior Bonds or Senior Notes;

(5) not to in any way impair the rights, exemptions or remedies of the holders of any Senior Bonds or Senior Notes; and

(6) not to limit, modify, rescind, repeal or otherwise alter the rights or obligations of the appropriate officers of the State to impose, maintain, charge or collect the taxes, fees, charges and other receipts constituting the Pledged Revenues as may be necessary to produce sufficient revenues to fulfill the terms of the proceedings authorizing the issuance of the Senior Bonds, including Pledged Revenue coverage requirements set forth in Section 2.4 of the Senior Indenture, and provided nothing in the Indenture precludes the State from exercising its power through a change in law, to limit, modify, rescind, repeal or otherwise alter the character or amount of such Pledged Revenues or to substitute like or different sources of taxes, fees, charges or other receipts as Pledged Revenues if, for the ensuing Fiscal Year, as evidenced by the proposed or adopted budget of the State with respect to the Special Transportation Fund, the projected revenues meet or exceed the estimated expenses of the Special Transportation Fund including accumulated deficits, if any, Debt Service Requirements, and any Pledged Revenue coverage requirement set forth in Section 2.4 of the Senior Indenture.

Events of Default

Each of the following constitutes an Event of Default under the Senior Indenture:

(a) the State fails to pay the principal of any Senior Bonds when the same becomes due and payable, either at maturity or by proceedings for redemption; or

(b) the State fails to pay any installment of interest on Senior Bonds when the same becomes due and payable or within thirty (30) days thereafter; or

(c) the State defaults in the due and punctual performance of any other covenants, conditions, agreements and provisions contained in the Senior Bonds, the Senior Indenture or any Supplemental Indenture on the part of the State to be performed, other than required deposits to the Debt Service Account, and such default continues for ninety (90) days after written notice specifying such failure and requiring the same to be remedied has been given to the State by the Trustee or by the holders of not less than twenty percent (20%) in principal amount of the Senior Bonds then outstanding; provided that if any such failure is such that it cannot be cured or corrected within such ninety (90) day period, it does not constitute an Event of Default if curative or corrective action is instituted within such period and diligently pursued until the failure of performance is cured or corrected; and provided further, that no failure to observe the covenant as to the amount of Pledged Revenues shall constitute an Event of Default unless within one year after written notice by the Trustee of such failure the State shall not have enacted legislation such that the conditions contained in the Senior Indenture could have been satisfied if Additional Bonds were then to be issued; or

(d) the State is adjudged insolvent by a court of competent jurisdiction; or

(e) any proceedings are instituted with the consent or acquiescence of the State for the purpose of effecting a composition between the State and its creditors and if the claim of such creditors is in any circumstance payable from the Pledged Revenues or any other moneys or assets pledged and charged in the Senior Indenture, or for the purpose of adjusting the claims of such creditors, pursuant to any Federal or State statute now or hereafter enacted; or

(f) the State is for any reason rendered incapable of fulfilling its obligations under the Indenture.

Remedies for Defaults

Upon the happening and continuance of any of the Events of Default, and in addition to other remedies provided in the Senior Indenture, the Trustee, for and on behalf of the holders of the Senior Bonds (A) shall have the same rights under the Senior Indenture which are possessed by any of the holders of the Senior Bonds; (B) is authorized to proceed in its own name and as trustee of an express trust; (C) may and, upon the written request of the holders of not less than ten percent (10%) in aggregate principal amount of the Senior Bonds then outstanding, is required to pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of interest and premium, if any, on the Senior Bonds; and (D) may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Senior Bonds allowed in any judicial proceeding relative to the State, or its creditors, its property, or the Senior Bonds.

Defeasance

The obligations of the State under the Senior Indenture and the liens, pledges, charges, trusts and assignments, covenants and agreements of the State therein made or provided for, are to be fully discharged and satisfied as to any Senior Bond and such Senior Bond is no longer to be deemed to be outstanding and will be deemed to have been paid for all purposes of Section 11.2 of the Senior Indenture:

(i) when such Senior Bond is canceled, or surrendered for cancellation and is subject to cancellation, or has been purchased by the Trustee from moneys in the Debt Service Account held by it under the Senior Indenture; or

(ii) as to any Senior Bond not canceled or surrendered for cancellation or subject to cancellation or so purchased, when payment of the principal of and the applicable redemption premium, if any (or the applicable redemption price) on such Senior Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment, or otherwise), either (A) has been made or caused to be made in accordance with the terms of the Senior Indenture, or (B) has been provided by irrevocably depositing with the Trustee or Paying Agent for such Senior Bond, in trust, and irrevocably appropriated and set aside exclusively for such payment, either (1) moneys sufficient to make such payment or (2) Governmental Obligations, as defined in the Senior Indenture, maturing as to principal and interest in such

amounts and at such times as will insure the availability of sufficient moneys to make such payment, or (3) a combination of both such moneys and such Governmental Obligations, whichever the State deems to be in its best interest, and all necessary and proper fees, compensation and expenses of the Trustee and the Paying Agents for the Senior Bond with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Trustee and such Paying Agent; provided, however, that nothing shall require or be deemed to require the State to redeem term bonds in accordance with any optional fund installment schedule specified in the Senior Indenture or any Supplemental Indenture authorizing the issuance of Senior Bonds.

At such time as a Senior Bond is deemed to be no longer outstanding, such Senior Bond shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity, or upon redemption or prepayment, or otherwise) and, except for the purpose of any payment from such moneys or Governmental Obligations, shall no longer be secured by or entitled to the benefits of the Senior Indenture.

Supplemental Indentures

The Trustee and the State, from time to time and at any time and without the consent or concurrence of any holder of any Senior Bond, may enter into Supplemental Indentures (i) for the purpose of providing for the issuance of Additional Bonds and Refunding Bonds, (ii) to make any changes to or modifications of the Senior Indenture, or amendments, additions or deletions to the Senior Indenture which may be required to permit the Senior Indenture to be qualified under the Trust Indenture Act of 1939, as amended, (iii) to provide for the issuance of Senior Bonds or any series of Senior Bonds in book-entry form, in coupon form or registered as to principal only, and (iv) if the provisions of such Supplemental Indenture do not adversely affect the rights of the holders of Senior Bonds then outstanding, for any one or more of the purposes enumerated in Section 10.1 of the Senior Indenture. Except for Supplemental Indentures of the type referred to in (i) to (iii) above, the State and the Trustee will not enter into any Supplemental Indenture authorized by the above unless (A) in the opinion of counsel, the adoption of such Supplemental Indenture is permitted by the foregoing provisions, (B) the provisions of such Supplemental Indenture do not adversely affect the rights of the holders of the Senior Bonds then outstanding, and (C) except for a Supplemental Indenture which has no effect as to any Senior Bond or Senior Bonds then outstanding, the provisions of such Supplemental Indenture are not contrary to or inconsistent with the covenants or agreements of the State contained in the Senior Indenture as originally executed by the State and the Trustee or as amended or supplemented with the consent of the holders of the Senior Bonds.

The Senior Indenture may be amended, by the State and the Trustee, upon the consent of not less than sixty percent (60%) of the Senior Bonds then outstanding in aggregate principal amount, for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Senior Indenture, or modifying or amending the rights and obligations of the State and the Trustee thereunder, or modifying in any manner the rights of the holders of the Senior Bonds then outstanding; provided, however, that, without the specific consent of the holder of each such Senior Bond which would be affected thereby, no such Supplemental Indenture amending or supplementing the provisions of the Senior Indenture may: (1) change the fixed maturity date for the payment of the principal of any Senior Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Senior Bond or the rate of interest thereon or the redemption premium payable upon the redemption or prepayment thereof; or (2) reduce the aforesaid percentage of Senior Bonds, the holders of which are required to consent to any such Supplemental Indenture amending or supplementing the provisions of the Senior Indenture; or (3) give to any Senior Bond or Senior Bonds any preference over any other Senior Bond or Senior Bonds; or (4) authorize the creation of any pledge or prior call on the moneys and other assets of the Trust Estate or any lien or charge thereof prior, superior or equal to the pledge of and lien and charge thereon created in the Indenture for the payment of the Senior Bonds; or (5) deprive any holder of the Senior Bonds of the security afforded by the Senior Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE

The following statements are summaries of certain provisions of the Second Lien Indenture. Such summary statements do not purport to be complete and are subject to and qualified in their entirety by reference to the Second Lien Indenture.

Definitions

The following are definitions of certain terms used in the Second Lien Indenture.

"Accountant" means the independent accountant or firm of independent accountants appointed by the State pursuant to Section 7.4 of the Second Lien Indenture.

"Act" means collectively, Chapter 243 of the Connecticut General Statutes, Special Act No. 84-52 and any other action of the General Assembly of the State, authorizing Senior Bonds to be issued under the Senior Indenture or Second Lien Bonds to be issued under the Second Lien Indenture, as the same may be amended from time to time.

"Amortization Requirement" for any period (as applied to term bonds issued under the provisions of Sections 2.2 and 2.3 of the Second Lien Indenture), means the respective amount of principal of term bonds to be amortized in such period with respect to such Second Lien Bonds as fixed by resolution of the State Bond Commission prior to the delivery of such Second Lien Bonds. Such Amortization Requirement shall be accrued ratably over the period for which such Amortization Requirement was fixed, and the Amortization Requirement on term bonds of any series accruing for any period other than that for which the State Bond Commission shall have fixed an Amortization Requirement shall be the total of the Amortization Requirement for term bonds of such series accruing in such period. The aggregate amount of such Amortization Requirements for the term bonds of any series shall be equal to the principal amount of the term bonds of such series. The Amortization Requirements for the term bonds of any series shall begin in such year as the State Bond Commission shall determine and shall not end later than the year immediately preceding the maturity of such term bonds.

"Base Interest Rate" means, with respect to any series of Second Lien Notes or Second Lien Bonds bearing interest at a variable rate, the average interest rate borne by such series of Second Lien Notes or Second Lien Bonds for the twelve full calendar months (or such lesser number of full calendar months as such series of Second Lien Notes or Second Lien Bonds shall be outstanding) preceding the date of calculation.

"Credit Facility" means a credit facility, the costs of which constitute Debt Service Requirements. The Standby Bond Purchase Agreement is a Credit Facility.

"Debt Service Requirements" means for any period, the sum of (A) the principal and interest accruing during such period with respect to Second Lien Bonds, the interest accruing during such period with respect to Second Lien Notes and the unrefunded principal accruing during such period with respect to Second Lien Notes, (B) the purchase price of Second Lien Bonds and Second Lien Notes which are subject to purchase or redemption at the option of the holder of such Second Lien Bond or Second Lien Note, (C) the amounts, if any, required during such period to establish or maintain the funds or accounts existing under the Second Lien Indenture at the respective levels required to be established or maintained as provided in the Second Lien Indenture, (D) expenses of issuance and administration with respect to Second Lien Bonds and Second Lien Notes, as determined by the State Treasury, (E) the amounts, if any, becoming due and payable under a reimbursement agreement or similar agreement entered into pursuant to the proceeding authorizing the issuance of Second Lien Bonds or Second Lien Notes and (F) any other costs or expenses deemed by the State Treasurer to be necessary or proper to be paid in connection with the Second Lien Bonds and Second Lien Notes, including, without limitation, the cost of any credit facility, including but not limited to a letter of credit or policy of bond insurance, issued by a financial institution pursuant to an agreement approved by the proceedings authorizing the issuance of Second Lien Bonds or Second Lien Notes.

"Debt Service Reserve Requirement" means an amount equal to (A) the maximum for the current or any succeeding Fiscal Year, of the sum of (i) "Principal and Interest Requirements on Senior Bonds" under the Senior Indenture and (ii) Principal and Interest Requirements on Second Lien Bonds under the Second Lien Indenture for such Fiscal Year, less (B) the amount on deposit in the "Reserve Account" established under the Senior Indenture. For purposes of this definition only, Principal and Interest Requirements on Second Lien Bonds for Second Lien Bonds bearing interest at a variable rate shall be established or reestablished (i) at the date of issuance of such Second Lien Bonds on the basis of the initial interest rate borne by such Second Lien Bonds, (ii) at the date a Qualified Swap is entered into with respect to such Second Lien Bonds on the basis of the fixed rate payable by the State under such Qualified Swap, (iii) at the date a Qualified Swap is no longer in effect with respect to such Second Lien Bonds on the basis of the Base Interest Rate for such Second Lien Bonds, and shall remain in effect until so reestablished, and shall otherwise not be recalculated from time to time.

"Fiscal Year" means the fiscal year of the State, as it may be established by the State from time to time and initially beginning on July 1 and ending June 30 in each year.

"Infrastructure Improvement Fund" means the Infrastructure Improvement Fund of the State, as provided in Section 5.8 of the Second Lien Indenture.

"Interest Requirements on Second Lien Notes," for any period means the sum of (i) the amount required to pay interest on all Notes which is payable in such period, plus (ii) the amount required to be paid pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal of Second Lien Notes. In computing the interest payable in providing any future period on any Second Lien Notes bearing interest at a variable rate, the interest shall be calculated on the basis of the initial interest rate for such Second Lien Notes.

"Pledged Revenues" means the taxes, fees, charges and other receipts of the State credited to the Special Transportation Fund pursuant to Section 13b-61 of the General Statutes of the State, as amended from time to time.

"Principal and Interest Requirements on Second Lien Bonds," for any period, as applied to Second Lien Bonds of any series, means the sum of:

(i) the amount of interest payable on all Second Lien Bonds of such series within such period; plus

(ii) the amount of principal payable within such period with respect to all serial bonds of such series then outstanding; plus

(iii) the Amortization Requirement established for the term bonds of such series for a period ending within such period; plus

(iv) any other amortization or accrual of interest, original issue discount or principal with respect to Second Lien Bonds of such series required to be made for such period pursuant to the proceedings authorizing Second Lien Bonds of such series; plus

(v) the amount accruing with respect to principal and interest pursuant to any reimbursement agreement entered into with respect to a credit facility providing for payment of the principal, purchase price, or interest on Second Lien Bonds.

In computing Principal and Interest Requirements on Second Lien Bonds for any period for the Second Lien Bonds of any series, the Trustee shall assume that an amount of the term bonds (if any) of such series equal to the Amortization Requirement for the term bonds of such series for such period will be retired by purchase or redemption on or before the last day of such period. If any amount is or has been included for any period under clause (iv) above, such amount shall not be included under clause (i), (ii), or (iii) above for any subsequent period. In computing the interest payable in any future period on any Second Lien Bond bearing interest at a variable rate the interest shall be calculated on the basis of the Base Interest Rate of such Second Lien Bond except that if the State shall have entered into one or more Qualified Swaps with respect to such series of Second Lien Bonds for such period, then the Second Lien Bonds of such series in a principal amount equal to the Swap Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the State under such Qualified Swap.

"Principal and Interest Requirements on Senior Bonds" for any period, shall mean the "Principal and Interest Requirements on Senior Bonds," as defined in the Senior Indenture, with respect to all Senior Bonds.

"Qualified Swap" shall mean any financial arrangement (i) that is entered into by the State with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that the State shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount (the "Swap Amount") equal to all or part of the outstanding principal amount of a series of Second Lien Bonds issued hereunder, and that such entity shall pay to the State an amount based on the interest accruing on such principal amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such series of Second Lien Bonds), or that one shall pay to the other any net amounts due under such arrangement; and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Swap with respect to a series of Second Lien Bonds.

"Qualified Swap Provider" shall mean a financial institution whose long term debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose long term debt obligations, are rated at least as high by at least two nationally recognized rating agencies as the greater of (i) the State's general obligation debt and (ii) A3, in the case of Moody's Investors Service; A-, in the case of Standard & Poor's Corporation, or the equivalent thereto in the case of any other rating agency.

"Refunding Bonds" means any one or more series of Second Lien Bonds authorized and issued by the State pursuant to Section 2.3 of the Second Lien Indenture.

"Second Lien Bond" means any bond issued pursuant to the Second Lien Indenture.

"Second Lien Note" means any note issued in anticipation of Second Lien Bonds pursuant to Section 2.4 of the Second Lien Indenture, including any renewal and replacement Second Lien Notes.

"Senior Bond" means any bond issued pursuant to the Senior Indenture.

"Senior Note" means any note issued in anticipation of Senior Bonds pursuant to Section 2.6 of the Senior Indenture, including any renewal and replacement Senior Notes.

"Special Transportation Fund" means the Special Transportation Fund of the State created under Section 1 of Public Act No. 83-30 of the State, as amended.

"Supplemental Indenture" means any indenture entered into by the Trustee and the State pursuant to and in compliance with the provisions of Article X of the Second Lien Indenture providing for the issuance of Additional Bonds or Refunding Bonds, and also means any other indenture between the same parties entered into pursuant to and in compliance with the provisions of Article X of the Second Lien Indenture amending or supplementing the provisions of the Second Lien Indenture as originally executed or as theretofore amended or supplemented.

"Trustee" means U.S. Bank National Association successor to The Connecticut National Bank, original trustee, and its successor or successors hereafter appointed in the manner provided in the Second Lien Indenture.

Pledge of Trust Estate

To secure the payment of the Debt Service Requirements on the Second Lien Bonds and Senior Notes, and all other amounts due in connection therewith, including the obligation to make payments to the provider of a Credit Facility or Qualified Swap, and the performance and observance by the State of all the covenants expressed or implied in the Second Lien Indenture and in the Second Lien Bonds and Second Lien Notes and any Credit Facility or Qualified Swap, the State, in the Second Lien Indenture, has granted to the Trustee a junior call on Pledged Revenues as they are received by the State and credited to the Special Transportation Fund, and has granted to the Trustee a junior lien upon and a security interest in (1) any and all amounts held to the credit of the Special Transportation Fund from time to time, exclusive of amounts held to the credit of such Special Transportation Fund which represent (a) amounts borrowed by the Treasurer of the State in anticipation of revenues pursuant to Section 3-16 of the General Statutes of Connecticut, and (b) transportation related federal revenues of the State, and (2) any and all amounts held by the Trustee to the credit of any fund or account created under the Second Lien Indenture (collectively, the "Trust Estate").

The call upon Pledged Revenues and the lien on and pledge of the Special Transportation Fund under the Act and the Second Lien Indenture for the benefit of the holders of Second Lien Bonds is subject and junior to the senior call and lien thereon under the Act and the Senior Indenture for the benefit of the holders of Senior Bonds and other Senior Obligations secured on a parity with the obligations to the holders of Senior Bonds as provided in the Senior Indenture.

Each Second Lien Bond shall be equally and ratably secured under the Second Lien Indenture by the assignments, pledges and charges made or created in the Second Lien Indenture of or on the properties of the Trust Estate for the payment and security of the Second Lien Bonds and amounts due in connection with any Credit Facility and any Qualified Swap and by a co-equal lien thereon, with respect to all other Second Lien Bonds. The pledges, liens, charges and assignments to the Trustee of the Trust Estate made in the Second Lien Indenture are to be valid and binding from the time of the delivery of and payment for the first series of Second Lien Bonds issued under the Second Lien Indenture and the moneys representing the Pledged Revenues and other receipts, funds or moneys so pledged received by the State are to be subject immediately to the lien of such pledge, upon receipt thereof by the State or the Trustee or a Paying Agent under the Second Lien Indenture without any physical delivery thereof or further act.

The Second Lien Bonds and Second Lien Notes are special obligations of the State and are not payable from nor charged upon any funds other than the Pledged Revenues or other receipts, funds or moneys pledged therefor pursuant to the Act and the Second Lien Indenture. Neither the State nor any political subdivision thereof is subject to any liability on the Second Lien Bonds and Second Lien Notes except to the extent of the Pledged Revenues or other receipts, funds and moneys pledged under the Act and the Second Lien Indenture to secure the same. See "Nature of Obligation-State General Taxing Power Not Pledged" above.

Funds and Accounts

Under the Second Lien Indenture, the following funds and accounts are to be administered as follows:

1. *Special Transportation Fund.* After satisfaction of the monthly payments required to meet Debt Service Requirements (as defined below in the section entitled "Summary of Certain Provisions of the Senior Indenture") for the Senior Bonds and Senior Notes as set forth in the Senior Indenture and any other transfers required to meet any other Senior Obligations, the State shall withdraw from the moneys held by it to the credit of the Special Transportation Fund, and deposit to the credit of the following accounts or subaccounts held by the Trustee under the Second Lien Indenture for the benefit of the owners of Second Lien Bonds and Notes and other Second Lien Obligations, the following sums:

(a) to the credit of the Bond Service Sub-Account, Note Repayment Account and Redemption Sub-Account, respectively, established under the Second Lien Indenture, such amounts thereof, if any (or the entire sum so withdrawn if less than the required amount, in which case such sum shall be allocated among the purposes set forth in this subparagraph on a pro rata basis), as, may be required (i) to pay Debt Service Requirements (other than Amortization Requirements) with respect to Second Lien Bonds, and any amounts owing under any Qualified Swap and any reimbursement agreement entered into with respect to a Credit Facility providing for payment of principal, purchase price or interest on Second Lien Bonds, (ii) to make the amount then held to the credit of the Note Repayment Account held for payment of interest equal to the unpaid interest payable on Second Lien Notes and interest payable pursuant to any reimbursement agreement entered into with respect to a Credit Facility providing for payment of the principal of Second Lien Notes, and (iii) to make the amount then held to the credit of the Redemption Sub-Account equal to the aggregate Amortization Requirements, if any; and

(b) to the credit of the Reserve Account for the Second Lien Bonds established under the Second Lien Indenture, from time to time, but at least monthly, out of any balance remaining after making the deposits under (a) above (or the entire balance if less than the required amount), the lesser of: (i) the amount, if any, necessary to maintain such Reserve Account at the Debt Service Reserve Requirement or (ii) one-twelfth of the Debt Service Reserve Requirement, or (iii) if a shortfall arises because of an increase in the Debt Service Reserve Requirement arising out of a reestablishment of Principal and Interest Requirements in respect of a series of Second Lien Bonds bearing interest at a variable rate, one-twelfth of such increase.

Unless an earlier time is specified in the supplemental indenture, any Credit Facility reimbursement agreement or any Qualified Swap entered into with respect to a series of Second Lien Bonds, the deposits described under (a) above shall be made at the time such funds are required to be applied by the Trustee to the purposes specified.

To the extent not required from time to time for the foregoing purposes, amounts held to the credit of the Special Transportation Fund may be used by the State for any proper purpose, including deposits to the Unrefunded Note Sub-Account established under the Second Lien Indenture from time to time.

2. *Note Repayment Account.* Proceeds of Additional Bonds, proceeds of renewal or replacement Second Lien Notes issued pursuant to the Second Lien Indenture and deposits described above under the heading "Special Transportation Fund" shall be deposited by the Trustee to the credit of the Note Repayment Account established under the Second Lien Indenture in the amounts specified in Sections 2.4(a) and 2.2(c) of the Second Lien Indenture. Moneys held to the credit of the Note Repayment Account are to be used by the Trustee for the purpose of paying the interest on outstanding Second Lien Notes, interest pursuant to any reimbursement agreement entered into with respect to a credit facility for the payment of principal of Second Lien Notes, and principal on refunded Second Lien Notes. Upon such deposit to the credit of the Note Repayment Account of amounts to refund Second Lien Notes, the principal of Second Lien Notes in respect of which such deposit is made shall be deemed refunded, and until such a deposit is made to the credit of the Note Repayment Account in respect of a Second Lien Note the principal of such Second Lien Note shall be deemed for purposes of the Second Lien Indenture to be unrefunded. Any moneys remaining in the Note Repayment Account after the last maturity date of such outstanding Second Lien Notes in excess of the amount of principal due and payable thereon are to be transferred to the credit of the Special Transportation Fund. All proceeds realized from the investment of moneys held to the credit of the Note Repayment Account are to remain therein.

3. *Debt Service Account.* Within the Debt Service Account established under the Second Lien Indenture are three separate sub-accounts known as the "Bond Service Sub-Account," the "Redemption Sub-Account" and the "Unrefunded Note Sub-Account." Moneys held to the credit of the Bond Service Sub-Account, the Redemption Sub-Account, and the Unrefunded Note Sub-Account are to be held in trust and disbursed by the Trustee, as more particularly described below, for (a) the payment of the interest on Second Lien Bonds as such interest becomes due, (b) the payment of principal on Second Lien Bonds at their respective maturities, (c) the payment of the purchase or redemption price of the Second Lien Bonds before maturity, (d) the payment of the unrefunded principal on Second Lien Notes at their respective maturities, or (e) the payment of principal and interest pursuant to any

reimbursement agreement or other agreement entered into with respect to a Credit Facility or Qualified Swap, and under the Second Lien Indenture such moneys are pledged to and charged with such payments as follows:

(a) *Bond Service Sub-Account.* In addition to other deposits to the Bond Service Sub-Account, the Trustee shall deposit thereto any amounts received from any provider of a Qualified Swap. The Trustee, from time to time as required, is to withdraw from the Bond Service Sub-Account and, if necessary, from the Reserve Account and the Unrefunded Note Sub-Account, and is to deposit in trust with the Paying Agent sufficient moneys for paying the principal of and the interest on the Second Lien Bonds as the same shall become due, and shall pay principal and interest pursuant to any reimbursement agreement entered into with respect to any Credit Facility or any amount due to the provider of a Qualified Swap. To the extent moneys on deposit in the Bond Service Sub-Account are not then required for such purpose, at the written direction of the State, the Trustee is to withdraw moneys from the Bond Service Sub-Account and deposit said moneys to the credit of the Special Transportation Fund. Accrued interest deposited to the Bond Service Sub-Account on the sale of Second Lien Bonds may be used to pay costs of issuance of such Second Lien Bonds as directed by the Treasurer.

(b) *Redemption Sub-Account.* Moneys held to the credit of the Redemption Sub-Account are to be applied to the retirement of Second Lien Bonds issued under the provisions of the Second Lien Indenture as follows:

(1) Subject to the provisions of (3) below, the Trustee is to endeavor to purchase Second Lien Bonds secured by the Second Lien Indenture and then outstanding, whether or not such Second Lien Bonds are subject to redemption, at the most advantageous price obtainable with reasonable diligence, having regard to the interest rate and price, such price, including brokerage expenses, not to exceed the principal of such Second Lien Bonds plus the amount of the premium, if any, which would be payable on the next redemption date to the holders of such Second Lien Bonds under the provisions of Article IV of the Second Lien Indenture if such Second Lien Bonds should be called for redemption on such date. The Trustee is to pay the interest accrued on such Second Lien Bonds to the date of delivery thereof from the Bond Service Sub-Account and the purchase price from the Redemption Sub-Account, but no such purchase shall be made within the period of forty-five (45) days next preceding any interest payment date on which such Second Lien Bonds are subject to call for redemption under the provisions of the Second Lien Indenture except from moneys in excess of the amounts set aside or deposited for the redemption of Second Lien Bonds.

(2) Subject to the provisions of (3) below, the Trustee is to call for redemption on each interest payment date on which Second Lien Bonds are subject to redemption from moneys in the Debt Service Account such amount of Second Lien Bonds then subject to redemption as, with the redemption premium, if any, will exhaust the Redemption Sub-Account as nearly as may be; provided, however, that not less than $100,000 in principal amount of Second Lien Bonds are to be called for redemption at any one time. Such redemption is to be made pursuant to Article IV of the Second Lien Indenture. Not less than five days before the redemption date the Trustee shall withdraw from the Bond Service Sub-Account and from the Redemption Sub-Account and set aside in separate accounts on deposit with the Paying Agents the respective amounts required for paying the interest on the Second Lien Bonds so called for redemption and the principal of, and the premium on, such Second Lien Bonds.

(3) Moneys in the Redemption Sub-Account are to be applied to the purchase or redemption of Second Lien Bonds in the following order: (a) term bonds of each series, if any, issued under the Second Lien Indenture, in the order of maturity as the State shall determine, to the extent of the Amortization Requirement, if any, fixed for the then current period for such term bonds and any deficiency in preceding periods in the purchase or redemption of such term bonds; provided, however, that if none of the term bonds of a series is subject to redemption from moneys in the Debt Service Account and if the Trustee is at any time unable to exhaust the moneys applicable to the Second Lien Bonds of such series in the purchase of such Bonds, such moneys or the balance of such moneys, as the case may be, is to be retained and, as soon as feasible, applied to the retirement of the Second Lien Bonds of such series; (b) to the purchase of any Second Lien Bonds secured by the Second Lien Indenture and then outstanding whether or not such Second Lien Bonds are subject to redemption; (c) to the redemption of the term bonds of each series in proportion (as nearly as practicable) to the aggregate principal amount of the Second Lien Bonds of such series originally issued; and (d) after the retirement of all term bonds, to the redemption of the serial bonds issued under the provisions of the Second Lien Indenture in the manner provided therein or in the supplemental indenture providing for the issuance of such serial bonds, and to the extent that serial bonds of different series mature on the same date, in proportion (as nearly as practicable) to the principal amount of each series maturing on such date. If a Credit Facility shall have been drawn upon to make any of the payments called for in clauses (a), (b), (c) or (d), then the Trustee shall apply moneys in the Redemption Sub-Account to any reimbursement obligations under the Credit Facility arising thereby.

(c) *Unrefunded Note Sub-Account.* The State shall withdraw from moneys held by it to the credit of the Special Transportation Fund and deposit with the Trustee to the credit of the Unrefunded Note Sub-Account any and all amounts required from time to time to pay unrefunded principal of Second Lien Notes becoming due and payable; provided, however, that no such withdrawal and credit shall be made unless all amounts required to be deposited by the State to the Debt Service, Reserve and Note Repayment Accounts have been so deposited. Moneys held to the credit to the Unrefunded Note Sub-Account will be used by the Trustee for the purpose of paying the unrefunded principal on outstanding Second Lien Notes becoming due and payable from time to time; provided, however, that no such application shall be made unless all amounts required to be deposited by the State to the Debt

Service, Reserve and Note Repayment Accounts have been so deposited. Any moneys remaining in the Unrefunded Note Sub-Account after the last maturity date of outstanding Second Lien Notes will be transferred to the credit of the Special Transportation Fund.

4. *Reserve Account.* Moneys held to the credit of the Reserve Account established under the Second Lien Indenture are to be used for the purpose of paying the principal and interest on the Second Lien Bonds and meeting the Amortization Requirements for any term bonds whenever and to the extent that the moneys held to the credit of the Bond Service Sub-Account and the Redemption Sub-Account, respectively, are insufficient for such purposes. Moneys held to the credit of the Reserve Account shall also be used for the purpose of making any reimbursement payment required pursuant to any bond of insurance or indemnity established under the Second Lien Indenture. To the extent that moneys held to the credit of the Reserve Account exceed the Debt Service Reserve Requirement, the Trustee shall withdraw such excess from the Reserve Account and deposit it with the State to the credit of the Special Transportation Fund. To the extent necessary to comply with Section 7.6 of the Second Lien Indenture, if at any time the moneys held for the credit of the Reserve Account (as calculated pursuant to the Second Lien Indenture) exceed 10% of the original proceeds of the Second Lien Bonds, then at the option of the State Treasurer either such excess is to be withdrawn by the Trustee from the Reserve Account and deposited to the credit of the Special Transportation Fund, or invested at restricted yield.

In lieu of any deposit required to be made to the Reserve Account by the terms of any provisions of the Second Lien Indenture, the State will be entitled to substitute a bond of insurance or indemnity in favor of the Trustee in like amount and issued by an insurer under the supervision of an agency of the United States or any State whose outstanding bonds of insurance or indemnity are rated "AA" or better by a nationally recognized rating agency at the time of issuance of such bonds of insurance or indemnity.

5. *Infrastructure Improvement Fund.* The proceeds of Second Lien Bonds and Second Lien Notes, to the extent required by the Second Lien Indenture, are to be deposited in this fund held and administered by the State. The moneys so deposited are to be applied by the State to the purposes for which the Bonds giving rise to such deposits were issued, as provided by applicable law and, pending such application, are not to be subject to any lien or pledge in favor of the holders of Second Lien Bonds.

Application of Proceeds of Bonds and Notes

Issuance of Second Lien Bonds. From the net proceeds of the sale of the Second Lien Bonds received by or on behalf of the State, including the interest accrued thereon from the date thereof to the date of delivery thereof and payment therefor, and after any permitted payment of issuance costs, there will be deposited:

(a) to the credit of the Note Repayment Account an amount sufficient, when adjusted for investment earnings, and taking into account any other funds available or to be available for such purpose, to pay, when due, the principal and interest on all Second Lien Notes then outstanding and issued in anticipation of such Second Lien Bonds;

(b) to the credit of the Reserve Account that amount, if any, which when added to the amount then held for the credit of the Reserve Account, will make the total amount held for the credit of the Reserve Account equal to the Debt Service Reserve Requirement;

(c) with the Treasurer, an amount sufficient, when adjusted for investment earnings, and taking into account any other funds available or to be available for such purpose, to pay, when due, the principal and interest on general obligation bonds of the State issued for transportation purposes, for the refunding of which such Second Lien Bonds were issued;

(d) to the credit of such other funds or accounts, such deposits or credits, if any, as shall be specified in the supplemental indenture providing for the issuance of such series of Second Lien Bonds; and

(e) any balance of such proceeds to the credit of the Infrastructure Improvement Fund.

The amount received as accrued interest is to be deposited to the credit of the Bond Service Sub-Account.

Issuance of Second Lien Notes and Application of Second Lien Note Proceeds. The Second Lien Indenture authorizes the issuance of one or more series of Second Lien Notes to provide temporary financing for transportation purposes pending the issuance of Second Lien Bonds. No Second Lien Notes shall be issued (i) unless the Second Lien Bonds in anticipation of which they are to be issued have been duly authorized in accordance with the Act and the Second Lien Indenture, and (ii) if the aggregate principal amount of all Second Lien Notes then outstanding and to be issued exceeds $50,000,000, unless, as of the date of issuance of such Second Lien Notes, the State could have issued under the terms of the Second Lien Indenture an equivalent aggregate principal amount of serial bonds, maturing in equal annual installments of principal and interest, the last installment of which shall be due not later than 30 years after such date, and bearing interest at such rate as the State shall determine in its best judgment to be equivalent to the average interest rate which would have been paid had such Second Lien Bonds been issued at such time.

Said Second Lien Notes shall be special obligations of the State payable solely from the proceeds of the Second Lien Bonds issued under the Second Lien Indenture and, to the extent provided in the Second Lien Indenture or deemed necessary or desirable by the State, from the Special Transportation Fund. Any obligation of the State to pay the unrefunded principal of Second Lien Notes, including for this purpose any obligation of the State under a reimbursement agreement entered into in connection with a credit facility providing for payment of the unrefunded principal of Second Lien Notes, shall be subordinate to any obligation of the State to pay Debt Service Requirements with respect to Senior Bonds and Second Lien Bonds or any Debt Service Requirements with respect to Second Lien Notes other than Debt Service Requirements relating to unrefunded principal of Second Lien Notes or to obligations under a credit facility for the payment of such unrefunded principal. The Second Lien Indenture further provides that the State may not enter into any contract with any Second Lien Noteholder inconsistent with the terms of the Second Lien Indenture. The full faith and credit of the State will not be pledged to the repayment of such Second Lien Notes and the State will not be obligated to make appropriations from its general fund for the repayment of such Second Lien Notes. Such Second Lien Notes may be renewed and refunded from time to time as may be determined by the State Treasurer. Said Second Lien Notes may be made redeemable. The proceeds of the sale of any issue of Second Lien Notes are to be applied as follows:

(a) There will be deposited to the credit of the Note Repayment Account an amount sufficient, when adjusted for investment earnings as provided below, and taking into account any other funds available or to be available for such purpose, to pay when due, the principal of and the interest on all Second Lien Notes then outstanding which are to be renewed or refunded by the present issue. Any deposit made to the Note Repayment Account pursuant to this paragraph shall be adjusted to take into account the income, if any, which may be earned from investment of said deposit between the date of deposit and the maturity date of the Second Lien Notes then outstanding which are to be renewed or refunded.

(b) There will be made such other deposits or credits, if any, as specified in the proceedings under which such Second Lien Notes are issued.

(c) The balance of said proceeds will be deposited to the credit of the Infrastructure Improvement Fund.

Depositories of Moneys/Investments

All moneys held by the State under the provisions of the Second Lien Indenture are to be deposited in the name of the State in one or more funds and accounts with such depository or depositories as the State Treasurer shall designate, except that the Note Repayment Account, the Debt Service Account and the Reserve Account are to be held only by the Trustee. All moneys deposited under the provisions of the Second Lien Indenture with any depository, or held in a special trust fund prior to payment to the Trustee as aforesaid, are to be trust funds under the terms of the Second Lien Indenture and are not to the full extent permitted by law to be subject to any lien or attachment by any creditor of the State. Such moneys are to be held in trust and applied in accordance with the terms of the Second Lien Indenture.

Moneys on deposit in the Note Repayment Account, the Debt Service Account, and the Reserve Account and the sub-accounts in such accounts are to be invested and reinvested by the Trustee, at the direction of the State, to the extent reasonable and practicable in Investment Securities maturing in the amounts and at the times as determined by the State so that the payment required to be made from such funds and accounts may be made when due.

Investment Securities include (i) such obligations, securities and investments as are set forth in subsection (f) of Section 3-20 of the Connecticut General Statutes, as the same may be amended from time to time, and (ii) participation certificates in the short-term investment fund created and existing under Section 3-27a of the Connecticut General Statutes as amended.

Subordinate Obligations

Nothing contained in the Second Lien Indenture shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the State from issuing bonds, notes, certificates, warrants or other evidences of indebtedness for any use or purpose of the State payable as to principal and interest from the Special Transportation Fund subject and subordinate to the deposits and credits required to be made to the Debt Service Account, Note Repayment Account or the Reserve Account established under the Second Lien Indenture or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness and the payment thereof by a call upon the Pledged Revenues and a lien on and pledge of the Special Transportation Fund junior and inferior to the call on the Pledged Revenues and to the lien on and pledge of the Special Transportation Fund created in the Second Lien Indenture for the payment and security of the Second Lien Bonds.

Covenants

The State covenants with the purchasers and holders of all Second Lien Bonds, among other things:

(1) *Amount of Pledged Revenues.* To impose, charge, raise, levy, collect and apply the Pledged Revenues and other receipts, funds or moneys pledged for the payment of Debt Service Requirements, in such amounts as may be necessary to pay such Debt Service Requirements in each year in which Second Lien Bonds or Second Lien Notes are outstanding;

(2) *Coverage Requirements.* To provide Pledged Revenues and other receipts, funds or moneys pledged under the Second Lien Indenture in each Fiscal Year beginning in the first full Fiscal Year after the issuance of Second Lien Bonds or Second Lien Notes, after deducting payments out of such revenues for reserves required under the Second Lien Indenture, computed as of the final business day of such Fiscal Year, in an amount equal to at least two (2) times the aggregate Principal and Interest Requirements on all Senior Bonds outstanding in such Fiscal Year, Principal and Interest Requirements on all Second Lien Bonds outstanding in such Fiscal Year and the Interest Requirements on Second Lien Notes in such Fiscal Year.

(3) *Prior Call on Pledged Revenues.* (a) Unless at such time any and all amounts required to be paid from the Special Transportation Fund to the Trustee, provider of a Credit Facility or Qualified Swap or any holder of Second Lien Bonds pursuant to the terms of the Second Lien Indenture shall have been made, the State will not make any payments from the Special Transportation Fund on account of any obligation whatsoever other than the Senior Bonds, Second Lien Bonds and Second Lien Notes, except from amounts held to the credit of the Special Transportation Fund which represent amounts borrowed by the Treasurer of the State in anticipation of revenues pursuant to Section 3-16 of the Connecticut General Statutes or from transportation related federal revenues of the State once such revenues are credited to the Special Transportation Fund. If at any time any such amounts required to be paid to the Trustee for the Second Lien Bonds have not been so paid, the Trustee is entitled to notify the Treasurer that such amounts are accrued and unpaid, whereupon any Pledged Revenues received by the State and credited to the Special Transportation Fund will be paid by the Treasurer forthwith to the trustee for the Senior Bonds to the extent of any moneys then owed in respect of Senior Bonds, and thereafter to the Trustee, and will not be diverted to any other purpose, until such accrued and unpaid amounts have been paid in full.

(b) At all times to do and perform all acts and things permitted by law and necessary to assure that the Pledged Revenues received by the State and credited to the Special Transportation Fund are applied first to the payment of Debt Service Requirements, including, but not limited to, procedures for immediate segregation of Pledged Revenues, upon collection, from other cash receipts of the State, if and to the extent requested by the Trustee or required by any supplemental indenture.

(4) *Payment of Principal of and Premium and Interest on Second Lien Bonds.* To duly and punctually pay, or cause to be paid, but solely from the Pledged Revenues and other receipts, funds or moneys pledged under the Second Lien Indenture, the principal of and interest and premium, if any, on each and every Second Lien Note and Second Lien Bond at the place, on the dates and in the manner provided in the Second Lien Indenture and in such Second Lien Notes and Second Lien Bonds according to the true intent and meaning of such Second Lien Notes and Second Lien Bonds and the Second Lien Indenture.

(5) *Books and Accounts; Audits.* To maintain and keep (or cause to be maintained and kept) proper books, records and accounts in which complete and correct entries shall be made of all dealings and transactions relating to the Special Transportation Fund and the Infrastructure Improvement Fund. Such accounts are to show the amount of Pledged Revenues available for the purposes of the Second Lien Indenture and the application of such Pledged Revenues and amounts in the Infrastructure Improvement Fund to the purposes specified in the Second Lien Indenture and the Act.

The State is to prepare balance sheets and statements of revenues, expenditures and changes in fund balances for each of the above specified funds and is to cause the Special Transportation Fund to be audited by the Accountant, with such restrictions on audit procedures performed by the Accountant with respect to operating expenses and program costs of the Department as the State may request, provided the State shall cause such operating expenses and program costs to be subject to the customary audit procedures of the State Auditor. Such Accountant is to be selected with special reference to his general knowledge, skill and experience in auditing books and accounts. Such audit is to be made annually and the audit report of the Accountant is to be delivered to the State within 120 days after the close of each Fiscal Year. A copy of each such annual audit is to be open for public inspection, and is to be mailed to any holder of Second Lien Bonds filing with the State Treasurer a request for the same. The Trustee is to cooperate fully with the Accountant in completing such audit, and is to make available all books and accounts in its possession pertaining to the Second Lien Bonds for this purpose.

At the time of delivery of each audit report, the Accountant is also to deliver to the Trustee and the State a letter as to compliance with the coverage covenant described in (2) above.

(6) *Prosecution and Defense of Suits.* To defend, or cause to be defended, against every suit, action or proceeding at any time brought against any Bondholder by a person other than the State upon any claim arising out of the receipt, application or disbursement of any of the Pledged Revenues or any other moneys received, applied or disbursed under the Second Lien Indenture, or

involving the rights of any holder of Second Lien Bonds under the Second Lien Indenture and to indemnify and save harmless all holders of Second Lien Bonds against any and all liability claimed or asserted by any person whomsoever, arising out of such receipt, application or disbursement or involving the Pledged Revenues; provided, however, that any such holder at his election may appear in and defend any suit, action or proceeding. This covenant is to remain in full force and effect even though the Second Lien Bonds are no longer outstanding and all indebtedness and obligations secured by the Second Lien Indenture may have been fully paid and satisfied and the lien, pledge and charge of the Second Lien Indenture may have been released and discharged.

(7) *Federal Taxation*. To at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid on the Second Lien Notes and Second Lien Bonds, for the purposes of Federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation and not permit at any time any of the proceeds of the Second Lien Notes and Second Lien Bonds or other funds of the State to be used, directly or indirectly, to acquire any asset or obligation the acquisition of which would cause any such bond or note to be an "arbitrage bond" for the purposes of Section 103(c) of the Code.

(8) *State Taxation.* To keep principal and interest of the Second Lien Notes and Second Lien Bonds at all times free from taxation, except for estate and gift taxes, imposed by the State or by any political subdivision thereof, provided that interest paid on the Second Lien Notes or Second Lien Bonds shall be included in the definition of "gross income" for purposes of the Corporation Business Tax imposed by Chapter 208 of the Connecticut General Statutes. See the section below entitled "Tax Exemption."

(9) *Issuance of Senior Bonds.* To not issue Senior Bonds under the Senior Indenture unless Second Lien Bonds could have been issued under the Second Lien Indenture upon the same terms and in the same principal amount. The State will not issue any bond anticipation notes under the Senior Indenture.

In addition, the State covenants, except as provided in the Senior Indenture:

(1) not to limit or alter the duties imposed on the Treasurer and other officers of the State by the Act and by the proceedings authorizing the issuance of Second Lien Bonds with respect to application of Pledged Revenues or other receipts, funds or moneys pledged for the payment of Debt Service Requirements as provided in the Second Lien Indenture and in the Act;

(2) not to issue any bonds, notes or other evidences of indebtedness, other than the Second Lien Bonds or Second Lien Notes, having any rights arising out of the Act or secured by any pledge of, or other lien or charge on, the Pledged Revenues or other receipts, funds or moneys pledged for the payment of Second Lien Bonds or Second Lien Notes;

(3) not to create or cause to be created any lien or charge on such pledged amounts, other than a lien or pledge created thereon pursuant to the Act, provided nothing in the Second Lien Indenture prevents the State from issuing evidences of indebtedness (i) which are secured by a pledge or lien which is and shall on the face thereof be expressly subordinate and junior in all respects to every lien and pledge created by or pursuant to the Act; or (ii) for which the full faith and credit of the State is pledged and which are not expressly secured by any specific lien or charge on such pledged amounts or (iii) which are secured by a pledge of or lien on moneys or funds derived on or after such date as every pledge or lien thereon created by or pursuant to the Act shall be discharged and satisfied;

(4) to carry out and perform, or cause to be carried out and performed, each and every promise, covenant, agreement or contract made or entered into by the State or on its behalf with the holders of any Second Lien Bonds or Second Lien Notes;

(5) not to in any way impair the rights, exemptions or remedies of the holders of any Second Lien Bonds or Second Lien Notes; and

(6) not to limit, modify, rescind, repeal or otherwise alter the rights or obligations of the appropriate officers of the State to impose, maintain, charge or collect the taxes, fees, charges and other receipts constituting the Pledged Revenues as may be necessary to produce sufficient revenues to fulfill the terms of the proceedings authorizing the issuance of the Second Lien Bonds, including Pledged Revenue coverage requirements set forth in the Second Lien Indenture, and provided nothing in the Second Lien Indenture precludes the State from exercising its power through a change in law, to limit, modify, rescind, repeal or otherwise alter the character or amount of such Pledged Revenues or to substitute like or different sources of taxes, fees, charges or other receipts as Pledged Revenues if, for the ensuing Fiscal Year, as evidenced by the proposed or adopted budget of the State with respect to the Special Transportation Fund, the projected revenues meet or exceed the estimated expenses of the Special Transportation Fund including accumulated deficits, if any, Debt Service Requirements, and any Pledged Revenue coverage requirement set forth in the Second Lien Indenture.

Events of Default

Each of the following constitutes an Event of Default under the Second Lien Indenture:

(a) the State fails to pay the principal of any Second Lien Bonds when the same becomes due and payable, either at maturity or by proceedings for redemption; or

(b) the State fails to pay any installment of interest on Second Lien Bonds when the same becomes due and payable or within thirty (30) days thereafter; or

(c) the State defaults in the due and punctual performance of any other covenants, conditions, agreements and provisions contained in the Second Lien Bonds, the Second Lien Indenture or any supplemental indenture on the part of the State to be performed, other than required deposits to the Debt Service Account, and such default continues for 90 days after written notice specifying such failure and requiring the same to be remedied has been given to the State by the Trustee or by the holders of not less than 20% in principal amount of the Second Lien Bonds then outstanding; provided that if any such failure is such that it cannot be cured or corrected within such 90-day period, it does not constitute an Event of Default if curative or corrective action is instituted within such period and diligently pursued until the failure of performance is cured or corrected; and provided further, that no failure to observe the covenant as to the amount of Pledged Revenues shall constitute an Event of Default unless within one year after written notice by the Trustee of such failure the State shall not have enacted legislation such that the conditions contained in the Second Lien Indenture could have been satisfied if Additional Bonds were then to be issued; or

(d) the State is adjudged insolvent by a court of competent jurisdiction; or

(e) any proceedings are instituted with the consent or acquiescence of the State for the purpose of effecting a composition between the State and its creditors and if the claim of such creditors is in any circumstance payable from the Pledged Revenues or any other moneys or assets pledged and charged in the Second Lien Indenture, or for the purpose of adjusting the claims of such creditors, pursuant to any Federal or State statute now or hereafter enacted; or

(f) the State is for any reason rendered incapable of fulfilling its obligations under the Indenture.

Remedies for Defaults

Upon the happening and continuance of any of the Events of Default, and in addition to other remedies provided in the Second Lien Indenture, the Trustee, for and on behalf of the holders of the Second Lien Bonds (A) shall have the same rights under the Second Lien Indenture which are possessed by any of the holders of the Second Lien Bonds; (B) is authorized to proceed in its own name and as trustee of an express trust; (C) may and, upon the written request of the holders of not less than 10% in aggregate principal amount of the Second Lien Bonds then outstanding or the provider of a Credit Facility providing for the payment of the principal or purchase price of such aggregate principal amount of Second Lien Bonds, is required to pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of interest and premium, if any, on the Second Lien Bonds; and (D) may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Second Lien Bonds allowed in any judicial proceeding relative to the State, or its creditors, its property, or the Second Lien Bonds.

For all purposes of Events of Default and remedies under the Second Lien Indenture, except the giving of notice of default to Bondholders, the Bond Insurer shall be deemed to be the sole holder of the 2003 Series 1 and 2 Bonds.

Defeasance

The obligations of the State under the Second Lien Indenture and the liens, pledges, charges, trusts and assignments, covenants and agreements of the State therein made or provided for, are to be fully discharged and satisfied as to any Second Lien Bond and such Second Lien Bond is no longer to be deemed to be outstanding and will be deemed to have been paid for all purposes of Section 11.2 of the Second Lien Indenture:

(i) when such Second Lien Bond is canceled, or surrendered for cancellation and is subject to cancellation, or has been purchased by the Trustee from moneys in the Debt Service Account held by it under the Second Lien Indenture; or

(ii) as to any Second Lien Bond not canceled or surrendered for cancellation or subject to cancellation or so purchased, when payment of the principal of and the applicable redemption premium, if any (or the applicable redemption price) on such Second Lien Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment, or otherwise), either (A) has been made or caused to be made in accordance with the terms of the Second Lien Indenture, or (B) has been provided by irrevocably depositing with the Trustee or Paying Agent for such Second Lien Bond, in trust, and irrevocably appropriated and set aside exclusively for such payment, either (1) moneys sufficient to make such payment or (2) Governmental Obligations, as defined in the Second Lien Indenture, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such

payment, or (3) a combination of both such moneys and such Governmental Obligations, whichever the State deems to be in its best interest, and all necessary and proper fees, compensation and expenses of the Trustee and the Paying Agents for the Second Lien Bond with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Trustee and such Paying Agent; provided, however, that nothing shall require or be deemed to require the State to redeem term bonds in accordance with any optional fund installment schedule specified in the Second Lien Indenture or any Supplemental Indenture authorizing the issuance of Second Lien Bonds.

At such time as a Second Lien Bond is deemed to be no longer outstanding, such Second Lien Bond shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity, or upon redemption or prepayment, or otherwise) and, except for the purpose of any payment from such moneys or Governmental Obligations, shall no longer be secured by or entitled to the benefits of the Second Lien Indenture.

Supplemental Indentures

The Trustee and the State, from time to time and at any time and without the consent or concurrence of any holder of any Second Lien Bond, may enter into supplemental indentures (i) for the purpose of providing for the issuance of Additional Bonds and Refunding Bonds, (ii) to make any changes to or modifications of the Second Lien Indenture, or amendments, additions or deletions to the Second Lien Indenture which may be required to permit the Second Lien Indenture to be qualified under the Trust Indenture Act of 1939, as amended, (iii) to provide for the issuance of Second Lien Bonds or any series of Second Lien Bonds in book-entry form, in coupon form or registered as to principal only, and (iv) if the provisions of such supplemental indenture do not adversely affect the rights of the holders of Second Lien Bonds then outstanding, for any one or more of the purposes enumerated in Section 10.1 of the Second Lien Indenture. Except for supplemental indentures of the type referred to in (i) to (iii) above, the State and the Trustee will not enter into any supplemental indenture authorized by the above unless (A) in the opinion of counsel, the adoption of such supplemental indenture is permitted by the foregoing provisions, (B) the provisions of such supplemental indenture do not adversely affect the rights of the holders of the Second Lien Bonds then outstanding, and (C) except for a supplemental indenture which has no effect as to any Second Lien Bond then outstanding, the provisions of such supplemental indenture are not contrary to or inconsistent with the covenants or agreements of the State contained in the Second Lien Indenture as originally executed by the State and the Trustee or as amended or supplemented with the consent of the holders of the Second Lien Bonds.

The Second Lien Indenture may be amended, by the State and the Trustee, upon the consent of not less than 60% of the holders of Second Lien Bonds then outstanding in aggregate principal amount, for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Second Lien Indenture, or modifying or amending the rights and obligations of the State and the Trustee thereunder, or modifying in any manner the rights of the holders of the Second Lien Bonds then outstanding; provided, however, that, without the specific consent of the holder of each such Second Lien Bond which would be affected thereby, no such supplemental indenture amending or supplementing the provisions of the Second Lien Indenture may: (1) change the fixed maturity date for the payment of the principal of any Second Lien Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Second Lien Bond or the rate of interest thereon or the redemption premium payable upon the redemption or prepayment thereof; or (2) reduce the aforesaid percentage of Second Lien Bonds, the holders of which are required to consent to any such supplemental indenture amending or supplementing the provisions of the Second Lien Indenture; or (3) give to any Second Lien Bond or Bonds any preference over any other Second Lien Bond or Bonds; or (4) authorize the creation of any pledge or prior call on the moneys and other assets of the Trust Estate or any lien or charge thereof prior, superior or equal to the pledge of and lien and charge thereon created in the Second Lien Indenture for the payment of the Second Lien Bonds; or (5) deprive any holder of the Second Lien Bonds of the security afforded by the Second Lien Indenture.

LITIGATION

The State, its officers and employees are defendants in numerous lawsuits relating to the operations of the Department. The Attorney General's office has reviewed the status of pending lawsuits in which a financial judgment adverse to the State would be payable from the Special Transportation Fund. Any amounts payable from the Fund to meet such financial judgments are subject to the prior lien of the Bondholders granted under the Act and the Indentures. It is the opinion of the Attorney General that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially adversely affect the financial condition of the Special Transportation Fund, except that in the cases described below under the headings "Eminent Domain Lawsuits" and "Defective Highway Lawsuits" adverse judgments in a number of such cases could, in the aggregate and in certain circumstances, have a significant fiscal impact. The fiscal impact of adverse judgments in the cases described below under the heading "Other Lawsuits" is not determinable at this time but might be significant. The cases described under "Other Lawsuits" generally do not include any individual case where the fiscal impact of an adverse judgment is expected to be less than $10 million.

Eminent Domain Lawsuits

There are 68 eminent domain appeals affecting real estate pending in the State Courts. In each case there is the exposure to a monetary award in excess of the State's original condemnation amount. In budgeting and appropriating funds for the respective Department of Transportation projects, the Department takes into account a reasonable exposure value.

Defective Highway Lawsuits

State statutes permit lawsuits against the Commissioner of Transportation for alleged highway defects. The State carries insurance for these matters, and for each pending lawsuit, defense counsel are retained by the insurance carrier providing coverage.

There are approximately 68 defective highway lawsuits presently pending in State courts. It is not possible to evaluate each individual case to determine if there is a real exposure over and above the insurance policy limits, nor can such an evaluation be made in the aggregate.

Other Lawsuits

White Oak Corporation ("White Oak") has brought demands for arbitration against the State of Connecticut, Department of Transportation ("DOT"), pursuant to State statute, alleging breaches of contract in connection with both the Tomlinson Bridge construction project in New Haven and a separate construction project in Bridgeport. In December of 2005, the American Arbitration Association ruled against White Oak in the Tomlinson Bridge construction project, rejecting their claim for $90 million and instead awarded DOT damages in the amount of $1.17 million. The Superior Court confirmed the panel's decision, but White Oak thereafter filed a new demand for arbitration seeking $110 million for delay damages in connection with the same Tomlinson Bridge project. The State sought an injunction on this second demand in light of the rulings in the first demand for arbitration. The Superior Court denied the State an injunction, but on May 20, 2008 the Connecticut Supreme Court reversed and ordered that the Superior Court issue a permanent injunction barring White Oak from pursuing the second arbitration. On November 1, 2009, the arbitration panel released its decision on the Bridgeport Green project in which White Oak was seeking $50 million in damages. The panel rejected White Oak's claims for damages, but ordered the DOT to pay White Oak $5,343,000 previously held by the agency as liquidated damages, along with $4,903,930 in prejudgment interest on that sum. On November 30, 2009, the State filed an application to modify the arbitration decision with respect to the award of liquidated damages and interest. As of October 28, 2010, White Oak has taken no action to modify, vacate or correct the arbitration decision. Any subsequent judicial appeal from the arbitrators' final decision is generally limited to jurisdictional issues.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Continuing Disclosure Agreement

The State will enter into a Continuing Disclosure Agreement with respect to the 2010 Series A, B and C Bonds, substantially in the form attached as Appendix E to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12 (the "Rule"), (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the 2010 Series A, B and C Bonds and (iii) timely notice of a failure by the State to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The Underwriters' obligation to purchase the 2010 Series A, B and C Bonds shall be conditioned upon their receiving, at or prior to the delivery of the 2010 Series A, B and C Bonds, an executed copy of the Continuing Disclosure Agreement.

Under the Rule, the State must undertake to provide the required annual financial information and operating data commencing with its fiscal year ending June 30, 2010. The State has never failed to comply in all material respects with any previous undertaking made by the State pursuant to the Rule relating to the issuance of Bonds.

Absence of Litigation

Upon delivery of the 2010 Series A, B and C Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2010 Series A, B and C Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened seeking to prohibit, restrain or enjoin the issuance, sale, execution or delivery of the 2010 Series A, B and C Bonds, or the levy or collection of the Pledged Revenues or other receipts, funds or monies pledged for the security of the 2010 Series A, B and C Bonds under the Act, the Special Acts and the Indentures, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the 2010 Series A, B and C Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of monies to the payment of the 2010 Series A, B and C Bonds. In addition, such certificate shall state that there is no controversy or litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could materially adversely affect the power of the State to levy, collect and enforce the collection of the Pledged Revenues and other receipts, funds or monies pledged for the security of the 2010 Series A, B and C Bonds under the Act, the Special Acts and the Indentures which has not been disclosed in this Official Statement.

Certain Legal Matters

Legal matters related to the authorization, issuance and delivery of the 2010 Series A, B and C Bonds are subject to the approval of Updike, Kelly & Spellacy, P.C., Hartford, Connecticut, Bond Counsel and Lewis & Munday, A Professional Corporation, Detroit, Michigan, Co-Bond Counsel. The opinions of Bond Counsel and Co-Bond Counsel will be attached to the 2010 Series A, B and C Bonds in substantially the form included in this Official Statement as Appendix D. Certain legal matters will be passed upon for the Underwriters by their counsel, Pullman & Comley, LLC, Hartford, Connecticut and Bryant Miller Olive P.C., Washington, D.C. Pullman & Comley, LLC serves as bond counsel to the State in connection with other State bond issues.

Certificate of State Officials

The purchasers of the 2010 Series A, B and C Bonds shall receive a certificate, dated the date of delivery of the 2010 Series A, B and C Bonds, of the State Treasurer, the Secretary of the Office of Policy and Management and the Commissioner of the Department of Transportation, or their duly authorized deputies, stating that the Official Statement, as of its date, and as of the date of the certificate, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and that there has been no material adverse change (not in the ordinary course of the operations of the State) in the financial condition of the State from that set forth in or contemplated by the Official Statement.

LEGALITY FOR INVESTMENT

The Act provides that the Bonds shall be legal investments for funds in the hands of all public officers and public bodies of the State and its political subdivisions, all insurance companies, credit unions, building and loan associations, investment companies, banking associations, trust companies, executors, administrators, trustees and other fiduciaries and pension, profit-sharing and retirement funds in the State. Such Bonds may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or obligations of the State is now, or may hereafter be, authorized by law.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Amtec, of West Hartford, Connecticut, will deliver to the State and the Underwriters on or before the date of delivery of the 2010 Series A Bonds and the 2010 Series C Bonds its verification report indicating that it has verified, in accordance with the standards established by the American Institute of Certified Public Accountants: (1) the mathematical accuracy of certain computations showing the adequacy of the cash and the maturing principal of and interest on certain Government Obligations deposited with the Escrow Holder, to provide for the payment when due of the principal of and interest and redemption premiums, if any, on the Refunded Bonds; and (2) the yield on the 2010 Series A Bonds and the 2010 Series C Bonds and the yield on the Government Obligations. Such verification will be used by Bond Counsel and Co-Bond Counsel in their determination that the interest on the 2010 Series A Bonds and the 2010 Series C Bonds is not included in gross income for Federal income tax purposes, as a condition to the delivery of the 2010 Series A Bonds and the 2010 Series C Bonds. The verification report will state that Amtec has no obligation to update the report because of events occurring, or data *or* information coming to their attention, subsequent to the date of the report.

TAX EXEMPTION OF THE 2010 SERIES A BONDS AND THE 2010 SERIES C BONDS

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to delivery of the 2010 Series A Bonds and the 2010 Series C Bonds in order that interest on the 2010 Series A Bonds and the 2010 Series C Bonds be excludable from gross income of the owners thereof for Federal income tax purposes. Failure to comply with such continuing requirements may cause interest on the 2010 Series A Bonds and the 2010 Series C Bonds to be includable in gross income for Federal income tax purposes retroactively to the date of their issuance irrespective of the date on which noncompliance occurs. The Tax Regulatory Agreement of the State which will be delivered concurrently with the delivery of the 2010 Series A Bonds and the 2010 Series C Bonds will contain representations, covenants and procedures relating to compliance with such requirements of the Code. Pursuant to Section 13b-76 of the Connecticut General Statutes, the State agrees and covenants that it shall at all times perform all acts and things necessary or appropriate under any valid provision of law in order to ensure that interest on the 2010 Series A Bonds and the 2010 Series C Bonds shall be excludable from the gross income of the owners thereof for Federal income tax purposes under the Code.

In the opinion of Bond Counsel and Co-Bond Counsel, under existing law, interest on the 2010 Series A Bonds and the 2010 Series C Bonds is excludable from gross income of the owners thereof for Federal income tax purposes and is not treated as a preference item in calculating the Federal alternative minimum tax that may be imposed on individuals and corporations; and in addition, interest on the 2010 Series A Bonds is not includable in the adjusted current earnings of corporations for purposes of computing the Federal alternative minimum tax imposed on corporations, but interest on the 2010 Series C Bonds is includable in the adjusted current earnings of corporations for purposes of computing the Federal alternative minimum tax on corporations. In rendering the foregoing opinions, Bond Counsel and Co-Bond Counsel have assumed compliance by the State with the Tax Regulatory Agreement for the 2010 Series A Bonds and the 2010 Series C Bonds. For other Federal tax information with respect to the 2010 Series A Bonds and the 2010 Series C Bonds, see "Original Issue Discount," "Original Issue Premium" and "Certain Additional Tax Information" below under this "Tax Exemption of the 2010 Series A Bonds and the 2010 Series C Bonds" section.

Further, in the opinion of Bond Counsel and Co-Bond Counsel, under existing statutes, interest on the 2010 Series A Bonds and the 2010 Series C Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Owners of the 2010 Series A Bonds and the 2010 Series C Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2010 Series A Bonds and the 2010 Series C Bonds and the disposition of the 2010 Series A Bonds and the 2010 Series C Bonds. Notwithstanding any past covenants of the State relating to the exclusion of interest on any previously issued special tax obligation bonds from gross income for purposes of the Corporation Business Tax imposed by Chapter 208 of the Connecticut General Statutes, Public Act 95-2 specifically requires the inclusion of interest on any State obligation, including the 2010 Series A Bonds and the 2010 Series C Bonds, in gross income for purposes of the Corporation Business Tax.

Original Issue Discount

With respect to any of the 2010 Series A Bonds and the 2010 Series C Bonds where the initial public offering price of such 2010 Series A Bonds and 2010 Series C Bonds is less than the amount payable on those 2010 Series A Bonds and 2010 Series C Bonds at maturity (the "Discount Bonds"), the difference between the initial public offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of any maturity are sold and the amount payable on such Discount Bonds at maturity constitutes original issue discount. Accrued original issue discount is excludable from gross income for Federal income tax purposes if interest on the Discount Bonds is excluded therefrom. Accrued original issue discount on a Discount Bond is also excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any bond during each day it is owned is added to the adjusted basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bonds by such owner. Original issue discount on any bond is treated as accruing on the basis of economic accrual, computed by a constant semiannual compounding method using the yield to maturity on such bond, and the adjusted basis of such Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. A portion of such increase that accrues to the owners of Discount Bonds in each year, as described above, is, however, included in the calculation for determining a corporation's alternative minimum tax and may result in collateral Federal income tax consequences for certain owners referenced above in the year of accrual. Consequently, corporate owners of Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or other collateral Federal income tax consequences although the owner may

not have received cash in such year. Owners of the Discount Bonds are advised to consult with their tax advisors with respect to the Federal, state and local tax consequences of owning the Discount Bonds.

Original Issue Premium

With respect to any of the 2010 Series A Bonds and the 2010 Series C Bonds where the initial public offering price of such 2010 Series A Bonds and 2010 Series C Bonds is greater than the amount payable on those Bonds at maturity (the "Premium Bonds"), the excess of the price paid by the first owner of a Premium Bond over the principal amount payable at the maturity or the earlier call date, if any, of such Premium Bond constitutes original issue premium. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity using the taxpayer's adjusted basis and a constant semiannual compounding method. The portion of such premium amortizing over the period the Premium Bond is held by the owner does not reduce taxable income for purposes of either the Federal income tax or the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax, but it does reduce the owner's adjusted basis in the Premium Bond for purposes of determining gain or loss on its disposition. Owners of Premium Bonds are advised to consult with their tax advisors with respect to the Federal, state and local tax consequences of owning the Premium Bonds.

Certain Additional Tax Information

The following is a brief discussion of certain Federal income tax matters under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to particular Beneficial Owners. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2010 Series A Bonds and the 2010 Series C Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Ownership of the 2010 Series A Bonds and the 2010 Series C Bonds may result in collateral Federal income tax consequences to various categories of persons such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. The foregoing is not intended to be an exhaustive list of potential tax consequences.

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2010 Series A Bonds and the 2010 Series C Bonds will not have an adverse effect on the tax-exempt status or market price of the 2010 Series A Bonds and the 2010 Series C Bonds.

Bond Counsel and Co-Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance of the 2010 Series A Bonds and the 2010 Series C Bonds may affect the tax status of interest on the 2010 Series A Bonds and the 2010 Series C Bonds. No assurance can be given that future legislation, or amendments to the State income tax law, if enacted into law, will not contain provisions which could, directly or indirectly, reduce the benefit of the exclusion of the interest on the 2010 Series A Bonds and the 2010 Series C Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates.

Bond Counsel and Co-Bond Counsel express no opinion regarding any State or Federal tax consequences of ownership or disposition of the 2010 Series A Bonds and the 2010 Series C Bonds not specifically described herein.

TAX STATUS OF THE 2010 SERIES B BONDS

In the opinion of Bond Counsel and Co-Bond Counsel, under existing law, interest on the 2010 Series B Bonds is included in the gross income of the owners thereof for Federal income tax purposes under the Code.

Further, in the opinion of Bond Counsel and Co-Bond Counsel, under existing statutes, interest on the 2010 Series B Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Owners of the 2010 Series B Bonds should consult their tax advisors with respect to other state and local tax consequences of ownership of the 2010 Series B Bonds and the disposition of the 2010 Series B Bonds. Notwithstanding any past covenants of the State relating to the exclusion of interest on any previously issued special tax obligation bonds from gross income for purposes of the Corporation Business Tax imposed by Chapter 208 of the Connecticut General Statues, Public Act 95-2 specifically requires the inclusion of interest on any State obligation, including the 2010 Series B Bonds, in gross income for purposes of the Corporation Business Tax.

The State has irrevocably elected to: (i) designate the 2010 Series B Bonds as "Build America Bonds" pursuant to Subsection 54AA(d) of the Code; and (ii) designate the 2010 Series B Bonds as "qualified bonds" pursuant to Subsection 54AA(g) of the Code in order to allow the State to receive from the Federal government on each interest payment date a payment equal to 35% of the interest due (hereafter the "Subsidy") pursuant to Code Section 6431; provided, however, that payments of the Subsidy will be made on the interest payment date if and only if the State complies with the applicable information reporting requirements set forth in Sections 54AA and 6431 of the Code and IRS Notice 2009-26, including the timely filing of Form 8038-CP. As a result of such election, owners of, and owners of beneficial interests in, the 2010 Series B Bonds will not receive any tax credits with respect to the 2010 Series B Bonds. In order to qualify for the continuing Subsidy, the Code establishes certain requirements that must be met subsequent to the issuance and delivery of the 2010 Series B Bonds. The Tax Regulatory Agreement therefor, which will be executed and delivered by the State concurrently with the 2010 Series B Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of the proceeds of the 2010 Series B Bonds in order to comply with the requirements of the Code. Failure to comply with such continuing requirements of the Code may cause the State to forfeit its Subsidy. Any such Subsidy payments received by the State will be credited to the Special Transportation Fund, which is pledged to the payment of all Bonds subject to the lien of the Indentures, including the 2010 Series B Bonds. Receipt of such Subsidy payments is not a condition of payment of any portion of the 2010 Series B Bonds.

Disclaimer Regarding Federal Tax Discussion

Any discussion of United States Federal tax issues included in this Official Statement is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding Federal tax penalties that may be imposed on the taxpayer. Such discussions were written in connection with the promotion or marketing of the 2010 Series B Bonds. Each taxpayer should seek advice from an independent tax advisor based on the taxpayer's particular circumstances.

Summary of Other Federal Tax Consequences – 2010 Series B Bonds

The following is a summary of certain United States Federal income tax consequences resulting from the beneficial ownership of the 2010 Series B Bonds by certain persons. This summary does not consider all the possible Federal income tax consequences of the purchase, ownership, or disposition of the 2010 Series B Bonds and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a 2010 Series B Bond at its issue price, which is the first price at which a substantial amount of the 2010 Series B Bonds is sold to the public, and who hold 2010 Series B Bonds as "capital assets" within the meaning of the Code (generally, property held for investment). This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold 2010 Series B Bonds as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprising a bond and one or more other investments, or United States Holders (as defined below) that have a "functional currency' other than the United States dollar. Except to the extent discussed below under "**Non-United States Holders"**, this summary is applicable only to a person ("United States Holder") who or which is the beneficial owner of 2010 Series B Bonds and is (a) an individual citizen or resident of the United States, (b) a corporation or partnership or other entity created or organized under the laws of the United States or any state therein (including the District of Columbia), or (c) a person otherwise subject to Federal income taxation on its worldwide income. This summary is based upon United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in such tax laws or interpretations, any of which may be applied retroactively. Except as provided below, it does not discuss the tax laws of any state, local or foreign governments.

United States Holders

Payments of Stated Interest. In general, for a beneficial owner who or which is a United States Holder, interest on a 2010 Series B Bond will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner's method of accounting for tax purposes.

2010 Series B Bonds Purchased at a Market Discount. A 2010 Series B Bond will be treated as acquired at a market discount ("market discount Bond") if the amount for which a United States Holder purchased the 2010 Series B Bond is less than the bond's adjusted issue price, unless such difference is less than a specified de minimis amount. In general, any payment of principal or any gain recognized on the maturity or disposition of a market discount Bond will be treated as ordinary income to the extent that such gain does not exceed the accrued discount on the bond. Alternatively, a United States Holder of a market discount Bond may elect to include market discount in income currently over the life of the market discount Bond. That election applies to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service. If an election is made to include market discount in income currently, the tax basis of the market

discount Bond in the hands of the United States Holder will be increased by the market discount thereon as such discount is included in income.

Market discount generally accrues on a straight-line basis unless the United States Holder elects to accrue such discount on a constant yield-to-maturity basis. That election is applicable only to the market discount Bond with respect to which it is made and is irrevocable. A United States Holder of a market discount Bond that does not elect to include market discount in current income generally will be required to defer deductions for interest on borrowings allocable to the bond in an amount not exceeding the accrued market discount on such bond until its maturity or disposition.

Purchase, Sale, Exchange, and Retirement of 2010 Series B Bonds. A United States Holder's tax basis in a 2010 Series B Bond generally will equal its cost, increased by any market discount and original issue discount included in the United States Holder's income with respect to the bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the bond. A United States Holder generally will recognize gain or loss on the sale, exchange, or retirement of a 2010 Series B Bond equal to the difference between the amount realized on its sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Holder's tax adjusted basis in the bond. Except to the extent described above under "***Bonds Purchased at a Market Discount***", gain or loss recognized on the sale, exchange or retirement of a 2010 Series B Bond will be capital gain or loss and will be long-term capital gain or loss if the bond was held for more than one year.

Backup Withholding. United States Holders may be subject to backup withholding on payments of interest and in some cases, disposition proceeds of the 2010 Series B Bonds, if they fail to provide an accurate Form W-9, "Request for Taxpayer Identification Number and Certification," or a valid substitute form, or have been notified by the IRS of a failure to report all interest and dividends, or otherwise fail to comply with the applicable requirements of backup withholding rules. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules will be allowed as a credit against the United States Holder's United States Federal income tax liability (or refund) provided the required information is timely furnished to the IRS. Prospective United States Holders should consult their tax advisors concerning the application of backup withholding rules.

Non-United States Holders

The following discussion applies to Non-United States Holders. A "Non-United States Holder" is a beneficial owner of the 2010 Series B Bonds that is not a "United States Holder." Special rules may apply to Non-United States Holders that are subject to special treatment under the Code, including "controlled foreign corporations" and "passive foreign investment companies." Such Non-United States Holders should consult their tax advisors to determine the United States Federal, state, local and other tax consequences that may be relevant to them,

Interest. Subject to the discussion below concerning effectively connected income and backup withholding, payments of interest on the 2010 Series B Bonds will not be subject to United States Federal withholding tax, provided that the Non-United States Holder satisfies one of two tests. The first test (the "portfolio interest" test) is satisfied if, in general: (i) the Non-United States Holder does not own, actually or constructively, a 10% or greater interest (by voting power) in the State, (ii) the Non-United States Holder is not a "controlled foreign corporation" (within the meaning of the Code) that is related, directly or indirectly, to the State, (iii) the Non-United States Holder is not a bank receiving interest on the 2010 Series B Bonds on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, and (iv) the Non-United States Holder certifies to the paying agent on IRS Form W8BEN (or appropriate substitute or successor form) under penalties of perjury, that it is not a United States person. If the 2010 Series B Bonds are held through a financial institution or other agent acting on behalf of a Non-United States Holder, it will be required to provide appropriate documentation to the agent and the agent will then be required to provide certification to the paying agent, either directly or through other intermediaries. The second test is satisfied if the Non-United States Holder is otherwise entitled to the benefits of an income tax treaty under which such interest is exempt from United States Federal withholding tax, and the Non-United States Holder or its agent provides a properly executed IRS Form W-8BEN (or an appropriate substitute form evidencing eligibility for the exemption).

Payments of interest on the 2010 Series B Bonds to Non-United States Holders that do not meet the above described requirements will be subject to a United States Federal income tax of 30% (or such lower rate as provided by an applicable income tax treaty) collected by means of withholding.

Sale, or Other Taxable Disposition of the 2010 Series B Bonds. Subject to the discussion below concerning effectively connected income and backup withholding, a Non-U.S. Holder will not be subject to U.S. Federal income tax on any gain realized on any sale, exchange, or retirement of the 2010 Series B Bonds unless the Non-U.S. Holder is an individual, present in the United States for at least 183 days during the taxable year in which the 2010 Series B Bonds are disposed of, and other conditions are satisfied. If this exception applies, the Non-U.S. Holder generally will be subject to U.S. Federal income tax at a rate of 30% (or at a reduced rate under an applicable income tax treaty) on the amount by which capital gains derived from sources within the United

States (including gains from the sale, exchange, retirement or other disposition of the 2010 Series B Bonds) exceed capital losses allocable to sources within the United States.

Effectively Connected Income. The preceding discussion assumes that the interest received and any gain realized is not effectively connected with the conduct of a trade or business in the United States. If a Non-United States Holder is engaged in a trade or business in the United States and its investment in the 2010 Series B Bonds is effectively connected with such trade or business, the Non-United States Holder will be exempt from the 30% withholding tax on the interest (provided that a certification requirement, generally on IRS Form W-8ECI, is met) and instead generally will be subject to United States Federal income tax on interest and any gain with respect to the 2010 Series B Bonds in the same manner as is a United States Holder. Foreign corporations also may be subject to an additional branch profits tax of 30% or such lower rate provided by an applicable income tax treaty.

For Non-United States Holders eligible for the benefits of an income tax treaty, any effectively connected income or gain will generally be subject to United States Federal income tax in the same manner as a United States Holder only if such effectively connected income is also attributable to a permanent establishment maintained in the United States.

Backup Withholding. In general, backup withholding will not apply to a payment of interest on the 2010 Series B Bonds, or to proceeds from the disposition of the 2010 Series B Bonds, in each case, if the Non-United States Holder certifies under penalties of perjury that it is a Non-United States Holder and the paying agent does not have actual knowledge to the contrary. Any amounts withheld under the backup withholding rules will be allowed as a credit against United States Federal income tax liability provided the required information is timely furnished to the IRS. In certain circumstances, if the 2010 Series B Bonds are not held through a qualified intermediary, the amount of payments made on the 2010 Series B Bonds, the name and address of the beneficial owner, and the amount, if any, of tax withheld may be reported to the IRS. Prospective Non-United States Holders should consult their tax advisors concerning the application of backup withholding rules.

Information Reporting

In general, information reporting requirements will apply with respect to payments to a United States Holder of principal and interest (and with respect to annual accruals of original issue discount) on the 2010 Series B Bonds, and with respect to payments to a United States Holder of any proceeds from a disposition of the 2010 Series B Bonds. This information reporting obligation, however, does not apply with respect to certain United States Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the IRS that it has failed properly to report payments of interest and dividends, a backup withholding tax (currently at a rate of 28%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the United States Holder on or with respect to the 2010 Series B Bonds.

Any payments of interest and original issue discount on the 2010 Series B Bonds to a Non-United States Holder generally will be reported to the Internal Revenue Service and to the Non-United States Holder, whether or not such interest or original issue discount is exempt from United States withholding tax pursuant to a tax treaty or the portfolio interest exemption. Copies of these information returns also may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the payee resides.

Information reporting requirements will apply to a payment of the proceeds of the disposition of a 2010 Series B Bond by or through (a) a foreign office of a custodian, nominee, other agent, or broker that is a United States person, (b) a foreign custodian, nominee, other agent, or broker that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (c) a foreign custodian, nominee, other agent, or broker that is a controlled foreign corporation for United States Federal income tax purposes, or (d) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a trade or business within the United States, unless the custodian, nominee, other agent, broker, or foreign partnership has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

Other State Tax Consequences – 2010 Series B Bonds

Owners of the 2010 Series B Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2010 Series B Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of 2010 Series B Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and the net Connecticut minimum tax on such taxpayers who are also required to pay the Federal alternative minimum tax.

General

The opinions of Bond Counsel and Co-Bond Counsel are rendered as of their date, and Bond Counsel and Co-Bond Counsel assume no obligation to update or supplement their opinions to reflect any facts or circumstances that may come to their attention or any changes in law or the interpretation thereof that may occur after the date of their opinions.

The discussion above does not purport to deal with all aspects of Federal, state or local taxation that may be relevant to a particular owner of a 2010 Series B Bond. Prospective owners of the 2010 Series B Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal, state and local tax consequences of owning and disposing of the 2010 Series B Bonds.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned their municipal bond ratings of "Aa3" "AA" and "AA", respectively, to the 2010 Series A, B and C Bonds. Each such rating reflects only the views of the respective rating agency, and an explanation of the significance of such rating should be obtained from such rating agency, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich St., New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The above ratings are not recommendations to buy, sell or hold the 2010 Series A, B and C Bonds. 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 Series A, B and C Bonds.

FINANCIAL ADVISORS

The State has appointed Public Resources Advisory Group and A.C. Advisory, Inc. to serve as co-financial advisors to assist it in the issuance of the 2010 Series A, B and C Bonds.

UNDERWRITING

The Underwriters have agreed to purchase the 2010 Series A, B and C Bonds at a purchase price of $775,556,204.69 which is the sum of the purchase price of the 2010 Series A, B and C Bonds (representing the principal amount of the 2010 Series A, B and C Bonds plus original issue premium of $41,439,258.65 and less the underwriters' discount of $3,558,053.96). The 2010 Series A, B and C Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the 2010 Series A, B and C Bonds into investment trusts) at prices lower than such initial public offering prices, and such initial public offering prices may be changed, from time to time, by the Underwriters.

The following language has been provided by the underwriters named therein. The State takes no responsibility as to the accuracy or completeness thereof.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an underwriter of the Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated 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, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of Bonds.

MISCELLANEOUS

The State has furnished the information in this Official Statement.

Information with respect to the Infrastructure Program may be obtained from Jeffrey A. Parker, Commissioner of the Department of Transportation of the State of Connecticut, located at 2800 Berlin Turnpike, Newington, Connecticut 06131-7546, (860) 594-3002. Copies of the Indentures and information with respect to the State may be obtained upon request from the office of the State Treasurer, Honorable Denise L. Nappier, Treasurer, Attention: Sarah Sanders, Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3288.

This Official Statement is submitted in connection with the sale of the 2010 Series A, B and C Bonds and may not be reproduced or used as a whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the State and duly executed and delivered on its behalf by the officials signing below. The State's independent auditors have agreed by letter to the State dated as of the date hereof that the Independent Auditors' report dated June 30, 2010, which is Appendix C to this Official Statement, may be included in this Official Statement.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the State are fully set forth in the Indentures in accordance with the Act and this Official Statement is not to be construed as a contract or agreement between the State and the purchasers or owners of any of the 2010 Series A, B and C Bonds.

STATE OF CONNECTICUT

By: /s/ Denise L. Nappier
Hon. Denise L. Nappier
Treasurer of the
State of Connecticut

By: : /s/ Brenda L. Sisco
Hon. Brenda L. Sisco
Acting Secretary of the
Office of Policy and Management

By: : /s/ Jeffrey A. Parker
Hon. Jeffrey A. Parker
Commissioner of the
Department of Transportation

Dated at Hartford, Connecticut
This 28th day of October, 2010

Appendix A

STATE OF CONNECTICUT

There follows in this Appendix A a brief description of the State of Connecticut (the "State" or "Connecticut"), together with certain information concerning its governmental organization, its economy and a description of certain State financial procedures. The description and information were compiled February 24, 2010, and have not been updated except in limited respects, as of October 5, 2010.

GOVERNMENTAL ORGANIZATION AND SERVICES

Introduction

The components and structure of State governmental organization are laid out in the State's Constitution and the General Statutes of Connecticut. A number of State-wide and regional authorities and similar bodies are also created or provided for in the General Statutes or by Special Act of the General Assembly. County government was functionally abolished in Connecticut in 1960. Local governmental functions are generally performed by the 169 cities and towns, or by special purpose authorities, districts and similar bodies located within the cities and towns. A number of regional bodies exist to perform governmental functions that would otherwise be performed at the local level. Most of the State's 169 cities and towns were established or incorporated during the 18th and 19th centuries, and many are still governed under charters enacted by the General Assembly by Special Act. The State's Constitution grants home rule powers to cities and towns, within certain limitations. A large number of smaller municipalities lack charters, and the components and structure of these municipalities are determined directly by the General Statutes. The General Statutes also contain a variety of provisions pertaining to the organization and operation of all units of local government, including both those with charters and those without. In addition to the 169 cities and towns that are the basic units of local government in Connecticut, the General Statutes provide procedures for the creation of many types of local special purpose authorities, districts and similar bodies. These include, among others, local housing authorities, regional school districts, and a variety of special tax and service districts.

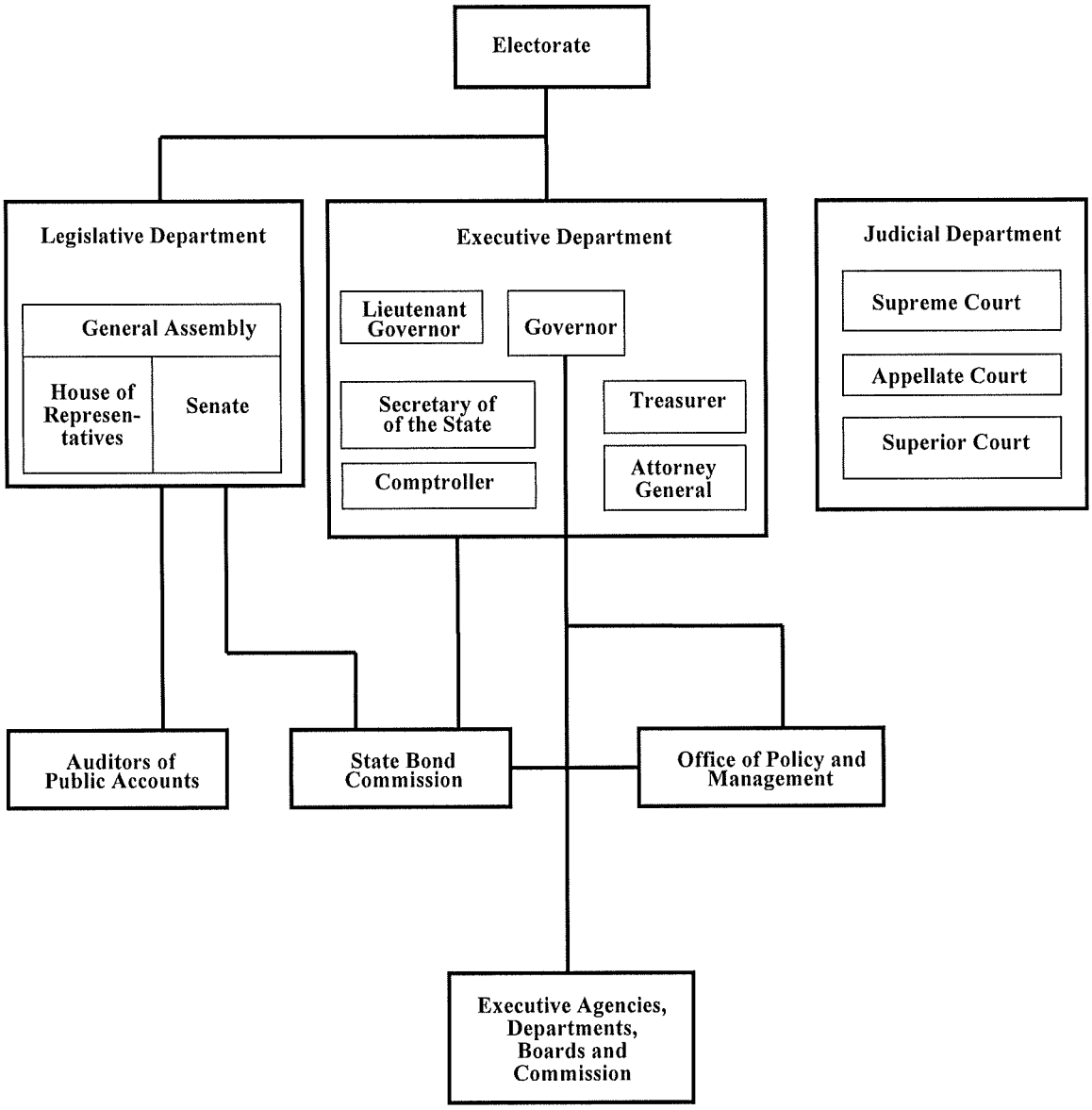
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute to file petitions to become debtors under Chapter Nine of Title 11 of the Federal Bankruptcy Code without the prior written consent of the Governor.

State Government Organization

Under the State Constitution, the legislative, executive and judicial functions and powers of State government are divided among three distinct branches referred to in the Constitution as "departments": the legislative department, the executive department and the judicial department. The following table shows the structure of the three departments.

TABLE A-1

Structure of State Government



Legislative Department. Legislative power is vested in the General Assembly, composed of the Senate and House of Representatives. Currently the Senate consists of 36 members, each representing a single senatorial district, and the House of Representatives consists of 151 members, each representing a single assembly district. Both the number of members and the boundaries of the legislative districts may vary in accordance with the requirements of the State's Constitution. The General Assembly is assisted by a full-time staff. General Assembly employees are included under the legislative function in **Tables A-2** and **A-3** below.

General Assembly members are elected biennially at the general election in November in even numbered years and take office in the January following their election. Elections for the General Assembly were held in November 2008, and the new members took office in January 2009.

A regular session of the General Assembly is held each year. These sessions run from January through June in odd-numbered years and February through May in even-numbered years. The General Assembly reconvenes for special sessions in general only in emergencies or to consider bills or appropriations vetoed by the Governor. Even-year sessions are supposed to be limited to budgetary, revenue and financial matters, bills and resolutions raised by committees of the General Assembly and certified emergencies.

Two Auditors of Public Accounts, who cannot be of the same political party, are appointed by the General Assembly to four-year terms. The State Auditors are required to make an annual audit of the accounts of the Treasurer and the Comptroller and, biennially or as frequently as they deem necessary, to audit the accounts of each officer, department, commission, board and court of the State government authorized to expend State appropriations. The Auditors are required to report unauthorized, illegal, irregular or unsafe handling or expenditure of State funds or any actual or contemplated breakdown in the safeguarding of any resources of the State promptly upon discovery to the Governor, the State Comptroller, the Attorney General and appropriate legislative agencies. Each budgeted agency of the State must keep its accounts in such form and by such methods as to exhibit facts required by the State Auditors. A full-time staff assists the State Auditors. Employees of the State Auditors are included under the legislative function in **Tables A-2** and **A-3** below.

Executive Department. The Governor, Lieutenant Governor, Secretary of the State, Treasurer, Comptroller and Attorney General, whose offices are mandated by the State's Constitution, were elected at the general election in November 2006 for terms beginning in January 2007. Elections for all of these offices are held every four years. The Governor and Lieutenant Governor are elected as a unit.

The supreme executive power of the State is vested in the Governor. The Governor has the constitutional responsibility for ensuring that the laws are faithfully executed, giving the General Assembly information on the state of the government, and recommending to the General Assembly such measures as the Governor may deem expedient. The Governor is empowered to veto bills and line items in appropriations bills, but the General Assembly may reconsider and repass such matters upon a two-thirds vote of each house, whereupon such bills or appropriations become law. Broad appointive and investigative powers are conferred upon the Governor by statute. The Lieutenant Governor serves as President of the Senate and becomes Governor in case of the inability of the Governor to exercise the powers and perform the duties of the office.

The Treasurer is primarily responsible for receiving and disbursing all monies belonging to the State, superintending the collection of State taxes and revenues and the investment of State funds, administering certain State trust funds and managing State property. Subject to the approval of the Governor, the Treasurer is authorized, when necessary, to make temporary borrowings evidenced by State obligations. In addition, the State Bond Commission may delegate to the Treasurer the responsibility for determining the terms and conditions and carrying out the issuance of State debt.

The Secretary of the State administers elections, has custody of all public records and documents, and certifies to the Treasurer and the Comptroller the amount and purpose of each appropriation made by the General Assembly.

The Comptroller's primary duties include adjusting and settling public accounts and demands and prescribing the method of keeping and rendering all public accounts. All warrants and orders for the disbursement of public money are registered with the Comptroller. The Comptroller also has authority to require reports from State agencies upon any matter of property or finance and to inspect all records in any public office, and is responsible for examining the amount of all debts and credits of the State. The Comptroller is required to issue monthly reports on the financial condition of the State, which are prepared on a modified cash basis and are not audited.

The Attorney General has general supervision over all legal matters in which the State is an interested party except those legal matters over which prosecuting officers have discretion. The duties of the office include giving advice and on request rendering legal opinions to the legislative and executive departments as to questions of law. Among the Attorney General's statutory duties concerning State financial matters are membership on the State Bond Commission, the approval of all State contracts or leases and appearing before any committee of the General Assembly to represent the State's best interests when any measure affecting the State Treasury is pending.

In addition to the constitutionally mandated offices, the General Statutes provide for a number of executive branch agencies, departments and commissions, each of which generally has its own agency head appointed by the Governor, in most cases with the advice and consent of one or both houses of the General Assembly. Of these statutorily established offices, the one most directly related to the fiscal operation and condition of the State is the Office of Policy and Management. The Secretary of the Office of Policy and Management is directly responsible to the Governor for policy development in four major areas: budget and financial management, policy development and planning, management and program evaluation, and intergovernmental policy. The Office of Policy and Management has significant responsibility in preparing the State budget, in assisting the Governor in policy development and in representing the State in most collective bargaining negotiations. It is the duty of the Office of Policy and Management to prepare and furnish to the General Assembly and Comptroller financial and accounting statements relating to the State's financial condition and general accounts, and to examine and assist in the organization, management and policies of departments and institutions supported by the State in order to improve their effectiveness. The Secretary of the Office of Policy and Management, like the Comptroller, is empowered to inspect the financial records and to require reports of State agencies.

Employees of the executive department are included in **Tables A-2** and **A-3** below under all function headings except the legislative and judicial functions. A list of the major executive branch agencies, departments and commissions, by function headings, is found in **Table A-5**.

Judicial Department. The State's judicial department consists of three principal trial and appellate courts: the Superior Court, the Appellate Court, and the Supreme Court.

The Superior Court is vested with original trial court jurisdiction over all civil and criminal matters. There are approximately 172 sitting Superior Court judges, each nominated by the Governor and appointed by the General Assembly to eight-year terms.

On July 1, 1983 the Appellate Court was created and the appellate session of the Superior Court was dissolved. The Appellate Court hears appeals from decisions of the Superior Court except for certain matters which are directly appealable to the Supreme Court. There are ten Appellate Court judges nominated by the Governor and appointed by the General Assembly to eight-year terms.

The Connecticut Supreme Court reviews decisions of the Appellate Court and, in certain cases, of the Superior Court. Except in cases where original jurisdiction exists in the Supreme Court, there is no right of review in the Supreme Court unless specifically provided by statute. The Supreme Court consists of seven Justices (one Chief Justice and six Associate Justices) nominated by the Governor and appointed by the General Assembly to eight-year terms.

In addition to the principal trial and appellate courts, there is a Court of Probate in each of 117 probate districts situated throughout the State. Effective January 5, 2011 the number of probate courts will be reduced to fifty-four.

Employees of the judicial department are shown in **Tables A-2** and **A-3** under the judicial function heading.

Quasi-Public Agencies. In addition to the budgeted components of State government provided for in the State's Constitution and the General Statutes, important State-wide governmental functions are performed by quasi-public agencies, authorities and similar bodies created under the General Statutes. A number of these entities receive significant funding from the State, although they are not budgeted agencies of the State. Each of these entities is governed by a board of directors chosen in accordance with its respective enabling statute. These boards generally include legislative appointees, gubernatorial appointees and ex officio directors holding certain executive branch offices.

State Employees

Employment Statistics. Statistics regarding approximate filled permanent full-time positions within budgeted components of State government are shown on the following two tables.

TABLE A-2

State Employees[a]
By Function of Government

Function Headings[b]	2005	2006	2007	2008	2009
Legislative	586	575	613	571	582
General Government	3,429	3,428	3,610	3,650	3,563
Regulation and Protection	4,211	4,279	4,360	4,338	4,325
Conservation and Development	1,358	1,267	1,299	1,325	1,321
Health and Hospitals	7,593	7,665	8,018	8,130	7,791
Transportation	3,150	3,035	3,220	3,318	3,191
Human Services	1,827	1,883	2,010	2,095	2,019
Education	15,077	15,446	16,055	16,453	16,720
Corrections	9,573	9,551	10,275	10,379	9,919
Judicial	4,386	4,322	4,745	4,612	4,616
Total	51,190	51,451	54,205	54,871	54,047

(a) Table shows approximate filled full-time positions as of June 30 in each of the listed years.
(b) A breakdown of the budgeted agencies, boards, commissions and similar bodies included in each of the listed government function headings is shown in **Table A-5**.

SOURCE: Office of Policy and Management

TABLE A-3
State Employees as of June 30, 2009[(a)(b)]

By Function of Government and Fund Categories

Function Headings	General Fund	Special Transportation Fund	Other Appropriated Funds	Special Funds – Non-Appropriated	Federal Funds	Private Contributions	TOTALS
Legislative	582	0	0	0	0	0	582
General Government	2,997	0	0	311	10	245	3,563
Regulation and Protection	2,268	596	537	694	121	109	4,325
Conservation and Development	578	0	7	387	255	94	1,321
Health and Hospitals	7,437	0	0	28	318	8	7,791
Transportation	0	3,079	0	112	0	0	3,191
Human Services	1,709	0	11	1	259	39	2,019
Education	10,020	0	0	6,463	182	54	16,720
Corrections	9,804	0	0	87	27	1	9,919
Judicial	4,543	0	26	0	5	42	4,616
Total	39,938	3,675	581	8,083	1,177	592	54,047

(a) Table shows approximate filled full-time positions.

(b) Breakdown for 2009 reflects the funding breakdown on Core-CT chart of accounts coding. Some positions which in years prior to 2005 were designated as being paid out of private contributions are now coded as being paid out of special funds – non appropriated in order to properly reflect how they are coded on Core-CT.

SOURCE: Office of Policy and Management

Collective Bargaining Units and Process. The General Statutes guarantee State employees, other than elected or appointed officials and certain management employees and others with access to confidential information used in collective bargaining, the right to organize and participate in collective bargaining units. There are presently 32 such bargaining units representing State employees.

The General Statutes establish the general parameters of the collective bargaining process with respect to bargaining units representing State employees. At any given point in time, there are generally a number of collective bargaining units with agreements under negotiation. All collective bargaining agreements require approval of the General Assembly. The General Assembly may approve any such agreement as a whole by a majority vote of each house or may reject any such agreement as a whole by a majority vote of either house. Subject to certain parameters set forth in the General Statutes, if the State and the bargaining unit are unable to reach an agreement, one or both parties may initiate arbitration. The award of the arbitrator shall be final and binding upon the parties unless rejected by the legislature. An arbitration award may be rejected in whole by a two-thirds vote of either house of the General Assembly upon a determination that there are insufficient funds for full implementation of the award.

The General Statutes deny State employees the right to strike. Questions concerning employment or bargaining practices prohibited by the sections of the General Statutes governing collective bargaining with regard to State employees may generally be brought before the State Board of Labor Relations.

Information regarding employees participating in collective bargaining units and employees not covered by collective bargaining is shown on the following table:

TABLE A-4

Full-Time Work Force
Collective Bargaining Units and
Those Not Covered by Collective Bargaining

Bargaining Unit/Status Group	Percentage of State Employees Represented[(a)]	Contract Status, if any
Covered by Collective Bargaining		
Correction Officers	9.54%	Contract in place through 6/30/2011
Administrative Clerical	7.73%	Contract in place through 6/30/2012
Maintenance and Service	7.33%	Contract in place through 6/30/2012
Health Care Non-Professionals	6.80%	Contract in place through 6/30/2012
Social and Human Services	6.84%	Contract in place through 6/30/2012
Administrative and Residual	5.61%	Contract in place through 6/30/2012
Health Care Professionals	5.49%	Contract in place through 6/30/2012
Engineering, Scientific and Technical	4.70%	Contract in place through 6/30/2012
University of Connecticut Faculty	4.29%	Contract in place through 6/30/2012
University Health Professionals (University of Connecticut Health Center)	3.72%	Contract in place through 6/30/2012
University of Connecticut Professional Employee Association	3.04%	Contract in place through 6/30/2012
Connecticut State University Faculty	2.72%	Contract in place through 6/30/2012
Judicial Employees	2.70%	Contract in place through 6/30/2012
Judicial Professionals	2.42%	Contract in place through 6/30/2012
Congress of Connecticut Community Colleges	2.33%	Contract in place through 6/30/2012
Vocational Technical School Faculty	2.15%	Contract in place through 6/30/2012
State Police	2.05%	Contract in place through 6/30/2012
Protective Services	1.57%	Contract in place through 6/30/2012
Education Professionals (Institutions)	1.39%	Contract in place through 6/30/2012
Other Bargaining Units (13 units)	4.80%	Varies by Unit
Total Covered by Collective Bargaining	87.21%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.21%	Not Applicable
Other Employees	12.58%	Not Applicable
Total Not Covered by Collective Bargaining	12.79%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 54,000 filled full-time positions as of June 30, 2009.

SOURCE: Office of Policy and Management

Governmental Services

Services provided by the State or financed by State appropriations are classified under one of ten major government function headings or are classified as "non-functional". These function headings are used for the State's General Fund and for other funds of the State used to account for appropriated moneys. State agencies, boards, commissions and other bodies are each assigned to one of the function headings for budgeting purposes. The following table shows a breakdown of the government function headings according to the major agencies, boards, commissions and other bodies assigned to them.

TABLE A-5
Function of Government Headings [(a)(b)]

Legislative
Legislative Management
Auditors of Public Accounts
Commission on Aging
Commission on the Status of Women
Commission on Children
Latino and Puerto Rican Affairs Commission
African-American Affairs Commission
Asian Pacific American Affairs Commission

General Government
Governor's Office
Lieutenant Governor's Office
Secretary of the State
Elections Enforcement Commission
Office of State Ethics
Freedom of Information Commission
Judicial Selection Commission
Contracting Standards Board
State Treasurer
State Comptroller
Department of Revenue Services
Division of Special Revenue
Office of Policy and Management
Department of Veterans' Affairs
Office of Workforce Competitiveness
Board of Accountancy
Department of Administrative Services
Department of Information Technology
Department of Public Works
Attorney General
Division of Criminal Justice

Regulation and Protection
Department of Public Safety
Department of Emergency Management and Homeland Security
Police Officer Standards and Training Council
Board of Firearms Permit Examiners
Department of Motor Vehicles
Military Department
Commission on Fire Prevention and Control
Department of Banking
Insurance Department
Office of Consumer Counsel
Department of Public Utility Control
Office of the Health Care Advocate
Department of Consumer Protection
Department of Labor
Office of the Victim Advocate
Commission on Human Rights and Opportunities
Office of Protection and Advocacy for Persons with Disabilities
Office of the Child Advocate
Workers' Compensation Commission

Conservation and Development
Department of Agriculture
Department of Environmental Protection
Council on Environmental Quality
Commission on Culture and Tourism
Department of Economic and Community Development
Agricultural Experiment Station

Health and Hospitals
Department of Public Health
Office of the Chief Medical Examiner
Department of Developmental Services
Department of Mental Health and Addiction Services
Psychiatric Security Review Board

Transportation
Department of Transportation

Human Services
Department of Social Services
State Department on Aging
Soldiers', Sailors', and Marines' Fund

Education, Libraries and Museums
Department of Education
Board of Education and Services for the Blind
Commission on the Deaf and Hearing Impaired
State Library
Department of Higher Education
University of Connecticut
University of Connecticut Health Center
Charter Oak State College
Teachers' Retirement Board
Regional Community-Technical Colleges
Connecticut State University

Corrections
Department of Correction
Department of Children and Families

Judicial
Judicial Department
Public Defender Services Commission
Child Protection Commission

(a) In addition to the ten listed government function headings, the State also employs a "non-functional" heading under which are grouped various miscellaneous accounts including debt service and State employee fringe benefit accounts.

(b) Listing of agencies, boards, commissions and similar bodies is as of January 1, 2010.

SOURCE: Office of Policy and Management

In addition to services provided directly by the State, various State-wide and regional quasi-public agencies, authorities and similar bodies also provide services. Such entities principally assist in the financing

of various types of facilities and projects. In addition to their own budgetary resources and the proceeds of their borrowings, a number of such entities have received substantial funding from the State, which the entities generally use to provide financial assistance to the general public and the private and nonprofit sectors.

Because Connecticut does not have an intermediate county level of government between State and local government, local entities provide all governmental services not provided by the State and quasi-public agencies. Such services are financed principally from property tax revenues, State funding of various types and federal funding.

Department of Emergency Management and Homeland Security. The Department of Emergency Management and Homeland Security was established as of January 1, 2005 to provide a coordinated and integrated program for statewide emergency management and homeland security. The mission of the Department is to direct and coordinate all available resources to protect the life and property of the citizens of Connecticut in the event of a disaster or crisis, through a collaborative program of prevention, planning, preparedness, response, recovery and public education. Among the Department's primary functions is the administration and management of federal grant funds related to emergency management and homeland security. The Department oversees the state Emergency Operations Center during emergencies. In addition, the Department's Commissioner directs the preparation of state emergency plans, which are submitted to the Governor for approval. For planning purposes with respect to events requiring mass evacuations and sheltering in the State, the Department has given priority for preparedness to the following potential scenarios: (i) a Category 3 hurricane hitting the State coast and all of New England, (ii) a large scale terrorist attack in New York City, and (iii) a Millstone Power Plant release of contamination. The State has been divided into five regions to coordinate planning, training and response.

Each year, in accordance with its statutory mandate, the Department reviews and approves local emergency operations plans, which are submitted to the Department after having been reviewed and approved by municipal officials. The Department continues to advance emergency planning for the State by bringing multiple partners at the local, state and federal level together. Recent planning initiatives include: evacuation and shelter guides; commodity distribution; donations management; disaster recovery centers and debris management. The Department continues to conduct many exercises around the state to test plans and first responder preparedness. The Department continues to support the training of emergency volunteers. The Department continues to be heavily invested in interoperable communications, including the distribution, testing and maintenance of numerous communications assets. The Department also operates a fusion center which collects and disseminates intelligence information to law enforcement and other related groups. The Department, in conjunction with other State and local agencies, has completed significant work to implement and maintain a statewide geospatial information systems (GIS) program. The Department conducts public education campaigns on a regular basis to increase the public's preparedness for emergencies. The Department, in cooperation with local government, has also created five regional emergency planning teams (REPTs). Each REPT includes representatives from each of the municipalities or tribes within the region. The REPTs develop a regional spending plan for the Homeland Security grant funds for each region. Additionally, Intrastate Mutual Aid legislation creates a legal system whereby each municipality in the State can request aid from, or provide aid to, any other State municipality, regardless of whether a written mutual aid agreement exists between the municipalities. The Department also continues to codify its relationships with many key nongovernmental organizations including American Red Cross, Salvation Army, Civil Air Patrol and United Way. The agency continues to work with local towns by providing funding for emergency planning and Emergency Operation Center upgrades. The Department has deployed WEB EOC, a software program introduced in 2008 which allows all communities to communicate important information to the State during an emergency.

Pursuant to the General Statutes, the Department is required to file an annual report each January to the joint standing committee of the General Assembly having cognizance of matters relating to public safety which report specifies and evaluates state-wide emergency management and homeland security activities during the preceding calendar year.

STATE ECONOMY

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. Over one quarter of the total population of the United States and more than 50% of the Canadian population live within a 500-mile radius of the State.

Economic Resources

Population Characteristics. Connecticut had a population count of 3,405,565 in April 2000, an increase of 118,449, or 3.6%, from the 3,287,116 figure of 1990. The State's population growth rate, which exceeded the United States' rate of population growth during the period from 1940 to 1970, slowed substantially and trailed the national average markedly during the past three decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 3.6% from 1990 to 2000 versus 5.4% in New England and 13.2% for the nation. The mid-2009 population in Connecticut was estimated at 3,518,288, up 0.4% from a year ago, compared to increases of 0.5% and 0.9% for New England and the United States, respectively. From 2000 to 2009, within New England, Massachusetts, Maine, and New Hampshire experienced growth higher than Connecticut.

TABLE A-6

Population
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Total	% Change	Total	% Change	Total	% Change
1940 Census	1,709		8,437		132,165	
1950 Census	2,007	17.4%	9,314	10.4%	151,326	14.5%
1960 Census	2,535	26.3	10,509	12.8	179,323	18.5
1970 Census	3,032	19.6	11,847	12.7	203,302	13.4
1980 Census	3,108	2.5	12,349	4.2	226,542	11.4
1990 Census	3,287	5.8	13,207	6.9	248,710	9.8
2000 Census	3,406	3.6	13,923	5.4	281,422	13.2
1999....	3,386	0.6	13,838	0.8	279,040	1.2
2000....	3,412	0.7	13,953	0.8	282,172	1.1
2001....	3,428	0.5	14,052	0.7	285,082	1.0
2002....	3,448	0.6	14,135	0.6	287,804	1.0
2003....	3,468	0.6	14,192	0.4	290,326	0.9
2004....	3,475	0.2	14,216	0.2	293,046	0.9
2005....	3,477	0.1	14,227	0.1	295,753	0.9
2006....	3,485	0.2	14,259	0.2	298,593	1.0
2007....	3,489	0.1	14,298	0.3	301,580	1.0
2008....	3,503	0.4	14,363	0.5	304,375	0.9
2009....	3,518	0.4	14,430	0.5	307,007	0.9

Note: 1940-2000, April 1 Census. Figures are for census comparison purposes.
1999-2009, Mid-year estimates. Estimates for New England include the sum of six states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Maine and Vermont.

SOURCE: United States Department of Commerce, Bureau of the Census; Information prior to 1999 – Economy.com

The State is highly urbanized with a 2009 population density of 726 persons per square mile, as compared with 87 for the United States as a whole. Of the eight counties in the State, according to the U.S.

Bureau of Census for the 2008 estimate, 75% of the population resides within Fairfield (26%), Hartford (25%), and New Haven (24%) counties.

Transportation. Connecticut has an extensive network of expressways and major arterial highways which provide easy access to local and regional markets. Bradley International Airport, in Windsor Locks, currently offers 98 weekday departures to 29 non-stop destinations and is served by virtually all the major passenger and cargo air carriers. It is accessible from all areas of the State and Western Massachusetts.

The Connecticut Department of Transportation subsidizes and oversees the operations of both rail commuter services and bus services. The New Haven Line (including the Waterbury, Danbury and New Canaan branch lines) and Shore Line East Line provide commuter rail services for stations between New London and New York City for approximately 38 million passengers per year. The State supports urban transit, commuter express bus, rural transit and Americans with Disabilities Act paratransit services carrying approximately 37 million passengers per year. This service is provided by state-owned CT Transit services in 8 urbanized areas, and by 13 independent urban and rural transit districts. In addition, the Department supports carpooling, vanpooling, telecommuting and other transportation demand management programs statewide.

Railroad freight service is provided to most major towns and cities in the State, and connections are provided with major eastern railroads as well as direct access to Canadian markets. In addition, Connecticut's proximity to the ports of New York and Boston provides it with access to European and South American export markets. The State's harbors at Bridgeport, New Haven, and New London can accommodate deep draft vessels.

Connecticut recently initiated its largest single transportation initiative since its infrastructure renewal program of 1984. The initiatives of 2005 and 2006 provide funding for significant transit and highway improvements, including rail car replacement, rail infrastructure improvements and traffic flow enhancements.

Utility Services. The power grid that supplies electricity to the entire State is owned and operated by both private and municipal electric companies. Transmission lines connect Connecticut with New York, Massachusetts and Rhode Island. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's boundaries. All electric utilities in the State are members of the New England Power Pool and operate as part of the regional bulk power system, the Regional Transmission Organization (RTO) for New England. An independent system operator, ISO New England, Inc., operates this regional system.

Legislation passed in 1998 provided for the restructuring of the electric industry in Connecticut. Since July 2000 most consumers in Connecticut can choose an independent electric supplier as their provider of electricity. The electricity is delivered to the consumer over the wires of the regulated distribution companies (Connecticut Light & Power Company and The United Illuminating Company). Electric suppliers are not subject to rate regulation by the State Department of Public Utility Control (DPUC), but must receive a license issued by the DPUC before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory are not subject to the 1998 restructuring legislation. These consumers continue to purchase and receive their electrical needs from the municipal electric company.

Natural gas is delivered to Connecticut through pipelines that traverse the State. Natural gas pipeline supplies are generally shipped to Connecticut from Canada and the Gulf of Mexico area. Connecticut also receives natural gas through the interstate pipelines from a terminal located in Boston, Massachusetts which is supplied by tanker ships. Natural gas service is provided to parts of the State through one municipal and three private gas distribution companies, including Yankee Gas Services Company, Connecticut Natural Gas Company, and Southern Connecticut Gas Company. Over the past few years, Energy East Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. Energy East is a New York-based regional utility holding company. Yankee Gas was acquired by Northeast Utilities.

Since 1996 the DPUC has allowed some competitive market forces to enter the natural gas industry in Connecticut. Commercial and industrial gas consumers can choose non-regulated suppliers for their natural gas requirements. The gas is delivered to the consumer using the local distribution company's mains and pipelines. This competitive market is not yet available to the residential consumer.

In addition to the electric and natural gas industries, telecommunications services are also in the process of being opened to competition. Local exchange telephone service is provided in the State by local exchange carriers (LECs) and competitive local exchange carriers (CLECs). Two LECs currently offer local telephone services in Connecticut. They are AT&T and Verizon New York, Inc. Connecticut also has approximately 105 CLECs certified to provide local exchange services including Comcast Phone of Connecticut, Inc., Cox Connecticut Telecommunication, LLC and Connecticut Telephone and Communications Systems, Inc.

Connecticut is dependent upon oil, including imported oil, for a portion of its energy requirements. This dependence is greatest in the transportation sector. Connecticut also relies on heating oils in both the residential and commercial sectors, and is reliant on residual oils and diesel fuels for the production of electricity. This petroleum dependence can make Connecticut particularly affected by developments in the oil commodity markets. Events that affect the international or domestic production of oil, the domestic and international refining capabilities, or the transportation of petroleum products within the United States or into the New England region can affect Connecticut's local oil markets.

Although Connecticut is heavily dependent upon petroleum, the State is ranked one of the most efficient states for energy consumption. According to the most recent available data from the Energy Information Administration, an independent agency within the U.S. Department of Energy that collects and analyzes energy data, Connecticut consumed 4,879 British Thermal Units (BTU) per dollar of Gross State Product in 2007, 32% less than the national average of 7,208 BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 249.5 million BTU of energy per person in 2007, ranking it 45th among the 50 states and 26% less than the national average of 336.8 million BTU.

In 2009 U.S. energy prices, including electricity, gasoline, natural gas and heating oil, stayed below the previous year's levels due mainly to the slowdown in the economy. Higher energy prices impact consumer and investment spending and economic growth.

Economic Performance

Personal Income. Connecticut has a high level of personal income. Historically, the State's average per capita income has been among the highest in the nation. The high per capita income is due to the State's concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance, and real estate, as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. The following table shows total and per capita personal income for Connecticut residents during the period from 1999 to 2008 and compares Connecticut per capita personal income as a percentage of both New England and the United States.

TABLE A-7

Connecticut Personal Income by Place of Residence

Calendar Year	Connecticut Total (Millions of Dollars)	Connecticut Per Capita (Dollars)	Connecticut Per Capita as Percent of New England	Connecticut Per Capita as Percent of United States
1999	$131,114	$38,718	115.3%	136.7%
2000	143,021	41,921	114.5	138.3
2001	149,519	43,614	114.8	140.0
2002	149,466	43,346	113.7	137.7
2003	151,653	43,730	112.7	135.5
2004	161,314	46,417	113.7	136.9
2005	168,666	48,485	114.4	136.8
2006	183,820	52,702	115.4	139.7
2007	194,069	55,609	115.8	141.0
2008	197,024	56,272	114.5	140.0

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the annual growth rate of personal income, on a current and constant dollar basis, of Connecticut, New England and the United States.

TABLE A-8

Annual Growth Rates in Personal Income By Place of Residence

Calendar Year	Conn. (Current)	New England (Current)	U.S. (Current)	Conn. (Constant)	New England (Constant)	U.S. (Constant)
1999	4.7%	5.4%	5.1%	3.1%	3.8%	3.6%
2000	9.1	9.9	8.2	6.8	7.6	5.9
2001	4.5	5.9	3.8	2.2	3.5	1.5
2002	0.0	0.9	2.0	(1.6)	(0.7)	0.4
2003	1.5	2.2	3.5	(0.7)	0.0	1.3
2004	6.4	5.5	6.0	3.4	2.5	3.1
2005	4.6	3.8	5.5	1.2	0.5	2.1
2006	9.0	7.9	7.4	5.5	4.5	4.1
2007	5.6	5.4	5.5	2.6	2.5	2.6
2008	1.5	2.6	2.9	(0.6)	0.5	0.7

Note—Constant dollars are adjusted for inflation using the GDP deflator.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the sources of personal income by place of residence for Connecticut and the United States in 2008.

TABLE A-9

Sources of Personal Income By Place of Residence
Calendar Year 2008
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$ 92,466	46.93%	$ 5,796,657	47.41%
Property Income (Div., Rents & Int.)	40,156	20.38	2,203,774	18.03
Wages in Manufacturing	13,839	7.02	741,893	6.07
Transfer Payments less Social Insurance Paid	8,624	4.38	886,310	7.25
Other Labor Income	22,826	11.59	1,487,444	12.17
Proprietor's Income	19,113	9.70	1,109,510	9.08
Personal Income—Total	$197,024	100.00%	$12,225,589	100.00%

Note—Columns may not add due to rounding.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Gross State Product. The State's and the region's economic vitality are evidenced in the rate of growth of their respective Gross State Products. The State's Gross State Product is the current market value of all final goods and services produced by labor and property located within the State.

In 2008, the State produced $216.2 billion worth of goods and services and $177.7 billion worth of goods and services in 2000 chained dollars.

The following table shows the Gross State Product in current dollars for Connecticut, New England, and the United States.

TABLE A-10

Gross State Product
(In Millions of Dollars)

	Connecticut		New England[a]		United States[b]	
Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
1999	150,303	3.4	524,123	5.3	9,353,500	6.4
2000	160,436	6.7	565,835	8.0	9,951,475	6.4
2001	165,025	2.9	580,920	2.7	10,286,175	3.4
2002	166,073	0.6	591,733	1.9	10,642,300	3.5
2003	169,885	2.3	612,006	3.4	11,142,175	4.7
2004	182,112	7.2	647,473	5.8	11,867,750	6.5
2005	190,499	4.6	671,797	3.8	12,638,375	6.5
2006	201,635	5.8	707,672	5.3	13,398,925	6.0
2007	212,252	5.3	741,597	4.8	14,077,650	5.1
2008	216,174	1.8	763,683	3.0	14,441,425	2.6

(a) Sum of the New England States' Gross State Products.

(b) Denotes the Gross Domestic Product, which is the total market value of all final goods and services produced in the U.S.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table shows the Gross State Product in 2000 chained dollars.

TABLE A-11

Gross State Product
(In Millions of 2000 Chained Dollars*)

	Connecticut		New England		United States	
Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
1999	153,298	1.6	531,902	4.0	10,779,850	4.8
2000	160,436	4.7	565,835	6.4	11,225,980	4.1
2001	161,197	0.5	570,313	0.8	11,347,180	1.1
2002	158,628	(1.6)	568,750	(0.3)	11,552,980	1.8
2003	159,456	0.5	579,651	1.9	11,840,700	2.5
2004	165,828	4.0	597,196	3.0	12,263,800	3.6
2005	169,094	2.0	605,048	1.3	12,638,380	3.1
2006	174,310	3.1	620,103	2.5	12,976,250	2.7
2007	178,470	2.4	634,166	2.3	13,254,050	2.1
2008	177,717	(0.4)	640,735	1.0	13,312,180	0.4

* 2000 chained dollar series are calculated as the product of the chain-type quantity index and the 2000 current-dollar value of the corresponding series, divided by 100.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The table below shows the contribution to Connecticut's Gross State Product of the manufacturing and non-manufacturing sectors in the State's economy. The table shows that in 2008 Connecticut's production was concentrated in three areas: finance, insurance and real estate (FIRE), services and manufacturing. Production in these three industries accounted for 69.5% of total production in Connecticut compared to 58.7% for the nation and 68.4% in 1999. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and that this concentration has changed little in recent years.

The output contribution of manufacturing, however, has been declining over time as the contributions of FIRE and services have been increasing. The share of production from the manufacturing sector decreased from 13.7% in 1999 to 13.4% in 2008 caused by increased competition with foreign countries and other states as well as generally declining and only recently rising defense expenditures during this period. The broadly defined services in the private sector, which excludes industries in agriculture and construction, but includes industries in information, professional and technical services, health care and education, FIRE, and other services, have decreased slightly to 74.3% of the total GSP in 2008 from 75.5% in 1999. The decreased share of service production was due to a faster increase in the government sector which forced the share of the broadly defined services in the private sector smaller. Services in the private sector increased by 43.5% from 1999 to 2008 compared to 59.6% for the public sector during the comparable period. A stable service sector may help smooth the business cycle, reducing the span and depth of recessions and prolonging the length of expansions. Normally, activities in service sectors relative to manufacturing are less susceptible to pent-up demand, less subject to inventory-induced swings, less intensive in capital requirements, and somewhat less vulnerable to foreign competition. Therefore, this shift to the service sectors may serve to smooth output fluctuations.

TABLE A-12

Gross State Product by Industry in Connecticut
(In Millions of Dollars)

Sector	2001	2002	2003	2004	2005	2006	2007	2008
Manufacturing	$ 21,405	$ 20,870	$ 19,109	$ 21,628	$ 22,553	$ 27,142	$ 28,544	$ 28,864
Construction[a]	5,484	5,613	5,522	6,110	6,650	6,877	6,433	5,897
Agriculture[b]	327	286	302	334	358	346	443	371
Utilities[c]	11,936	11,699	12,498	14,026	14,413	14,587	15,533	16,135
Wholesale Trade	9,062	9,001	9,271	9,619	10,152	10,944	11,133	11,293
Retail Trade	10,152	10,415	10,678	10,901	11,393	11,577	11,866	11,876
Finance[d]	48,123	48,151	49,748	54,165	55,904	57,613	60,627	61,023
Services[e]	44,007	44,719	47,175	48,786	51,523	54,122	58,114	60,268
Government	14,528	15,318	15,583	16,542	17,553	18,426	19,557	20,448
Total GSP	$165,024	$166,072	$169,886	$182,111	$190,499	$201,634	$212,250	$216,175

Note—Columns may not add due to rounding.

(a) Includes mining.
(b) Includes forestry and fisheries.
(c) Includes transportation, communications, electric, gas, and sanitary services.
(d) Includes finance, insurance and real estate.
(e) Covers a variety of activities, including professional, business, education, health care and personal services.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Employment

Non-agricultural employment includes all persons employed except federal military personnel, the self-employed, proprietors, unpaid workers, and farm and household domestic workers. The following table compares non-agricultural establishment employment for Connecticut, New England, and the United States between 1998 and 2008. Connecticut's nonagricultural employment reached a high in the first quarter of 2008 with 1,708,830 persons employed, but began declining with the onset of the recession falling to 1,628,730 jobs by the third quarter of 2009.

TABLE A-13

Non-agricultural Employment[a]
(In Thousands)

Calendar Year	Connecticut Employment	Connecticut Percent Growth	New England Employment	New England Percent Growth	United States Employment	United States Percent Growth
1998	1,643.4	2.22%	6,728.4	2.34%	125,922.9	2.57%
1999	1,669.1	1.56	6,860.7	1.97	128,991.7	2.44
2000	1,693.2	1.45	7,023.2	2.37	131,793.6	2.17
2001	1,681.1	(0.72)	7,036.3	0.19	131,829.9	0.03
2002	1,664.9	(0.96)	6,927.5	(1.55)	130,340.4	(1.13)
2003	1,644.5	(1.22)	6,850.7	(1.11)	129,996.0	(0.26)
2004	1,649.8	0.32	6,875.1	0.36	131,419.2	1.09
2005	1,662.0	0.74	6,918.3	0.63	133,699.2	1.73
2006	1,680.6	1.12	6,983.8	0.95	136,097.6	1.79
2007	1,698.1	1.04	7,043.5	0.86	137,604.3	1.11
2008	1,699.7	0.09	7,034.9	(.12)	137,045.9	(.41)

(a) Non-agricultural employment excludes agricultural workers, proprietors, self-employed individuals, domestic workers, family workers and members of the armed forces.

(b) According to statistics from the Connecticut Department of Labor, the average non-agricultural employment in Connecticut for the first six months of 2009 was 1,650,300.

(c) In March 2009, the Connecticut Department of Labor revised and updated employment statistics back to 2004.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Composition of Employment. The following table shows the distribution of non-agricultural employment in Connecticut and the United States in 2008. The table shows that Connecticut has a larger share of employment in services, manufacturing, and finance than the nation as a whole.

TABLE A-14

Connecticut Non-agricultural Employment, 2008
(In Thousands)

	Connecticut Total	Connecticut Percent	United States Total	United States Percent
Services[a]	703.1	41.4%	55,618.8	40.6%
Trade[b]	310.0	18.2	26,381.1	19.2
Manufacturing	187.4	11.0	13,423.0	9.8
Government	252.4	14.8	22,496.3	16.4
Finance[c]	143.3	8.4	8,143.8	5.9
Information[d]	37.6	2.2	2,997.0	2.2
Construction[e]	66.0	3.9	7,985.7	5.8
Total[f]	1,699.8	100.0%	137,045.7	100.0%

(a) Covers a considerable variety of activities, including professional, business, education, health care and personal services.
(b) Includes wholesale and retail trade, transportation, and utilities.
(c) Includes finance, insurance, and real estate.
(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.
(e) Includes natural resources and mining.
(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical data adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Recent trends in the State's non-agricultural employment are reflected in the following table. Throughout the last four decades, while manufacturing employment in Connecticut has been steadily declining, employment in non-manufacturing industries has surged. In calendar year 2008, approximately 89% of the State's workforce was employed in non-manufacturing jobs, up from roughly 50% in the early 1950s.

TABLE A-15

Connecticut Non-agricultural Employment
(Annual Averages In Thousands)

Year	Manufacturing	Trade[a]	Services[b]	Government	Finance[c]	Information[d]	Construction[e]	Total Non-agricultural Employment[f]
1999	240.26	312.12	634.37	235.18	140.84	44.67	61.64	1,669.09
2000	235.74	317.52	643.26	241.91	143.03	46.41	65.34	1,693.22
2001	226.72	312.18	644.08	244.43	142.93	44.69	66.08	1,681.11
2002	211.19	309.23	647.35	249.29	142.63	41.02	64.17	1,664.89
2003	200.03	305.53	648.08	245.97	142.65	39.57	62.67	1,644.50
2004	197.19	307.93	655.86	242.78	140.66	38.99	66.43	1,649.83
2005	195.17	310.57	665.46	243.76	142.29	38.08	66.70	1,662.03
2006	193.47	310.96	680.22	245.87	144.29	37.91	67.90	1,680.61
2007	190.75	311.73	694.10	249.19	144.61	38.40	69.35	1,698.13
2008	187.42	309.97	703.07	252.40	143.32	37.58	65.97	1,699.73

(a) Includes wholesale and retail trade, transportation, and utilities.
(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.
(c) Includes finance, insurance, and real estate.
(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.
(e) Includes natural resources and mining.
(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut Labor Department

Manufacturing

The manufacturing industry, despite its continuing downward employment trend over the past five decades, has traditionally served as an economic base industry and has been of prime economic importance to Connecticut. Based on the level of personal income derived from this sector, Connecticut ranked eighteenth in the nation for its dependency on manufacturing wages in fiscal year 2009. Manufacturing has traditionally been of prime economic importance to Connecticut but has continued to trend down during the last decade. The following table provides a ten-year historical picture of manufacturing employment in Connecticut, the New England region and the United States. This downward movement in manufacturing employment levels is also reflected in the New England region and the nation. The transformation in the State's manufacturing base confirms that the State's employment share in the manufacturing sector is converging to the national average. Thus, Connecticut has been successful in diversifying itself away from dependence on just one type of industry. In calendar year 2008 approximately 11.0% of the State's workforce, versus 9.8% for the nation, was employed in the manufacturing sector, down from roughly 50% in the early 1950s.

TABLE A-16

Manufacturing Employment
(In Thousands)

Calendar Year	Connecticut Number	Connecticut Percent Growth	New England Number	New England Percent Growth	United States Number	United States Percent Growth
1999	240.3	(3.07)%	939.8	(2.62)%	17,323	(1.35)%
2000	235.7	(1.88)	938.4	(0.15)	17,265	(0.33)
2001	226.7	(3.83)	900.7	(4.02)	16,440	(4.78)
2002	211.2	(6.85)	815.8	(9.42)	15,257	(7.20)
2003	200.0	(5.28)	765.0	(6.23)	14,508	(4.90)
2004	197.2	(1.42)	747.1	(2.34)	14,315	(1.34)
2005	195.2	(1.02)	733.8	(1.78)	14,226	(0.62)
2006	193.5	(0.88)	720.4	(1.83)	14,159	(0.48)
2007	190.8	(1.40)	709.3	(1.53)	13,880	(1.97)
2008	187.4	(1.75)	691.2	(2.56)	13,423	(3.29)

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut State Labor Department

Connecticut has a diverse manufacturing sector, with the construction of transportation equipment (primarily aircraft engines and submarines) being the dominant industry. The State is also a leading producer of military and civilian helicopters. Employment in the transportation equipment sector is followed by fabricated metals, computer and electronics, and machinery for the total number employed in 2008.

TABLE A-17

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Computer & Electronics	Machinery	Other[a]	Total Manufacturing Employment
1999	49.86	50.51	35.40	23.98	80.51	240.26
2000	46.92	50.01	35.48	23.71	79.62	235.74
2001	46.87	47.03	33.82	22.41	76.59	226.72
2002	45.33	43.23	29.46	20.27	72.90	211.19
2003	43.35	40.92	26.56	18.92	70.28	200.03
2004	43.17	41.14	25.86	18.48	68.54	197.19
2005	43.50	41.08	25.48	18.14	66.98	195.17
2006	43.59	41.13	24.90	18.05	65.79	193.47
2007	43.57	40.42	25.23	18.18	63.34	190.75
2008	44.29	40.20	25.29	17.73	59.90	187.42

(a) Includes other industries such as wood products, furniture, glass/stone, primary metals, and instruments in the durable sector, as well as all industries such as chemicals, paper, and plastics in the nondurable sector.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

During the past ten years, Connecticut's manufacturing employment was at its highest in 1999 at 240,260 workers. Since that year, employment in manufacturing continued on a downward trend. A number of factors, such as heightened foreign competition, outsourcing to offshore locations, and improved productivity played a significant role in affecting the overall level of manufacturing employment. Total manufacturing jobs in Connecticut continued to decline to a recent low of 187,420 in 2008. The total number of manufacturing jobs dropped 52,840, or 22.0%, from its decade high in 1999.

Exports. In Connecticut, the export sector of manufacturing has assumed an important role in overall economic growth. According to figures published by the United States Department of Commerce, which were adjusted and enhanced by the University of Massachusetts (MISER), exports of manufacturing products registered at $15.3 billion in 2008, accounting for 7.08% of Gross State Product. From 2004 to 2008, the State's export of goods grew at an average annual rate of 15.8% versus 4.4% for the Gross State Product. The following table shows the growth in exports of manufacturing products.

TABLE A-18

Exports Originating in Connecticut
(In Millions)

	2004	2005	2006	2007	2008	Percent of 2008 Total	Average Percent Growth 2004-2008
A. Manufacturing Products							
Transportation Equipment	$3,177.8	$3,936.7	$ 5,382.1	$ 5,795.4	$ 6,434.4	42.0%	19.8%
Computer & Electronics	803.6	885.4	1,077.1	1,312.5	1,301.6	8.5	13.2
Machinery, Except Electronics	1,106.8	1,129.2	1,387.1	1,618.5	1,555.6	10.2	9.4
Fabricated Metal Production	406.5	408.2	541.2	585.9	621.7	4.1	11.8
Chemicals	608.2	590.4	748.6	1,447.9	1,575.0	10.3	31.5
Misc. Manufacturing	606.2	562.1	286.2	229.5	272.0	1.8	(14.4)
Electrical Equipment	469.7	433.0	551.4	607.0	602.9	3.9	7.2
Plastics & Rubber	179.6	178.4	204.6	212.4	251.0	1.6	9.0
Paper	165.8	219.8	230.3	147.7	146.9	1.0	0.2
Primary Metal Mfg.	275.7	325.9	639.0	480.4	508.5	3.3	23.8
Others	759.0	1,018.2	1,200.4	1,361.9	2,043.5	13.3	28.9
Total	$8,559.2	$9,687.3	$12,248.0	$13,799.1	$15,313.1	100.0%	15.8%
% Growth	5.2%	13.2%	26.4%	12.7%	11.0%		
B. Gross State Product[(a)]	$182,112	$190,499	$201,635	$ 212,252	$ 216,174		4.4%
Mfg Exports as a % of GSP	4.7%	5.1%	6.1%	6.5%	7.1%		

(a) In millions.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis
Massachusetts Institute for Social and Economic Research, University of Massachusetts (MISER)

Defense Industry. One important component of the manufacturing sector in Connecticut is the defense industry. Approximately one quarter of the State's manufacturing employees are employed in defense related business. Nonetheless, this sector's significance in the State's economy has declined considerably since the early 1980s. Connecticut had witnessed a marked reduction in the amount of federal spending earmarked for defense related industries in the State; however, these amounts have been climbing most years since federal fiscal year 2001. In federal fiscal year 2008, Connecticut received $9.7 billion of prime contract awards. These total awards accounted for 2.6% of national total awards and ranked 11th in total defense dollars awarded and 4th in per capita dollars awarded among the 50 states. In fiscal year 2008, Connecticut had $2,769

in per capita defense awards, compared to the national average of $1,204. As measured by a three year moving average of defense contract awards as a percent of Gross State Product, awards to Connecticut-based firms were 4.0% of Gross State Product in fiscal year 2008, up from 2.0% of Gross State Product in fiscal year 1999. Recent increases were primarily due to the procurement of helicopters and submarines.

Connecticut is a leading producer of aircraft engines and parts, submarines, and helicopters. The largest employers in these industries are United Technologies Corporation, including its Pratt and Whitney Aircraft Division with headquarters in East Hartford, and Sikorsky Aircraft Corporation in Stratford, as well as General Dynamics Corporation's Electric Boat Division in Groton.

The following table provides a historical perspective of defense contract awards for the past ten fiscal years. Defense contracts are awarded in their entirety and multi-year awards are credited in the year they are awarded, thus giving rise to some of the fluctuation.

TABLE A-19

Defense Contract Awards

Federal Fiscal Year	Connecticut Total Contract Award (Thousands)	Connecticut Rank Among States Total Awards	Percent Change from Prior Year	
			Connecticut	U.S.
1998-99	$3,169,394	12th	(7.0)%	5.0%
1999-00	2,177,462	17th	(31.3)	7.3
2000-01	4,269,536	10th	96.1	9.7
2001-02	5,638,582	9th	32.1	17.4
2002-03	8,064,794	5th	43.0	20.5
2003-04	8,959,424	5th	11.1	6.4
2004-05	8,753,063	7th	(2.3)	16.5
2005-06	7,780,793	10th	(11.1)	8.6
2006-07	8,601,359	9th	10.5	22.6
2007-08	9,696,554	11th	12.7	16.0

SOURCE: United States Department of Defense

Non-manufacturing. The non-manufacturing sector is comprised of industries that primarily provide services. Services differ significantly from manufactured goods in that the output is generally intangible, it is produced and consumed concurrently, and it cannot be inventoried. Consumer demand for services is not as postponable as the purchase of goods, making the flow of demand for services more stable. An economy will therefore generally become more stable as it becomes more service oriented. Over the past several decades the non-manufacturing sector of the State's economy has risen in economic importance, from just over 50% of total State employment in 1950 to approximately 89% by 2008. This trend has decreased the State's dependence on manufacturing. Over the course of the last ten years, there were more than 83,480 jobs created in this sector, an increase of 5.8%. Moreover, this sector has more than compensated for the loss in manufacturing jobs, fueling the recovery in nonagricultural employment since 2003.

The table below provides a ten year profile of non-manufacturing employment in Connecticut, New England and the United States.

TABLE A-20

Non-manufacturing Employment
(In Thousands)

Calendar Year	Connecticut Number	Connecticut Percent Growth	New England Number	New England Percent Growth	United States Number	United States Percent Growth
1999	1,428.8	2.39%	5,920.8	2.73%	111,669.1	3.05%
2000	1,457.5	2.00	6,084.8	2.77	114,528.5	2.56
2001	1,454.4	(0.21)	6,135.6	0.83	115,389.5	0.75
2002	1,453.7	(0.05)	6,111.7	(0.39)	115,083.7	(0.27)
2003	1,444.5	(0.64)	6,085.7	(0.43)	115,487.6	0.35
2004	1,452.6	0.57	6,128.0	0.70	117,104.5	1.40
2005	1,466.9	0.98	6,184.6	0.92	119,473.1	2.02
2006	1,487.1	1.38	6,263.4	1.28	121,939.1	2.06
2007	1,507.4	1.36	6,334.2	1.13	123,724.8	1.46
2008	1,512.3	0.33	6,343.7	0.15	123,622.9	(0.08)

SOURCE: United States Department of Labor, Bureau of Labor Statistics
Connecticut State Labor Department

Services, retail and wholesale trade, state and local government, as well as finance, insurance, and real estate (FIRE), collectively comprise approximately 90% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 1999, 2006, 2007 and 2008 is shown in the table below. Total non-manufacturing employment has been broken down by industry. Percent changes over the year and over the decade are also provided. Between 1999 and 2008 service industry employment expanded by 68,690 workers, responsible for over 82% of all non-manufacturing jobs, which registered an increase of 83,480 jobs. State and local governments expanded by 20,070 jobs. The increase in this line item over the ten-year period can be attributed to the Federal Government's decision to categorize all workers employed on Indian Reservations as state and local government employees. The State's two tribal casinos employ about 19,900 workers.

TABLE A-21

Connecticut Non-manufacturing Employment By Industry
(In Thousands)

Industry	Calendar Year 1999	Calendar Year 2006	Calendar Year 2007	Calendar Year 2008	Percent Change 2007-08	Percent Change 1999-08
Construction[a]	61.64	67.90	69.35	65.97	(4.87)%	7.03%
Information[b]	44.67	37.91	38.40	37.58	(2.13)	(15.86)
Trade[c]	312.12	310.96	311.73	309.97	(0.57)	(0.69)
Finance, Insurance & Real Estate	140.84	144.29	144.61	143.32	(0.89)	1.76
Services[d]	634.37	680.22	694.10	703.07	1.29	10.83
Federal Government	22.33	19.65	19.60	19.47	(0.64)	(12.77)
State and Local Government	212.86	226.22	229.59	232.93	1.45	9.43
Total Non-manufacturing Employment[d]	1,428.83	1,487.14	1,507.38	1,512.31	0.33	5.84

(a) Includes natural resources and mining.
(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.
(c) Includes wholesale & retail trade, transportation, and utilities
(d) Totals may not agree with detail due to rounding and seasonal statistical data adjustments.

SOURCE: Connecticut State Labor Department

Retail Trade. Personal spending on goods and services generally accounts for two-thirds of the Gross Domestic Product. Approximately half of personal spending is generally done through retail stores. At the State level, retail trade therefore constitutes approximately one third of the State's economic activity, measured as Gross State Product. During the last decade, variations in retail trade closely matched variations in Gross State Product growth, making retail trade an important barometer of economic health.

The following table shows the major group in each North American Industry Classification System (NAICS) code as well as the State's retail trade history for the past four fiscal years. Connecticut retail trade in fiscal year 2009 totaled $45.5 billion, a decrease of 6.9% from fiscal year 2008 with only two sectors, health & personal care stores and general merchandise stores, registering an increase. The decline in sales were especially severe in the durable goods category that are mostly big ticket items sold by furniture and home furnishings stores and motor vehicles and parts dealers.

TABLE A-22

Retail Trade In Connecticut[a]
(In Millions)

NAICS		Fiscal Year 2005	Percent of Fiscal Year 2005 Total	Fiscal Year 2006	Percent of Fiscal Year 2006 Total	Fiscal Year 2007	Percent of Fiscal Year 2007 Total	Fiscal Year 2008	Percent of Fiscal Year 2008 Total	Fiscal Year 2009	Percent of Fiscal Year 2009 Total	Average Percent Growth Fiscal Year 2005-2009
441	Motor Vehicle and Parts Dealers	$ 8,744	20.28%	$ 8,421	18.91%	$ 8,602	18.53%	$ 8,197	16.78%	$ 6,475	14.25%	(6.8)%
442	Furniture and Home Furnishings Stores	2,665	6.18	2,784	6.25	2,635	5.68	1,993	4.08	1,456	3.20	(13.0)
443	Electronics and Appliance Stores	1,510	3.50	1,646	3.70	1,627	3.50	1,686	3.45	1,595	3.51	1.5
444	Building Material and Garden Supply Stores	3,436	7.97	3,532	7.93	3,465	7.46	3,243	6.64	2,767	6.09	(5.0)
445	Food and Beverage Stores[b]	5,701	13.22	5,945	13.35	6,472	13.94	9,433	19.31	8,927	19.64	13.4
446	Health and Personal Care Stores	3,459	8.02	3,555	7.98	4,219	9.09	3,905	7.99	4,961	10.91	10.3
447	Gasoline Stations	2,666	6.18	3,050	6.85	3,073	6.62	3,403	6.97	2,868	6.31	2.5
448	Clothing and Clothing Accessories Stores	2,679	6.21	2,712	6.09	2,838	6.11	2,947	6.03	2,667	5.87	0.1
451	Sporting Goods, Hobby, Book and Music Stores	1,080	2.50	1,091	2.45	1,155	2.49	1,195	2.45	1,052	2.31	(0.4)
452	General Merchandise Stores	4,844	11.23	5,059	11.36	5,135	11.06	5,193	10.63	5,215	11.47	1.9
453	Miscellaneous Store Retailers	3,505	8.13	3,792	8.52	3,998	8.61	4,037	8.26	3,964	8.72	3.2
454	Nonstore Retailers	2,836	6.58	2,933	6.59	3,209	6.91	3,616	7.40	3,508	7.72	5.6
	Total[a]	$43,126	100.00%	$44,521	100.00%	$46,428	100.00%	$48,848	100.00%	$45,455	100.00%	
Durables (NAICS 441, 442, 443, 444)		$16,355	37.92%	$16,383	36.80%	$16,329	35.17%	$15,119	30.95%	$12,293	27.04%	(6.6)
Non Durables (all other NAICS)		$26,771	62.08%	$28,138	63.20%	$30,099	64.83%	$33,729	69.05%	$33,162	72.96%	5.6

(a) Totals may not agree with detail due to rounding.

(b) Please note that due to a discrepancy in reporting methodology, the 2008 figure for Food and Beverage Stores is inconsistent with past reporting practices. The Office of Policy and Management estimates that the 2008 figure should indicate a modest increase rather than the calculated 45.8% from fiscal year 2007.

SOURCE: Connecticut Department of Revenue Services

Unemployment Rates. The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. Unemployment rates tend to be high during economic slowdowns and low when the economy is expanding. The rate is widely utilized as a proxy for consumer confidence. In general, when the unemployment rate is high consumer spending is lower and vice versa.

After enjoying an extraordinary boom during the late 1990s, Connecticut, as well as the rest of the Northeast and the Nation, experienced an economic slowdown during the recession of the early 2000s. The unemployment rate in the State reached its low of 2.3% in 2000, compared to New England's average of 2.8% and the national average of 4.0%. After climbing to a high of 5.5% in 2003, Connecticut's unemployment rate

declined to 4.4% by 2006. This current recession has seen the unemployment rate rise to 8.0% for 2009, compared to the New England average of 8.3% and the national average of 9.3% for the same period.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States between 2000 and 2009.

TABLE A-23

Unemployment Rate

Year	Unemployment Rate		
	Connecticut	New England	United States
2000	2.3	2.8	4.0
2001	3.1	3.6	4.7
2002	4.4	4.8	5.8
2003	5.5	5.4	6.0
2004	4.9	4.9	5.5
2005	4.9	4.7	5.1
2006	4.4	4.5	4.6
2007	4.6	4.4	4.6
2008	5.7	5.4	5.8
2009	8.0	8.3	9.3
2010[(a)]	9.0	9.0	9.7

(a) Reflects average for first 6 months. On a preliminary basis, Connecticut's average unemployment rate for August 2010 was 9.1% compared to the national average of 9.6% for the same period.

SOURCE: Connecticut State Labor Department
Federal Reserve Bank of Boston
United States Department of Labor, Bureau of Labor Statistics

FINANCIAL PROCEDURES

The Budgetary Process

Balanced Budget Requirement. In November 1992 electors approved an amendment to the State Constitution providing that the amount of general budget expenditures authorized for any fiscal year shall not exceed the estimated amount of revenue for such fiscal year. This amendment also provides a framework for a cap on budget expenditures. The General Assembly is precluded from authorizing an increase in general budget expenditures for any fiscal year above the amount of general budget expenditures authorized for the previous fiscal year by a percentage which exceeds the greater of the percentage increase in personal income or the percentage increase in inflation, unless the Governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house of the General Assembly vote to exceed such limit for the purposes of such emergency or extraordinary circumstances. The constitutional limitation on general budget expenditures does not include expenditures for the payment of bonds, notes or other evidences of indebtedness. There is no statutory or constitutional prohibition against bonding for general budget expenditures.

The Supreme Court has ruled that the provisions of the constitutional budget cap require the passage of additional legislation by a three-fifths majority in each house of the General Assembly, which has not yet occurred. In the interim, the General Assembly has been following a provision of the General Statutes, which contains the same budget cap as the constitutional amendment. In addition to the exclusion of debt service from the budget cap, this statute also excludes statutory grants to distressed municipalities, expenditures to implement federal mandates and court orders in the first fiscal year in which such expenditures are authorized, and payments from surplus for certain debt retirement and additional state employee pension contributions.

Biennium Budget. The State's fiscal year begins on July 1 and ends June 30. The General Statutes require that the budgetary process be on a biennium basis. The Governor is required to transmit a budget document to the General Assembly in February of each odd-numbered year setting forth the financial program for the ensuing biennium with a separate budget for each of the two fiscal years and a report which sets forth estimated revenues and expenditures for the three fiscal years after the biennium to which the budget document relates. In each even-numbered year, the Governor must prepare a report on the status of the budget enacted in the previous year with any recommendations for adjustments and revisions, and a report, with revisions, if any, which sets forth estimated revenues and expenditures for the three fiscal years after the biennium in progress.

Budget Document. By statute the budget document consists of four parts. Part I is the Governor's budget message, and contains the Governor's program for meeting the expenditure needs of the State as well as financial statements detailing the condition of State debt, the financial position of all major State operating funds, recommended appropriations and State revenues on an actual basis for the last completed fiscal year and on an estimated basis for the fiscal year in progress and the fiscal years to which the budget relates. If a budget deficit or surplus is projected, the Governor will recommend the manner in which the deficit will be met or surplus used. The Governor's recommended appropriations from the General Fund and all special and agency funds comprise Part II of the budget document. Appropriations are set forth for meeting the cost of each major function and program. An accounting of federal funds and recommendations for the capital program are also included. Part III of the budget document consists of drafts of appropriations and revenue bills to carry out the Governor's budget recommendations. In Part IV of the budget, the Governor makes recommendations concerning the State's economy and analyzes the impact on the economy of the proposed spending and revenue programs.

Preparation of the Budget. Formulation of the budget document commences with the preparation of estimates of expenditure requirements for each fiscal year of the next biennium by the administrative head of each budgeted agency. These estimates are submitted on or before September 1 of each even-numbered year to the Office of Policy and Management ("OPM") and to the joint legislative standing committee on appropriations and the committee having cognizance of matters relating to such budgeted agency. In odd-

numbered years, each agency submits its recommended adjustments or revisions of such estimates. In addition, the administrative head of each budgeted agency transmits to the Office of Fiscal Analysis copies of the agency's monthly status reports relating to finances, personnel, and nonappropriated moneys. A detailed statement showing revenue and estimated revenue for the current fiscal year and estimated revenue for the next fiscal year, and in the even-numbered year, for the next biennium, must also be submitted by such agency heads to OPM on or before September 1 and the joint legislative standing committee on finance on or before November 15. Upon receipt of such agency reports, it is OPM's practice to prepare a preliminary budget report.

Adoption of the Budget. The budget document, as finally developed by the Governor with the assistance of OPM, is published and transmitted to the General Assembly in February of each odd-numbered year. A report summarizing recommended adjustments or revisions is submitted by the Governor to the General Assembly in even-numbered years. The Governor or a representative then appears before the appropriate committee of the General Assembly to explain and address questions concerning the budget document or reports. Prior to June 30 of each odd-numbered year, the General Assembly generally enacts one bill making all appropriations for the next two fiscal years and setting forth revenue estimates for those years. Subsequent appropriations or revenue bills are occasionally passed.

Line Item Veto. Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill. A statement identifying the items so disapproved and explaining the reasons therefor must be transmitted with the bill to the Secretary of the State and, when in session, the General Assembly. The General Assembly may separately reconsider and repass such disapproved appropriation items by a two-thirds vote of each house.

Fiscal Accountability Report. Beginning November 2005, by November fifteenth annually, the Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis each submit the following to the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and the budgets of State agencies and to finance, revenue and bonding: (1) an estimate of State revenues, expenditures and ending balance for each fund, for the current biennium and the next ensuing three fiscal years, and the assumptions on which such estimates are based; (2) the projected tax credits to be used in the current biennium and the next ensuing three fiscal years, and the assumptions on which such projections are based; (3) a summary of any estimated deficiencies in the current fiscal year, the reasons for such deficiencies, and the assumptions upon which such estimates are based; (4) the projected balance in the Budget Reserve Fund at the end of each uncompleted fiscal year of the current biennium and the next ensuing three fiscal years; (5) the projected bond authorizations, allocations and issuances in each of the next ensuing five fiscal years and their impact on the debt service of the major funds of the State; (6) an analysis of revenue and expenditure trends and of the major cost drivers affecting State spending, including identification of any areas of concern and efforts undertaken to address such areas, including efforts to obtain federal funds; and (7) an analysis of possible uses of surplus funds, including the Budget Reserve Fund, debt retirement and funding of pension liabilities.

By November 30, annually, the legislative committees then meet with the Secretary of the Office of Policy and Management and the Director of the legislative Office of Fiscal Analysis to consider the submitted reports.

The Secretary of the Office of Policy and Management on November 15, 2009, and the director of the legislative Office of Fiscal Analysis on November 13, 2009, each submitted a fiscal accountability report for the current biennium and the next ensuing three fiscal years. The Office of Fiscal Analysis projected General Fund deficits for fiscal years ending June 30 of 2010, 2011, 2012, 2013 and 2014 of $385.9 million, $286.7 million, $3,282.0 million, $3,023.6 million and $3,191.9 million, respectively. The Office of Policy and Management in its report projected General Fund deficits for fiscal years ending June 30 of 2010, 2011, 2012, 2013 and 2014 of $337.0 million, $107.4 million, $3,024.0 million, $2,633.9 million and $2,581.7 million, respectively. The projections in each report were based on current services and certain other assumptions. In

addition, both reports assumed that the scheduled sales tax reduction from 6.0% to 5.5% would not go into effect on January 1, 2010 because the trigger provisions that prevent the rate decrease from taking effect pursuant to Public Act No. 09-3 of the June 2009 Special Session would be met. Additionally, the reports estimated general obligation bond authorizations, allocations, issuance and debt service for the current fiscal year and succeeding four fiscal years. The reports estimated fairly stable general obligation bond issuances over the five-year period of between $1.2 billion and $1.4 billion, with the expenditure on debt service gradually increasing. The projections of the Office of Policy and Management and the Office of Fiscal Analysis are only estimates and the information in each of the fiscal accountability reports contain only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the General Assembly will not indicate changes in the final result of such fiscal years. The fiscal accountability report is generally on a current services basis, so its figures may not reflect any deficit reduction programs initiated in the current or any future budget biennium. The State has a balanced budget requirement and an expenditure cap as discussed at ***Page A-26*** under the heading **The Budgetary Process – *Balanced Budget Requirement.*** As such, budgets adopted for these fiscal years will need to reflect a combination of revenue enhancements and expenditure reductions. As a result, the figures do not represent a projection of the actual financial results that might be expected, but instead serve as planning tools.

Consensus Revenue Estimates. Public Act 09-214 requires the Office of Policy and Management and the legislature's Office of Fiscal Analysis to issue consensus revenue estimates each year by October 15. The estimates must cover a five-year period that includes the current biennium and the three following fiscal years. It also requires the two offices, by January 15 and April 30 each year, to issue either (1) a consensus revision of their previous estimate or (2) a statement that no revision is needed. If the two agencies cannot arrive at a consensus estimate, they must issue separate ones. In such a case, the Comptroller must issue the consensus estimate based upon the separate estimates. The Comptroller's estimate must equal one of the separate estimates or fall between the two.

Prior to the issuance of the fiscal accountability report discussed above, on October 15, 2009 the first such consensus revenue estimates were issued. The General Fund revenue estimates for fiscal years ending June 30 of 2010, 2011, 2012, 2013, and 2014 were $17,204.0 million, $17,432.7 million, $15,794.8 million, $16,755.5 million and $17,485.7 million, respectively. The consensus revenue estimates showed flat net tax revenues for the current biennium and then significant tax revenue growth for the next three fiscal years. Specifically, the consensus revenue estimates showed personal income tax revenues for the 2009-10 fiscal year of $6,610.7 million increasing to $8,499.6 million in fiscal year 2013-14. These trends were offset by a decline in Other Sources for the fiscal years ending June 30 of 2012, 2013 and 2014. This was due in part to the inclusion in the 2009-10 and 2010-11 fiscal years of federal stimulus funds, use of the $1,381.7 million balance in the Budget Reserve Fund, $1,300 million of borrowings in the form of securitization of future revenue sources for the 2010-11 fiscal year, and $60 million of asset sales, and the assumption that those sources will not be available in the ensuing fiscal years. On January 15, 2010, the Office of Policy and Management and the Office of Fiscal Analysis arrived at consensus revenue estimates. The General Fund revenue estimates for fiscal years ending June 30 of 2010, 2011, 2012, 2013, and 2014 were $17,029.5 million, $17,144.2 million, $15,385.8 million, $16,188.6 million, and $16,932.3 million, respectively.

The projections in the consensus revenue estimates are only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the General Assembly will not indicate changes in the final result of such fiscal years.

Pursuant to Public Act No. 09-214, the Office of Policy and Management and the legislature's Office of Fiscal Analysis issued on April 30, 2010, a consensus revision of their previous estimate. The General Fund revenue estimates for fiscal years ending June 30 of 2010, 2011, 2012, 2013 and 2014 were $17,456.4 million, $17,415.8 million, $15,791.4 million, $16,610.7 million, and $17,397.3 million, respectively. The projections in the consensus revenue estimates are only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the General Assembly will not

indicate changes in the final results of the fiscal years reported. The next consensus revenue estimate is expected on October 15, 2010.

Financial Controls

Expenditures. The financial control procedures utilized by the State in the expenditure of State funds are described below and may be generally summarized as follows: initially, the legislature appropriates funds for a particular purpose; such funds must then be allotted for such purpose by the Governor; and thereafter such funds are encumbered by the Comptroller upon the request of the responsible State agency. Once this appropriation, allotment and encumbrance procedure (which may be modified as described below) has been completed, State funds are paid by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. Certain receivables from the federal government or other sources do not require allotment by the Governor.

Governor's Role. Before an appropriation for a budgeted agency becomes available for expenditure the agency must submit to the Governor through the Secretary of OPM, not less than 20 days before the beginning of the fiscal year for which the appropriation is made, a requisition for the allotment of funds needed for each quarter of the fiscal year. Appropriations for capital outlays may be allotted in any manner the Governor deems advisable. The Governor may reduce the budget allotment request by not more than three percent of the total appropriation from any fund or not more than five percent of any appropriation under certain circumstances. Such allotments are subject to further modification by the Governor throughout the course of the fiscal year if conditions warrant. The Governor is not authorized to reduce allotment requisitions or allotments in force concerning aid to municipalities or any budgeted agency of the legislative or judicial branch, except that the Governor may require an aggregate allotment reduction of a specified amount for the legislative or judicial branch.

Comptroller's Role. The Comptroller is responsible for keeping an account in connection with each appropriation. No warrant, draft or order may be issued by the Comptroller in excess of the available balance of the applicable account unless the General Assembly has passed a deficiency bill for the purpose or unless such appropriation has been increased by the Governor in the limited circumstances of emergency expenditures or allotment modifications as authorized by statute. The Comptroller is required to issue cumulative monthly financial reports concerning the State General Fund.

Treasurer's Role. Each warrant, draft or order upon the Treasurer must specify the particular appropriation against which it is drawn, and no money may be paid by the Treasurer absent such specification. The Treasurer is required to honor all warrants, drafts and orders properly drawn by the Comptroller. The Treasurer also has primary responsibility for the investment of State funds and the issuance of debt of the State.

By statute, the Treasurer may not pay compensation, expenses or fees or otherwise enter into contractual arrangements with any firm providing legal services, investment banking services, investment advisory services, underwriting services, financial advisory services or brokerage firm services if such firm, through its political committee or certain managerial level officers or employees, makes or solicits contributions to any committee established by a candidate for nomination or election to the Office of Treasurer of the State. The statute also prohibits the making or solicitation of contributions by such firms.

Use of Appropriations. No appropriation or part thereof may be used for any purpose other than for the purpose for which it was made, except with respect to certain transfers and revisions of appropriations permitted to be made by the Governor with the concurrence of the Finance Advisory Committee, composed of members of the executive and legislative departments. Civil sanctions may be imposed pursuant to statute upon persons who willfully expend or authorize the expenditure of State funds for any purpose in excess of the amount specifically appropriated for such purpose.

Unexpended Appropriations. All unexpended balances of appropriations for each fiscal year lapse on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except for certain continuing appropriations. Such continuing appropriations include those continued for a one-month period in the case of programs which were not renewed the succeeding year, those continued for the entire succeeding year in the case of highway and other capital construction projects, and limited amounts for certain special programs.

Unappropriated Surplus. The State Constitution provides that any resulting unappropriated surplus shall be used to fund a budget reserve fund, to reduce bonded indebtedness or for any other purpose authorized by at least three-fifths of each house of the General Assembly. The General Statutes provide that the Treasurer shall transfer any unappropriated surplus in the General Fund to a budget reserve fund, unless otherwise directed by law. When the amount in the budget reserve fund in any fiscal year equals 10 % of the net General Fund appropriations, no further transfers shall be made by the Treasurer.

After the accounts for the fiscal year are closed, beginning with the fiscal year ending June 30, 2010, and each fiscal year thereafter, until and including the fiscal year ending June 30, 2017, if the Comptroller determines there exists an unappropriated surplus in the General Fund, the amount of any such surplus is first to be used for redeeming prior to maturity any outstanding economic recovery notes issued to fund the deficit in the General Fund for the fiscal year ending June 30, 2009, refund any such notes, and pay the costs of issuance of such notes and interest payable or accrued on such notes through June 30, 2011, pursuant to Section 2 of Public Act No. 09-2 of the June 2009 Special Session, and any amount beyond that required to redeem such notes shall be used to reduce the obligations of the State under the financing plan authorized under Section 88 of Public Act No. 09-3 of the June 2009 Special Session. By statute, the Treasurer was directed to transfer (i) and did transfer, $1,039.7 million from the budget reserve fund to the resources of the General Fund to be used as revenue for the fiscal year ending June 30, 2010 and (ii) $342.0 million from the budget reserve fund to the resources of the General Fund to be used as revenue for the fiscal year ending June 30, 2011.

Revenues. The Treasurer superintends the collection and receipt of all taxes and revenues belonging to the State, and is authorized to deposit the same in any qualified public depository as defined by statute. Each State department, institution, board, commission or other State agency and any official or employee thereof that receives any money for revenue of the State must, within 24 hours of its receipt or within seven days of receipt for amounts less than $500, account for and pay the same to the Treasurer or, with the approval of the Treasurer and the Comptroller, deposit the same in an account in a qualified public depository in the name of the State or in the name of the public official as such official. The Treasurer is authorized to make exceptions to the limitations on amounts and timing of payments or deposits of receipts provided the Treasurer files a written statement of such exception with the Comptroller and the State's Auditors of Public Accounts. Any public official who deposits funds or moneys in an account in the name of the State or in such official's name must submit a list of all such accounts as of the preceding June 30 to the Treasurer and the Comptroller not later than September 1 of each year.

Accounting Procedures

Financial statements of the State are prepared annually on a modified cash basis of accounting for all civil list funds. The Comptroller prepares the statements for submission to the Governor by September 1 of each year, unless extended by State law. The State's Auditors of Public Accounts must audit the books and accounts of the Treasurer and the Comptroller at least annually and have discretion to audit them at more frequent intervals.

At the present time the State is not required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP") and does not prepare GAAP statements on an interim basis. However, since 1988 the State has issued comprehensive annual financial reports in accordance with the guidelines established by the Governmental Accounting Standards Board. These reports include audited

annual financial statements prepared in accordance with GAAP. Effective with the fiscal year commencing July 1, 2008, the Comptroller, in the Comptroller's sole discretion, may initiate a process intended to result in the implementation of GAAP as prescribed by the Governmental Accounting Standards Board, with respect to the preparation and maintenance of the annual financial statements of the State now prepared on a modified cash basis, by making incremental changes consistent with GAAP.

As specifically permitted by statute or decision of the Comptroller, the only present modifications from the cash basis in recording revenues under the modified cash method are: (1) the accrual of sales and use taxes to be received for the calendar quarter ending at the close of such fiscal year as estimated by the Secretary of OPM; (2) the accrual of cigarette tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (3) the accrual of alcoholic beverage tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (4) the accrual of motor fuels tax revenue and motor carrier road tax revenue on all fuel sold or used prior to the end of such fiscal year and received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (5) the accrual of utility company tax revenue and tax revenue on gross earnings from the sale of petroleum products which is received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (6) the accrual of corporation business tax revenue received by the Department of Revenue Services no later than five business days after the fifteenth day of August immediately following the end of such fiscal year through the 2006-07 fiscal year and, pursuant to the Comptroller's constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and her statutory powers under Public Act No. 08-111, the last day of July for fiscal year 2007-08 and thereafter; (7) the accrual of income tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (8) the accrual of nursing home provider tax received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (9) the accrual of payments received from any Indian tribe, pursuant to a memorandum of understanding, received by the Treasurer no later than the last day of July immediately following the end of such fiscal year; (10) the accrual of real estate conveyance tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; and (11) the recording as grants receivable of certain amounts of restricted grants for which the State has the contractual right to be reimbursed by the federal government or other parties.

Expenditures are recorded on a cash basis in the fiscal year in which they are made. Such expenditures are so recorded by the Comptroller when the Comptroller draws and serves a warrant on the Treasurer. Those instances in which warrants are drawn at the close of a fiscal year can, because of required processing time, result in disbursements made after the beginning of the following fiscal year. Certain appropriations which have not lapsed are reflected in the balance sheet through a reserve for continuing appropriations.

The modified cash basis of accounting used for statutory financial reporting and the modified accrual basis used for GAAP financial reporting are different and, as a result, often produce varying financial results, primarily because of differences in the recognition of revenues and expenditures. For example, for statutory reporting purposes, the State's bi-weekly payroll expenditures are recognized in the fiscal year in which employees are paid, while for GAAP purposes they are recognized in the fiscal year in which the services are performed, resulting in GAAP accrual of expenditures for work performed through June 30 but not paid until the following fiscal year. Similarly, the modified accrual basis used for GAAP financial reporting recognizes additional federal and other grant moneys as revenues which are not so recognized in the modified cash basis of accounting.

The Treasurer is required to submit to the Governor and the Investment Advisory Council, by December 31 of each year, audited financial statements of the State's combined investment funds, and

financial statements of the Short Term Investment Fund, the Second Injury Fund, and the Tax Exempt Proceeds Fund for the prior fiscal year.

In July 2003 the State implemented the first phase of a new, fully integrated, Internet based, financial management and human resources system called Core-CT. The system was rolled out in phases by applications over a period of time between July 2003 and July 2007. The new system provides a single point of entry for all State financial, human resources and payroll data. The implementation of Core-CT is the product of several years of work to improve the State's financial reporting and management information systems. From an information technology perspective, Core-CT has allowed the State to standardize and modernize its computer technology bringing uniformity to the computers, programming languages, and data base packages utilized by State government. Core-CT utilizes PeopleSoft ERP software. On-going maintenance and scheduled upgrades to the system are expected to continue.

Core-CT was implemented coincident with an unanticipated and significant downsizing of the State's workforce between 2002 and 2003, resulting in significantly reduced staffing levels in State agency business and financial offices. This left the State with the task of implementing the most ambitious upgrade to its financial systems in history with a smaller and less experienced workforce. In addition, as with the implementation of any large-scale information technology system, Core-CT experienced some initial difficulties. Software anomalies were detected, certain application processing was slow, and some users did not fully understand the new coding conventions and accounting entries required for system processing. These problems were aggravated by technical complications relating to an interface to Core-CT from a new revenue management system implemented in January 2004 at the Department of Revenue Services. While this system is not part of Core-CT, it must interface effectively with Core-CT applications.

The initial Core-CT implementation problems outlined above have been resolved. A State team consisting of employees from the Office of the State Comptroller, OPM, the Office of Information and Technology and the Department of Administrative Services continues to work on an ongoing basis with State agencies, consultants and PeopleSoft representatives to improve system performance.

The implementation problems with the CORE-CT financial management software system caused a delay in the preparation of financial statements and reports for fiscal years 2004-05 and 2005-06. There was a delay of the State's submission to the U.S. Department of Health & Human Services of its Single Audit for the fiscal year ending June 30, 2006 pursuant to OMB Circular No. A-133. The State received an extension until May 31, 2007, and the State submitted the Single Audit before that date. The State does not expect there to be any such delay this year.

Investment and Cash Management

Treasurer's Role. The Treasurer has the investment responsibility for all funds of the State and functions as the trustee of all State pension, retirement and trust funds. The Treasurer is authorized to invest or reinvest funds under the control of the Treasurer in United States government or agency obligations, shares or interests in an investment company or trust registered under the Investment Company Act of 1940, whose portfolio is limited to obligations of the United States, its agencies or instrumentalities, or repurchase agreements fully collateralized by such obligations, United States postal service obligations, certificates of deposit, commercial paper, savings accounts and bank acceptances. The Treasurer may also invest funds, excluding civil list funds, in the sale or acquisition of securities or obligations which the Treasurer is authorized to sell or acquire for purposes of any combined investment fund, subject to repurchase agreements with any securities dealer or bank included in the list of primary dealers prepared by the Federal Reserve Bank of New York. The Treasurer is also authorized to invest all or any part of any sinking fund in bonds in which savings banks may legally invest, provided such bonds mature prior to maturity of the bonds of the State which are outstanding. The Treasurer is required to report by December 31 annually to the Governor and the Investment Advisory Council as to the activities of the Office of the Treasurer for the preceding fiscal year.

Cash Management. Cash management and the investment by the Treasurer of all State monies is based on the concept of a common cash pool. It is the practice of the State to treat all civil list funds (including monies in the General Fund, the Budget Reserve Fund, various bond funds, and the Special Transportation Fund) as common cash. All banks holding major account balances for the State Treasury report these balances daily, enabling the Treasurer to maintain adequate cash to meet anticipated demands and to keep unneeded balances fully invested.

Short Term Investment Fund. The Short Term Investment Fund ("STIF") is a combined investment pool of high quality, short term money market instruments which is the primary investment vehicle for the temporarily surplus cash of all funds of which the Treasurer is custodian and/or trustee, except certain bond funds, State pension funds and selected trust funds. All agencies, instrumentalities and political subdivisions of the State are permitted to invest in STIF. The State is responsible to these governmental entities to manage their deposits and accumulated earnings in a prudent manner. Individual participants in STIF can add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of STIF are the preservation of principal and the provision of liquidity to meet participants' daily cash flow needs, while seeking to earn competitive yields. STIF is managed in accordance with the investment guidelines established by the Treasurer. These investment guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short term money market indices, and limit the ability to enter into reverse repurchase agreements to amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution. Shares of the Short Term Investment Fund are rated "AAAm" by Standard & Poor's.

Medium Term Investment Fund. A 1997 statute created the Medium-Term Investment Fund. The Treasurer may purchase participation units of the fund for all trusts and other funds for which the Treasurer has investment responsibility. The Treasurer may sell participation units in the Medium-Term Investment Fund to all agencies, authorities, instrumentalities and political subdivisions of the State. The Treasurer is authorized to invest and reinvest funds of the Medium-Term Investment Fund in obligations of the United States government and its agencies and instrumentalities, certificates of deposit, commercial paper, corporate debt securities, savings accounts and bankers' acceptances, repurchase agreements collateralized by such securities, and investment funds or pools comprised of securities in which the Medium-Term Investment Fund may directly invest. The Medium-Term Investment Fund was implemented in September 2006.

Other Funds. Up to $100 million of the state's operating cash may be invested in certificates of deposit of community banks and credit unions, pursuant to CGS 3-24k. In addition, investments are made in individual securities pursuant to CGS 3-31a. Allowable investments under CGS 3-31a include United States government and agency obligations, repurchase agreements collateralized by such obligations, certificates of deposit, commercial paper, savings accounts, and bank acceptances. The Treasurer has adopted guidelines for investments made under CGS 3-31a, which specify credit and diversification standards, and limit individual security maturities to three years and the total amount invested to $500 million.

Investment of Bond Proceeds. Proceeds of bonds are accounted for in various general obligation bond funds. All invested assets of the bond funds are invested in STIF or TEPF. Bond proceeds are expended in accordance with the authorization and allotment procedure of the State Bond Commission and the Governor, respectively. Assets of the bond funds may from time to time be released temporarily to the common cash pool in accordance with the State's overall cash flow needs. Under the State's accounting system, release of the assets of the bond funds to the common cash pool is reflected in the accounts of the bond funds as an uninvested cash balance. That accounting balance can be reduced only when an approved payment for an expenditure is charged to the bond funds. In no case does the release of bond fund assets to the common cash pool alter the timing or the extent of expenditures for the purposes for which the bonds were issued.

Tax Exempt Proceeds Fund. Under the terms of the General Statutes the Treasurer has facilitated the establishment of the Tax Exempt Proceeds Fund, Inc. ("TEPF"), a diversified, open-end management investment company, registered under the Investment Company Act of 1940, whose investment objectives are

to provide its investors with high current interest income exempt from federal income taxes, preservation of capital and maintenance of liquidity. TEPF will only invest in securities that qualify as an investment in "tax-exempt bonds" as defined in Section 150(a)(6) of the Internal Revenue Code of 1986, as amended (the "Code") and amplified in Treasury Department Regulations. Therefore, shareholders of TEPF that are tax-exempt bond issuers are expected to be exempt from the arbitrage rebate provisions of the Code. TEPF seeks to achieve its objectives by investing primarily in a liquid money market portfolio of short-term, high quality, tax-exempt, fixed rate and variable rate obligations issued by states, municipal governments and by public authorities, and in participation interests therein issued by banks, insurance companies or other financial institutions that meet this federal income tax definition. The TEPF seeks to maintain a constant net asset value of $1.00 per share. TEPF's investment policies were developed for the particular federal income tax needs of entities that are issuers of tax-exempt state and local bonds, such as states and municipalities and their authorities, agencies, instrumentalities and subdivisions. All recipients of any grant or loan monies of the State funded from Connecticut tax-exempt bond proceeds must invest such monies in TEPF, unless the Treasurer waives this requirement upon a determination that a waiver will not adversely affect the tax-exempt status of State bonds, notes or other evidences of indebtedness. The State may, from time to time, deposit bond proceeds of the State in TEPF. Reich & Tang Asset Management, LLC acts as investment manager of TEPF and a Board of Directors is responsible for TEPF's overall management and supervision.

Investment Advisory Council. All trust fund investments by the Treasurer are reviewed by the Investment Advisory Council, comprised of the Treasurer and the Secretary of OPM as ex officio members, five members of the public with experience in investment matters, three representatives of the teachers' union and two representatives of the State employees' unions. The Treasurer, with the approval of the Council, adopts an Investment Policy Statement for trust funds. The Governor may direct the Treasurer to change any investments when in the judgment of the Council such action is in the best interest of the State. At the close of each fiscal year a report is submitted to the Governor on the value of all security investments of the State.

Investment of Pension Funds. Eleven investment funds serve as the investment medium for the various pension, retirement and trust funds of which the Treasurer is the trustee. They are the Mutual Equity Fund, the Developed Markets International Stock Fund, the Emerging Markets International Stock Fund, the Core Fixed Income Fund, the Inflation Linked Bond Fund, the Emerging Markets Debt Fund, the High Yield Debt Fund, the Private Investment Fund, the Real Estate Fund, the Liquidity Investment Fund and the Alternative Investment Fund. The pension, retirement and trust funds acquire units, in varying proportions depending on the investment policies of the funds, in one or more of the seven investment funds. By statute no more than 60% of any of the State's trust funds may be invested in common stock and if market fluctuations cause this limit to be exceeded, after six months no more than 65% of the State's trust funds may remain invested in common stock. Other than these limits, the statutes of the State permit investment in securities under the "Prudent Investor" rule.

BUDGET APPROPRIATIONS OF THE STATE SPECIAL TRANSPORTATION FUND FOR FISCAL YEARS 2009-2010 AND 2010-2011

APPROPRIATIONS	2009-2010	2010-2011
I. DEPARTMENT OF TRANSPORTATION		
A. Personal Services	156,859,684	148,049,749
B. Other Expenses	43,426,685	46,926,685
C. Equipment	2,001,945	1,911,500
D. Minor Capital Projects	332,500	332,500
E. Highway and Bridge Renewal Equipment	6,000,000	6,000,000
F. Highway Planning and Research	2,670,601	2,819,969
G. Rail Operations	117,635,208	137,901,327
H. Bus Operations	125,318,445	132,955,915
I. Highway and Bridge Renewal	12,402,843	12,402,843
J. Tweed New Haven Airport	1,500,000	1,500,000
K. ADA Para-Transit Program	23,826,375	25,565,960
L. Non-ADA Dial-A-Ride	576,361	576,361
M. Southeast Tourism Transit System		
N. Non-Bondable Bus Capital Projects		
O. Southeast CT Intermodal Transportation Center		
P. Payments to Local Governments - Town Aid		
AGENCY TOTAL TRANSPORTATION FUND	**492,550,647**	**516,942,809**
II. MOTOR VEHICLE DEPARTMENT		
A. Personal Services	44,365,796	39,006,604
B. Other Expenses	14,126,534	13,115,716
C. Equipment	595,957	609,071
D. Insurance Enforcement		
E. CVISN	268,850	255,407
AGENCY TOTAL	**59,357,137**	**52,986,798**
III. GENERAL GOVERNMENT		
DEPARTMENT OF ADMINISTRATIVE SERVICES - Other Expenses	2,536,000	2,717,500
TOTAL GENERAL GOVERNMENT	**2,536,000**	**2,717,500**
IV. NON-FUNCTIONAL		
DEBT SERVICE - STATE TREASURER		
Debt Service - State Treasurer	443,958,243	458,839,454
RESERVE FOR SALARY ADJUSTMENT		
Reserve for Salary Adjustment	2,582,210	12,947,130
DEPARTMENT OF ADMINISTRATIVE SERVICES		
Worker's Compensation Claims	5,200,783	6,700,783
APPROPRIATIONS ADMINISTERED BY THE COMPTROLLER		
Unemployment Compensation	220,960	345,000
STATE EMPLOYEES RETIREMENT CONTRIBUTIONS		
Other Expenses	77,508,000	82,437,000
INSURANCE - GROUP LIFE		
Other Expenses	314,300	324,000
EMPLOYERS SOCIAL SECURITY TAX		
Other Expenses	18,228,071	19,611,180
STATE EMPLOYEES HEALTH SERVICE COST		
Other Expenses	33,423,070	34,032,200
TOTAL NON-FUNCTIONAL	**581,435,637**	**615,236,747**
TOTAL - Special Transportation Fund	**1,135,879,421**	**1,187,883,854**
Less: Estimated Lapse	(11,000,000)	(11,000,000)
Personal Services Reductions	(10,227,979)	0
NET - SPECIAL TRANSPORTATION FUND	**1,114,651,442**	**1,176,883,854**

SOURCES: FY 2010: Public Act 09-3, as amended by PA 09-7 of the September Special Session
FY 2011: Public Act 10-179

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STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND

FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
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JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

CCR
Certified Public Accountants & Business Advisors

124 Hebron Avenue
Glastonbury, CT 06033
860.781.6700
860.633.0480 *fax*
www.ccrllp.com

INDEPENDENT AUDITORS' REPORT

To the Honorable M. Jodi Rell
Governor of the State of Connecticut

We have audited the accompanying financial statements of each major fund of the Special Transportation Fund (the "Fund") of the State of Connecticut (the "State") as of and for the year ended June 30, 2010, as listed in the accompanying table of contents. These financial statements are the responsibility of the State of Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Special Transportation Fund of the State of Connecticut are intended to present the financial position, and the changes in financial position of only that portion of each major fund and the aggregate remaining fund information of the State that is attributable to the transactions of the Special Transportation Fund. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2010, and the changes in the State's financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Special Transportation Fund of the State of Connecticut as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CCR LLP

Glastonbury, Connecticut
October 15, 2010

FINANCIAL STATEMENTS

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010
(Amounts Expressed in Thousands)

	Special Revenue Fund	Debt Service Fund	Restricted Grants Fund	Total
ASSETS				
Cash and cash equivalents	$ 102,005	$ -	$ 30,006	$ 132,011
Restricted investments held by Trustee	-	687,752	-	687,752
Receivables:				
Taxes	43,091	-	-	43,091
Accounts, net of allowance for doubtful accounts of $1,478 and $201 for the Special Revenue Fund and Restricted Grants Fund, respectively	11,745	-	1,147	12,892
Interest	49	1,288	-	1,337
Restricted federal grants	-	-	165,907	165,907
Due from other funds of the State	1,288	-	-	1,288
Inventories	28,189	-	-	28,189
Total assets	$ 186,367	$ 689,040	$ 197,060	$ 1,072,467
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	$ 28,738	$ -	$ 88,083	$ 116,821
Deferred revenue	5,118	-	3,274	8,392
Due to other funds of the State	-	1,288	687	1,975
Total liabilities	33,856	1,288	92,044	127,188
FUND BALANCES				
Reserved for:				
Inventories	28,189	-	-	28,189
Continuing appropriations	41,977	-	-	41,977
Restricted grants	-	-	105,016	105,016
Debt service	-	687,752	-	687,752
Unreserved	82,345	-	-	82,345
Total fund balances	152,511	687,752	105,016	945,279
Total liabilities and fund balances	$ 186,367	$ 689,040	$ 197,060	$ 1,072,467

The accompanying notes are an integral part of these financial statements.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Amounts Expressed in Thousands)

	Special Revenue Fund	Debt Service Fund	Restricted Grants Fund	Total
REVENUES				
Motor fuel taxes	$ 635,168	$ -	$ -	$ 635,168
Sales taxes	67,784	-	-	67,784
License, permit and fee revenues	299,112	-	-	299,112
Investment income	831	5,741	-	6,572
Intergovernmental grants	3,002	-	766,088	769,090
Fines and rents	23,091	-	-	23,091
Sales and other services	26,804	-	-	26,804
Miscellaneous	5,453	-	11,805	17,258
Total revenues	1,061,245	5,741	777,893	1,844,879
EXPENDITURES				
Current:				
General government	2,079	-	69	2,148
Regulation and protection	81,640	-	4	81,644
Transportation	589,169	-	795,491	1,384,660
Debt service:				
Principal retirement	-	285,315	-	285,315
Interest and fiscal charges	2,043	145,092	620	147,755
Total expenditures	674,931	430,407	796,184	1,901,522
Excess (deficiency) of revenues over expenditures	386,314	(424,666)	(18,291)	(56,643)
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	49,775	-	49,775
Payment to refunded bond escrow agent	-	(53,533)	-	(53,533)
Premium on bonds issued	-	2,891	-	2,891
Transfer from State General Fund - Public Act 10-3	71,200	-	-	71,200
Transfers from other State funds	5,801	439,642	15,696	461,139
Transfers to other State funds	(451,400)	(5,741)	-	(457,141)
Total other financing sources (uses)	(374,399)	433,034	15,696	74,331
Net changes in fund balances	11,915	8,368	(2,595)	17,688
FUND BALANCES, beginning of year	139,263	679,384	107,611	926,258
CHANGE IN RESERVE FOR INVENTORIES	1,333	-	-	1,333
FUND BALANCES, end of year	$ 152,511	$ 687,752	$ 105,016	$ 945,279

The accompanying notes are an integral part of these financial statements.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2010
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES				
Budgeted:				
Taxes, net of refunds	$ 684,800	$ 684,800	$ 706,004	$ 21,204
License, permit, and fee revenues	360,600	360,600	355,707	(4,893)
Other	16,500	16,500	6,681	(9,819)
Federal grants	-	-	3,002	3,002
Refunds of payments	(2,600)	(2,600)	(2,906)	(306)
Operating transfers in	81,200	81,200	71,200	(10,000)
Operating transfers out	(9,500)	(6,500)	(6,500)	-
Transfers out - Transportation Strategy Board	(15,300)	(15,300)	(15,300)	-
Total revenues	1,115,700	1,118,700	1,117,888	(812)
EXPENDITURES				
Budgeted:				
General government	2,536	2,536	2,047	(489)
Regulation and protection	75,732	75,732	55,766	(19,966)
Transportation	502,937	502,937	487,891	(15,046)
Non-functional	591,999	591,889	555,738	(36,151)
Total expenditures	1,173,204	1,173,094	1,101,442	(71,652)
Appropriations lapsed	29,675	29,675	-	(29,675)
Excess (deficiency) of revenues over expenditures	(27,829)	(24,719)	16,446	41,165
OTHER FINANCING SOURCES (USES)				
Prior year appropriations carried forward	37,324	37,324	37,324	-
Appropriations continued to fiscal year 2010-2011	-	-	(41,977)	(41,977)
Total other financing sources (uses)	37,324	37,324	(4,653)	(41,977)
Net change in fund balance	$ 9,495	$ 12,605	11,793	$ (812)
BUDGETARY FUND BALANCE, beginning of year			130,895	
CHANGE IN RESERVE FOR CONTINUING APPROPRIATIONS			4,653	
BUDGETARY FUND BALANCE, end of year			$ 147,341	

The accompanying notes are an integral part of these financial statements.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Special Transportation Fund of the State of Connecticut (the "Fund") have been prepared in conformity with accounting principles generally accepted in the United States of America as promulgated in pronouncements of the Governmental Accounting Standards Board ("GASB"). Following is a summary of significant accounting policies of the Fund.

REPORTING ENTITY

The Special Transportation Fund of the State of Connecticut was established pursuant to Public Act 83-30 (the "Act") of the June 1983 Special Session of the General Assembly of the State of Connecticut (the "State"), as amended to date, to account for the transportation related taxes, revenues and fees pledged for payment of special tax obligation bonds (the "Bonds") issued by the State for transportation infrastructure purposes.

After providing for debt service requirements of the Bonds, the balance of the revenues and other financing sources of the Fund will be used for the payment of debt service on general obligation bonds of the State issued for transportation infrastructure purposes, for the payment of certain expenditures of the State Department of Motor Vehicles, and for the payment of expenditures of the State Department of Transportation, including both the annually budgeted operating expenditures and the State's share of infrastructure improvement program costs not financed separately by other sources.

The financial position and changes in financial position of the Fund are subject to legislative actions enacted by the General Assembly of the State of Connecticut. Public Act 04-182 provided for an appropriation related to the transfer of incremental revenues from the Special Revenue Fund to the Restricted Grants Fund for Transportation Strategy Board ("TSB") projects. These funds are to be used for TSB projects and related transportation initiatives. Incremental revenues are defined as revenues attributable to the increase in taxes or fees. Actual transfers from the Special Revenue Fund to the Restricted Grants Fund for TSB projects totaled $15.3 million for the year ended June 30, 2010. Public act 10-3 provided for an appropriation of a $71.2 million transfer from the State's General Fund for the year ended June 30, 2010 as part of the State's deficit mitigation initiatives.

The Fund is included in the basic financial statements of the State of Connecticut as a major governmental fund. The financial statements of the Special Transportation Fund of the State of Connecticut are intended to present the financial position, and the changes in financial position, of only that portion of each major fund and the aggregate remaining fund information of the State that is attributable to the transactions of the Special Transportation Fund. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2010, and the changes in the State's financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Fund has not presented a management's discussion and analysis ("MD&A") in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* because the focus of an MD&A is on a primary government. The State of Connecticut, the primary government, will provide an MD&A in its annual report that will include analysis of the Fund.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF PRESENTATION

Fund Financial Statements

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The financial activities of the Special Transportation Fund are accounted for in individual funds, each of which is a fiscal and accounting entity with a self-balancing set of accounts. Funds are utilized for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The financial activities of the Special Transportation Fund are reported in the following major governmental funds in the accompanying fund financial statements:

- Special Revenue Fund - This fund is used to account for motor vehicle taxes, and other receipts collected for the payment of debt service requirements of special tax obligation bonds and transportation related general obligation bonds issued by the State for transportation infrastructure purposes, for the payment of certain expenditures of the State Department of Motor Vehicles, and for the payment of budgeted appropriations made by the State Department of Transportation. The State Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the State of Connecticut.

- Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, principal and interest on special tax obligation bonds issued by the State for transportation infrastructure purposes.

- Restricted Grants Fund - This fund is used to account for transportation related restricted federal and non-federal grant revenues and expenditures.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fund considers revenues to be available if they are collected within 60 days of the end of the current period. Significant revenue sources that are considered to be susceptible to accrual include motor fuel taxes and sales taxes. Revenue recognition policies are as follows:

- Motor Fuel Taxes and Sales Taxes - Motor fuel taxes and sales taxes are recognized as revenue in the period when the underlying exchange has occurred and when the resources are available. Resources received in advance are reported as deferred revenue.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (*Continued)*

- Intergovernmental Grants and Similar Items - Intergovernmental grants and similar items are recognized as revenue in the period when all applicable eligibility requirements imposed by funding sources have been met and when the resources are available. Resources received in advance are reported as deferred revenue.

- Investment Income - Investment income from restricted investments held by the Trustee in the bond service account and the debt service reserve account, and from other investments is recognized when earned.

- License, Permit, and Fee and Other Revenues - License, permit and fee and all other revenues are recognized as revenue when received because they are considered to be measurable and available only when the cash is actually received.

Expenditures are recorded when the related fund liability is incurred, except for debt service expenditures and expenditures related to compensated absences and claims and judgments, which are recorded as expenditures when payment is due.

CASH AND CASH EQUIVALENTS (amounts expressed in thousands)

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased, exclusive of restricted investments held by the Trustee. As of June 30, 2010, cash equivalents total $53,563, and consist of investments in the State Treasurer's Short-Term Investment Fund. The State Treasurer's Short-Term Investment Fund is an investment pool managed by the State Treasurer's Office. The fair value of the Fund's position in the pool is the same as the value of the pool shares.

INVESTMENTS

In accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Fund presents all investments at fair value. The fair value of investments traded on public markets is determined using quoted market prices.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVENTORIES

Inventories are reported at cost using the first-in first-out ("FIFO") method. Inventories consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported inventories are offset by a fund balance reserve to indicate that they are unavailable for appropriation.

DEFERRED REVENUE

Deferred revenue consists of funds received from local governments and other sources to fund their share of specific program costs which have not yet been incurred, and accounts and other receivables which are not available to pay liabilities of the current period.

COMPENSATED ABSENCES

Employees hired on or before June 30, 1977, and managers regardless of date hired can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his or her accrued sick leave up to a maximum payment equivalent to sixty days.

Pursuant to Special Act No. 09-06, the General Assembly enacted an Early Retirement Incentive Program in order to mitigate the deficit of the General Fund of the State of Connecticut. Under the provisions of this program, any employee participating in the program shall be eligible for payment of accrued sick days and for the balance of unused vacation leave in accordance with the existing rules as stated above, with one modification. The modification provides that the balance of any compensated absences shall be paid in three equal annual installments beginning in the fiscal year ending June 30, 2013.

INTEREST RATE SWAP AGREEMENT

The Fund entered into an interest rate swap agreement to modify the interest rate on the 1990 Series 1 variable rate bond *(see Note 6)*. Other than the net interest expenditures resulting from this agreement, no amounts are recorded in the financial statements in connection with this interest rate swap agreement.

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 and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - BUDGETARY INFORMATION AND LEGAL COMPLIANCE

By statute, the Governor of the State of Connecticut must submit the State budget to the General Assembly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for several funds of the State, including the Special Transportation Fund.

Budgetary control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document demonstrating compliance with the legally adopted budget is necessary because the legal level of control is more detailed than reflected in the accompanying statement of revenues, expenditures and changes in fund balances - budget and actual. Before an agency can utilize amounts appropriated for a particular purpose, such amounts must be allotted for the specific purpose by the Governor and encumbered by the State Comptroller upon request by the agency. Such amounts can then be expended by the State Treasurer only upon a warrant, draft or order of the State Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over amounts that are not budgeted as part of the annual appropriation act.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3 percent of the fund or 5 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5 percent of the total funds, require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional modifications of appropriations of more than 5 percent of the total appropriated fund can be made only with the approval of the General Assembly.

All funds of the State use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carry forwards of spending authority from one fiscal budget into a subsequent fiscal budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the succeeding year; appropriations continued the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs. Continuing appropriations are reported as reservations of fund balance in the fund financial statements.

NOTE 2 - BUDGETARY INFORMATION AND LEGAL COMPLIANCE *(Continued)*

The Special Revenue Fund is the only fund of the Special Transportation Fund for which a budget is legally adopted. The budget is prepared on a "modified cash" basis of accounting under which revenues are recognized when received, except for certain taxes and federal and other restricted grant revenues which are recognized when earned. Under the modified cash basis, expenditures are recognized when paid. A comparison of actual results of operations recorded on this basis and the final adopted budget is presented in the accompanying statement of revenues, expenditures and changes in fund balances - budget and actual.

A reconciliation between budgetary amounts and GAAP amounts for the Special Revenue Fund is as follows (amounts expressed in thousands):

	Special Revenue Fund
Net change in fund balance - budgetary basis	$ 11,793
Decrease in receivables	(2,281)
Increase in accounts payable	(3,267)
Decrease in salaries and wages payable and other liabilities	1,017
Increase in continuing appropriations	4,653
Net change in fund balance - GAAP basis	$ 11,915

NOTE 3 - RESTRICTION OF FUND REVENUES

Under the terms and provisions of special acts of the General Assembly of the State of Connecticut, the State Bond Commission is empowered to authorize the issuance of special tax obligation bonds in one or more series to fund a portion of the costs of the State's infrastructure improvement projects. The bonds issued to date are described more fully in Note 6. The bonds are payable solely from, and secured by, a first pledge on the revenues of the Fund pursuant to the Act and the Indenture of Trust dated September 15, 1984, as supplemented, and the Indenture of Trust dated December 1, 1990, as supplemented (the "Indentures").

Included in intergovernmental revenues are certain restricted grants. These grants represent amounts received from federal and local governments and other sources specifically to fund their share of certain program costs incurred. These revenues totaled $766.1 million for the year ended June 30, 2010 and are not available for debt service.

NOTE 4 - CASH DEPOSITS – CUSTODIAL CREDIT RISK (amounts expressed in thousands)

Custodial credit risk is the risk that, in the event of a bank failure, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The State maintains its deposits in qualified financial institutions located in the state to reduce its exposure to this risk. These institutions are required to maintain, segregated from their other assets, eligible collateral in an amount equal to 10 percent, 25 percent, 100 percent or 120 percent of its public deposits. The collateral is held in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

The carrying value of the Fund's cash deposits totaled $78,448 as of June 30, 2010. Because the Fund's cash deposits are commingled with those of other funds of the State, the categorization of the Fund's cash deposits in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures* is not readily determinable as of June 30, 2010.

Investments in the State Treasurer's Short-Term Investment Fund totaling $53,563 are included in cash and cash equivalents in the accompanying balance sheet. For purposes of disclosure under GASB No. 40, such amounts are considered investments and are included in the disclosure in Note 5.

NOTE 5 - INVESTMENTS (amounts expressed in thousands)

As of June 30, 2010, the Fund's investments consist of the following:

Investment type	Fair Value	Investment Maturities (In Years) Less Than 1	1 to 5
Debt Securities			
Short-Term Investment Fund	$ 641,213	$ 641,213	$ -
Guaranteed investment contract	100,102	100,102	-
	$ 741,315	$ 741,315	$ -

Because the State Treasurer's Short-Term Investment Fund had a weighted average maturity of 19 days, it has been presented as an investment with a maturity of less than one year.

A reconciliation of the Fund's investments as presented in the accompanying balance sheet as of June 30, 2010 is as follows:

Restricted investments held by Trustee:	
Bond service account	$ 259,031
Debt service reserve account	428,721
	687,752
Cash and cash equivalents	53,563
	$ 741,315

Restricted investments held by the Trustee in the bond service account and the debt service reserve account are invested by the Trustee pursuant to the terms of the Indentures.

Interest Rate Risk

The Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond that which is delineated in Article VI of the Indenture of Trust dated September 15, 1984.

NOTE 5 - INVESTMENTS (amounts expressed in thousands) (*Continued*)

Credit Risk

The Fund's investment policies are delineated in Article VI of the Indenture of Trust dated September 15, 1984. No investments of the Fund may have a maturity date longer than 10 years. In addition, in accordance with Connecticut General Statutes, allowable investments include 1) obligations, securities and investments set forth in subsection (f) of Section 3-20 of the Connecticut General Statutes and 2) participation certificates in the State Treasurer's Short-Term Investment Fund created under Section 3-27a of the General Statutes.

The Fund's investments in debt securities were rated as follows at June 30, 2010:

Debt Securities	Fair Value	Standard & Poors	Moody's	Fitch
Short-Term Investment Fund	$ 641,213	AAA	Unrated	Unrated
Guaranteed Investment Contract	100,102	AA+	Aa2	Unrated
	$ 741,315			

Concentrations of Credit Risk

The Fund places no limit on the amount of investment in any one issuer. More than 5 percent of the Fund's investments are in a guaranteed investment contract with Trinity Plus Funding Company, LLC in the amount of $100,102 as of June 30, 2010. This investment represents 13.5% of the Fund's total investments.

NOTE 6 - SPECIAL TAX OBLIGATION BONDS

A summary of special tax obligation bonds issued, pursuant to the State Bond Commission's authorization, and the outstanding principal balances as of June 30, 2010 is as follows:

Issue	Interest Rates	Dated Date	Maturing Through Fiscal Year	Amount of Original Issue	Principal Balance at June 30, 2010
1990 1 Bonds	0.85%**	December 1, 1990	2011	$ 250,000,000	$ 22,200,000
1991B Bonds	5.00% - 6.50%	September 15, 2001	2012	266,000,000	77,655,000
1992B Bonds	3.00% - 6.15%	September 1, 1992	2013	275,000,000	64,010,000
1998A Bonds*	4.25% - 5.50%	April 1, 1998	2014	197,500,000	137,035,000
1998B Bonds	4.00% - 5.50%	September 15, 1998	2018	225,000,000	51,650,000
2000A Bonds	4.35% - 5.625%	July 15, 2000	2020	125,000,000	10,440,000
2001A Bonds	2.00% - 5.375%	September 15, 2001	2021	175,000,000	39,205,000
2001B Bonds*	3.25% - 5.375%	September 15, 2001	2015	533,335,000	217,600,000
2002A Bonds	3.00% - 5.375%	May 1, 2002	2022	112,000,000	55,145,000
2002B Bonds	2.50% - 5.25%	November 1, 2002	2022	215,000,000	127,945,000
2003A Bonds*	2.00%-5.00%	July 1, 2003	2011	338,610,000	12,900,000
2003B Bonds	2.00%-5.00%	November 15, 2003	2024	200,000,000	155,945,000
2004A Bonds	2.25%-5.00%	November 15, 2004	2024	200,000,000	166,805,000
2004B Bonds*	3.00%-5.00%	November 15, 2004	2019	89,725,000	89,460,000
2005A Bonds	4.00%-5.00%	December 15, 2005	2026	250,000,000	218,380,000
2007A Bonds	3.50%-5.00%	October 1, 2007	2027	250,000,000	233,675,000
2008 1 Bonds*	3.50%-5.00%	October 1, 2008	2022	97,690,000	97,690,000
2008A Bonds	3.50%-5.00%	December 10, 2008	2028	300,000,000	290,540,000
2009 1 Bonds*	3.50%-5.00%	January 29, 2009	2022	415,035,000	412,430,000
2009A Bonds	2.50%-5.00%	November 10, 2009	2029	195,970,000	195,970,000
2009B Bonds	4.86%-5.74%	November 10, 2009	2029	304,030,000	304,030,000
2009C Bonds*	0.55%-2.33%	November 10, 2009	2014	49,775,000	49,775,000
					$ 3,030,485,000

* Represents refunding bonds that were not issued against the State Bond Commission's authorization.

** Represents the variable interest rate in effect as of June 30, 2010. These variable rate bonds bear interest at a weekly variable rate determined by the Fund's remarketing agent on Tuesday of each week, and become effective on the following Wednesday.

NOTE 6 - SPECIAL TAX OBLIGATION BONDS *(Continued)*

Proceeds from the sale of special tax obligation bonds were used to fund restricted investments held by the trustee *(see Note 5)*, with the remainder deposited into the State's Infrastructure Improvement Fund. The Infrastructure Improvement Fund was established by the State to account for the net bond proceeds to be used for infrastructure improvement projects and is a separate capital project fund of the State and is not part of the Special Transportation Fund.

Revenues are credited to the Fund and funds are transferred to the Fund's debt service reserve account to the extent required to meet debt service requirements as provided by the Indentures. In addition, the Fund is required to maintain the debt service reserve account at a level equal to the maximum annual principal and interest requirements on the Bonds as defined in the Indentures, for the current or any fiscal year.

The 1990 Series 1 Bonds (variable rate issue) are subject to partial redemption at any interest payment date at the redemption price unless the interest rate thereof has been converted to a fixed interest rate. These bonds may be redeemed at the option of the State, by payment of principal and accrued interest thereon, with no premium. Bonds that are converted to a fixed interest rate are subject to redemption at any interest payment date, subject to the requirement that on the day of conversion the remaining term of the last maturity be at least five years. These bonds may be redeemed by payment of principal, accrued interest thereon, and a premium not to exceed 2 percent of principal.

The 1991B Bonds, maturing on or after October 1, 2002 (other than the 1991B Bonds maturing on or after October 1, 2007 and October 1 in each of the years 2010-2012), may be redeemed prior to their respective maturities, at the option of the State, in whole or in part, on any interest payment date not earlier than October 1, 2001, in the inverse order of their maturities and lot within a maturity. These bonds may be redeemed by payment of principal, accrued interest thereon, and a premium not to exceed 2 percent of principal. All callable bonds were called and redeemed on October 1, 2001.

The 1992B Bonds, maturing on September 1, 2012, are subject to partial redemption on September 1 in each of the years 2010-2012 by payment of principal plus accrued interest on the date of redemption. In addition, the 1992B Bonds maturing on September 1 in each of the years 2003, 2004, and 2007 may be redeemed in whole or in part prior to their maturity on any interest payment date on or after September 1, 2002, at the option of the State, in any order as the State shall determine and pursuant to the Indentures. These bonds may be redeemed by payment of principal, accrued interest thereon, and a premium not to exceed 2 percent of principal. All callable bonds were called and redeemed on September 1, 2002.

The 1998A Bonds maturing on October 1, 2014 will be subject to redemption, at the option of the State, on or after October 1, 2008, at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. These bonds may be redeemed by the payment of principal, accrued interest thereon and a premium not to exceed 1 percent of the principal for the time period from October 1, 2008 through September 30, 2009 and ½ percent for the time period October 1, 2009 through September 30, 2010.

NOTE 6 - SPECIAL TAX OBLIGATION BONDS *(Continued)*

The 1998B Bonds maturing on or after November 1, 2014 will be subject to redemption, at the election of the State, on or after November 1, 2008, at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. These bonds may be redeemed by the payment of principal, accrued interest thereon and a premium not to exceed 1 percent of the principal for the time period from November 1, 2008 through October 31, 2009 and ½ percent for the time period November 1, 2009 through October 31, 2010.

The 2000A Bonds maturing on or after September 1, 2011 will be subject to redemption, at the election of the State, on or after September 1, 2010, at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. These bonds may be redeemed by the payment of principal, accrued interest thereon and a premium not to exceed 1 percent of the principal for the time period from September 1, 2010 through August 31, 2011.

The 2001 Series A and B Bonds maturing on or after October 1, 2012 will be subject to redemption, at the election of the State, on or after October 1, 2011 at any time, in whole or in part by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100 percent of the principal amount outstanding on October 1, 2011 and thereafter.

The 2002 Series A Bonds maturing on or after July 1, 2013 will be subject to redemption, at the election of the State, on or after July 1, 2012 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100 percent of the principal amount outstanding on July 1, 2012 and thereafter.

The 2002 Series B Bonds maturing on or after December 1, 2013 will be subject to redemption, at the election of the State, on or after December 1, 2012 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100 percent of the principal amount outstanding on December 1, 2012 and thereafter.

The 2003 Series A Bonds are not subject to redemption prior to maturity.

The 2003 Series B Bonds maturing on or after January 1, 2015 will be subject to redemption, at the election of the State, on or after January 1, 2014 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100 percent of the principal amount outstanding on January 1, 2014 and thereafter.

The 2004 Series A Bonds maturing on or after July 1, 2016 will be subject to redemption, at the election of the State, on or after July 1, 2015 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100 percent of the principal amount outstanding on January 1, 2015 and thereafter.

NOTE 6 - SPECIAL TAX OBLIGATION BONDS *(Continued)*

The 2004 Series B Bonds are not subject to redemption prior to maturity.

The 2005 Series A Bonds maturing on or after July 1, 2017 will be subject to redemption, at the election of the State, on or after July 1, 2016 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100 percent of the principal amount outstanding on July 1, 2016 and thereafter.

The 2007 Series A Bonds maturing on or after August 1, 2018 will be subject to redemption, at the election of the State, on or after August 1, 2017 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100 percent of the principal amount outstanding on August 1, 2017 and thereafter.

The 2008 Series 1 Bonds maturing on or after February 1, 2021 will be subject to redemption, at the election of the State, on or after February 1, 2018 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100 percent of the principal amount outstanding on February 1, 2018 and thereafter.

The 2008 Series A Bonds maturing on or after November 1, 2019 will be subject to redemption, at the election of the State, on or after November 1, 2018 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100 percent of the principal amount outstanding on November 1, 2018 and thereafter.

The 2009 Series 1 Bonds maturing on or after February 1, 2020 will be subject to redemption, at the election of the State, on or after February 1, 2019 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100 percent of the principal amount outstanding on February 1, 2019 and thereafter.

The 2009 Series A Bonds maturing on or after December 1, 2019 will be subject to redemption, at the election of the State, on or after December 1, 2018 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100 percent of the principal amount outstanding on December 1, 2018 and thereafter.

NOTE 6 - SPECIAL TAX OBLIGATION BONDS *(Continued)*

The 2009 Series B Bonds are subject to redemption at any time, at the election of the State, in whole or in part on any date. The Bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price not less than 100 percent of the principal amount outstanding at the time of redemption calculated based on certain provisions set forth by the bond issuance at the date of redemption.

The 2009 Series C Bonds are not subject to redemption prior to maturity.

The aggregate principal and interest maturities on the bonds (scheduled payments to bondholders) are as follows (amounts expressed in thousands):

Year ending June 30:	Principal	Interest	Total
2011	$ 271,330	$ 140,992	$ 412,322
2012	256,030	128,292	384,322
2013	288,790	115,615	404,405
2014	242,200	103,446	345,646
2015	206,350	92,851	299,201
2016-2020	824,525	338,679	1,163,204
2021-2025	609,525	160,703	770,228
2026-2030	331,735	39,156	370,891
	$ 3,030,485	$ 1,119,734	$ 4,150,219

DEBT REFUNDINGS (amounts expressed in thousands)

During the year ended June 30, 2010, the State issued $49,775 of special tax obligation refunding bonds with an average interest rate of 3.20% to advance refund $50,990 of special tax obligation revenue bonds with an average interest rate of 5.17%.

The proceeds of the refunding bonds were used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds are considered defeased.

The State advance refunded these bonds to reduce its total debt service payments over the next seven years by $2,811 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of $158. As of June 30, 2010, $191,615 of outstanding special tax obligation revenue bonds, including prior year's refundings, are considered defeased.

BONDS AUTHORIZED BUT NOT ISSUED

As of June 30, 2010, the State Bond Commission has authorized but not issued $1,624.8 million of special tax obligation bonds. These bonds would be payable from the revenues of the Fund if issued.

NOTE 6 - SPECIAL TAX OBLIGATION BONDS *(Continued)*

DEMAND BONDS

Included in special tax obligation bonds is the variable rate demand bond as follows:

Issue	Dated Date	Amount of Original Issue	Principal Balance at June 30, 2010
1990 Series 1 Bonds	December 1, 1990	$ 250,000,000	$ 22,200,000

In connection with the issuance of this bond, the Fund executed various agreements including a remarketing agreement with a broker/dealer firm as well as a standby bond purchase agreement with a bank. The terms of these agreements are summarized below.

Initially the bonds bear interest at a weekly variable rate as determined by the remarketing agent which will be the lowest rate of interest which, in the reasonable judgment of the remarketing agent, would enable it to sell such bonds at a price equal to the principal amount thereof plus accrued interest thereon, under prevailing market conditions as of the date of determination. From time to time, at the option of the Fund, bonds may be converted to other variable rates to be in effect for different periods of time or to fixed rates. The Fund also has the option to convert to a different variable rate period at the end of the particular period. The remarketing agent determines the weekly or other applicable variable rate during the respective period and the fixed rate upon conversion to a fixed rate.

Bonds bearing interest at the weekly variable rate are subject to purchase at the option of the holder at a purchase price equal to principal and accrued interest, if any, on a minimum of seven days' notice and delivery to the Fund's fiscal agent. In addition, bonds are subject to mandatory purchase, in certain cases with the right to retain, upon (1) conversion to certain variable rates, (2) the end of certain rate periods, (3) termination or expiration of the applicable standby bond purchase agreement and (4) in certain of the bond issues, a new provider of a liquidity facility. The Fund's remarketing agent is responsible for using its best efforts to remarket the bonds properly tendered for purchase.

NOTE 6 - SPECIAL TAX OBLIGATION BONDS *(Continued)*

DEMAND BONDS (*Continued*)

The Fund is required to pay the remarketing agent, in quarterly installments, an annual fee equal to 5 basis points of the bonds outstanding on January 1, or the weighted average of the principal outstanding of each three month period during the term of the agreement which terminates upon final payment or conversion of the bonds. In addition to the annual fee, the Fund is liable for all expenses in connection with delivering the remarketed bonds as well as any reasonable fees and expenses incurred by the remarketing agent during the period in which the bonds are converted to an interest rate calculation other than the weekly rate. Remarketing fees paid by the Fund to the remarketing agent totaled $16,300 for the year ended June 30, 2010.

The Fund entered into a municipal bond insurance policy for the demand bond issue to provide credit enhancement to the issue. The policy is valid until final payment. The standby bond purchase agreement provides liquidity for the bond issue. Should the remarketing agent be unable to resell the bonds and the Fund or the trustee is then unable to pay the bondholders, then the standby bond purchase agreement provides payment to the bondholders equal to the face amount of principal and interest on the bonds that is unpaid by the Fund or trustee.

In connection with the 1990 Series 1 Bonds, the Fund entered into a standby bond purchase agreement with a bank which requires the bank to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus accrued interest up to 59 days at an annual interest rate not to exceed 12 percent for bonds bearing interest at the weekly rate. Under this initial agreement, which expired in April, 2005, the Fund was required to pay the bank in quarterly installments a facility fee in the amount of 13 basis points of the initial commitment. The initial commitment under the agreement was set at $145.7 million but is subject to adjustment from time to time in accordance with the provisions of the agreement. Under the current agreement which was renewed in April 2005, the Fund is required to pay the bank in quarterly installments a facility fee in the amount of 14 basis points of the commitment amount which was $116.1 million at the time of renewal. If bond ratings were to be downgraded, then the fees are subject to an increase of 2 basis points for each letter downgrade made by the rating agency. If the bonds are downgraded below investment grade, withdrawn or suspended, or if there is a bond insurer event of default, then the fees are subject to an increase of 100 basis points. The agreement expires in December 2010. Fees paid by the Fund in connection with the standby bond purchase agreement totaled $44,126 for the year ended June 30, 2010.

NOTE 6 - SPECIAL TAX OBLIGATION BONDS *(Continued)*

INTEREST RATE SWAP AGREEMENTS

Objective of the Swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Fund has entered into two separate pay-fixed, receive-variable interest rate swaps at a cost less than what the Fund would have paid to issue fixed-rate debt. The two swaps were executed in December 1990.

The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2010, are as follows:

Terms of the Swap Agreements

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received
1990 Series 1A	$ 13,300,000	December 19, 1990	5.746%	65% of LIBOR (1)
1990 Series 1B	8,900,000	December 19, 1990	5.709%	65% of LIBOR (1)
Total	$ 22,200,000			

(1) London Interbank Offered Rate

Associated Bond Issue	Fair Values	Swap Termination Date	Counterparty Credit Rating
1990 Series 1A	$ (296,689)	December 1, 2010	A3/A-/BBB
1990 Series 1B	(202,372)	December 1, 2010	Aa2/A+/A
	$ (499,061)		

(1) London Interbank Offered Rate

The notional amount of the swaps match the principal amounts of the associated debt. The Fund's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions to the associated bond issue's outstanding balance.

NOTE 6 - SPECIAL TAX OBLIGATION BONDS *(Continued)*

INTEREST RATE SWAP AGREEMENTS *(Continued)*

Fair Values and Credit Risk

The valuation of the swaps changes with movements in interest rate levels; generally, as interest rates move lower, the fair value of the swaps become lower. As of June 30, 2010, the two swaps had negative fair values. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

As of June 30, 2010, the Fund had no exposure to credit risk on either of the swaps, since they had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Fund would be exposed to credit risk in the amount of the swap's fair value.

The swap agreements contain varying collateral agreements with the counterparties. One of the swaps requires collateral of cash or securities if the counterparty credit rating falls below A1/A+. The other swap agreement does not have any provisions for posting of collateral. Given the negative fair values, no collateral was required to be posted for any of the swaps as of June 30, 2010. The State is not required to post collateral for any of the swaps.

Because the Fund has not entered into more than one derivative transaction with any one counterparty, master netting agreements have not been needed.

Each of the swaps are executed with different counterparties. The larger, approximately 60% of the notional amount of swaps outstanding, is held with one counterparty, rated A3/A-/BBB while the smaller, approximately 40% of the notional amount of swaps outstanding, is held with the second counterparty, rated Aa2/A+/A.

Basis Risk

The Fund's variable-rate bond coupon payments are based on actual weekly remarketing rates which roughly track the SIFMA index rate. For those swaps for which the Fund receives a variable-rate payment other than SIFMA, the Fund is exposed to basis risk should the relationship between LIBOR and SIFMA converge. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. As of June 30, 2010, the SIFMA rate was 0.250%, whereas 65 percent of 1 month LIBOR was 0.226%. The Fund recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal 2010, the Fund budgeted $1,000,000 in basis risk for all two swap agreements.

NOTE 6 - SPECIAL TAX OBLIGATION BONDS *(Continued)*

INTEREST RATE SWAP AGREEMENTS *(Continued)*

Termination Risk

The Fund or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any of the swap agreements is terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates. Also, if at the time of termination the swap has a negative fair value, the Fund would be liable to the counterparty for a payment approximately equal to the swap's fair value. Under the 1990 swap agreements, the Fund may fund any required termination payment over a five-year period.

Rollover Risk

Because all of the swap agreements terminate when the associated debt is fully paid, the Fund is only exposed to rollover risk if an early termination occurs. Upon an early termination, the Fund will not realize the synthetic rate offered by the swaps on the underlying debt issues.

Swap Payments and Associated Debt (amounts expressed in thousands)

As rates vary, variable-rate bond interest payments and net swap payments will vary. Using rates as of June 30, 2010, debt service requirements of the Fund's outstanding variable-rate debt and net swap payments are as follows:

	Variable Rate Bonds		Interest Rate	
Year ending June 30:	Principal	Interest	Swaps, Net	Total
2011	$ 22,200	$ 23	$ 509	$ 22,732

NOTE 7 - TRANSPORTATION RELATED GENERAL OBLIGATION BONDS

The table below includes amounts for debt service that the State will charge the Fund for various non-transportation related general obligation refunding bonds and cash defeasances. The proceeds of these bonds were used to refund or defease transportation related general obligation bonds. Aggregate principal and interest maturities related to the non-transportation related general obligation refunding bonds used to retire transportation related general obligation bonds are as follows (amounts expressed in thousands):

Year ending June 30:	Principal	Interest	Total
2011	$ 568	$ 476	$ 1,044
2012	761	441	1,202
2013	5,945	279	6,224
2014	679	120	799
2015	2,096	219	2,315
	$ 10,049	$ 1,535	$ 11,584

NOTE 8 - CHANGES IN LONG TERM OBLIGATIONS (amounts expressed in thousands)

Although the Fund does pay certain long-term obligations, these obligations have not been reported in the accompanying fund financial statements in accordance with GASB Statement No. 34. A summary of changes in long-term obligations of the Fund for the year ended June 30, 2010 is as follows:

Description	Balance, July 1, 2009	Additions	Reductions	Balance, June 30, 20100
Special tax obligation bonds	$ 2,817,015	$ 549,775	$ 336,305	$ 3,030,485
General obligation refunding bonds	10,593	-	544	10,049
Compensated absences	49,441	-	2,519	46,922
Arbitrage liability	3,591	-	1,534	2,057
Interest rate swap agreements	2,039	-	1,540	499
Claims and judgements	-	1,900	-	1,900
	$ 2,882,679	$ 551,675	$ 342,442	$ 3,091,912

NOTE 8 - CHANGES IN LONG TERM OBLIGATIONS (amounts expressed in thousands) *(Continued)*

Included in the June 30, 2010 balance for compensated absences is $877 and $67 of compensated absences and related payroll taxes payable, respectively, earned by employees of the Fund that took advantage of the Early Retirement Incentive Program, as discussed in Note 1. This liability will be paid in three equal annual installments of $315 which begins during the fiscal year ending June 30, 2013 and will end during the fiscal year ending June 30, 2015.

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following as of June 30, 2010 (amounts expressed in thousands):

	Special Revenue Fund	Restricted Grants Fund	Total
Accounts payable	$ 14,450	$ 58,933	$ 73,383
Salaries and wages payable	13,767	3,007	16,774
Contracts payable - retainage	521	26,143	26,664
	$ 28,738	$ 88,083	$ 116,821

NOTE 10 - INTERFUND BALANCES

INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables as of June 30, 2010 are as follows (amounts expressed in thousands):

Receivable Fund	Payable Fund	Amount
Special Revenue Fund	Debt Service Fund	$ 1,288
Other funds of the State	Restricted Grants Fund	$ 687

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 10 - INTERFUND BALANCES *(Continued)*

INTERFUND TRANSFERS

A summary of interfund transfers for the year ended June 30, 2010 is as follows (amounts expressed in thousands):

Transfer In	Transfer Out	Amount
Special Revenue Fund	Debt Service Fund	$ 5,741
	Other funds of the State	60
	Transfer from General Fund	71,200
		$ 77,001
Debt Service Fund	Special Revenue Fund	$ 429,600
	Other funds of the State	10,042
		$ 439,642
Restricted Grants Fund	Special Revenue Fund	$ 15,300
	Other funds of the State	396
		$ 15,696
Other funds of the State	Special Revenue Fund	$ 6,500

Transfers are used primarily to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) to move receipts restricted for debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

LITIGATION

The State, its officers and employees are defendants in numerous lawsuits relating to the operations of the Fund. The State of Connecticut, Office of the Attorney General (the "Attorney General") has reviewed the status of pending lawsuits in which a financial judgment adverse to the State may be paid from the Fund, the estimated exposure of which approximates $1.9 million, subject to a prior lien in favor of the Bonds.

With regard to litigation, the most notable case is as described as follows: The case is White Oak Corporation v. State of Connecticut, Department of Transportation in which the plaintiff was seeking approximately $50 million in damages for wrongful termination in connection with an I-95 bridge project in Bridgeport, Connecticut. The plaintiff filed a demand for arbitration and hearings on the merits have concluded. The claims and counterclaims in that arbitration have since been decided by the arbitration panel which awarded slightly under $9 million to White Oak Corporation and slightly more than $1 million to the State. However, the award against the State has been appealed and there is a sound basis that the trial court will vacate the award. The outcome of this case is unknown at this time and it is deemed that regardless of the outcome, a lengthy appeals process is expected to follow. It is the opinion of the Attorney General that these cases and other pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially and adversely affect the operations of the Fund.

NOTE 11 - COMMITMENTS AND CONTINGENCIES *(Continued)*

LEASE-LEASEBACK COMMITMENT

On September 30, 2003, the State (acting through the Commissioner of the Department of Transportation) executed three U.S. Lease-to-Service Contract of Rolling Stock Agreements ("Agreements") whereby the State entered into a head lease of certain rolling stock consisting of rail coaches and locomotives to statutory trusts established for the benefit of three equity investors. Simultaneously, the State executed sublease agreements to lease back the rolling stock in order to allow the State to have continued use of the property. The terms of the head leases are for periods ranging from 40 years to 67 years, expiring through March 2071, while the subleases have terms ranging from 18 years to 28 years, expiring through January 2032. At the end of the respective sublease lease terms, the State has the option to purchase the statutory trusts' interest in the rolling stock for an aggregate fixed price.

In connection with the transaction, the Fund received net proceeds of $29,357,051 representing the consideration paid for the tax benefits received by the equity investors. The net proceeds received were calculated as follows:

Prepayment of head lease rents	$ 366,405,000
Less: payments to debt payment undertakers and custodians	334,590,492
Less: transaction closing costs	2,457,457
Net proceeds received	$ 29,357,051

On September 30, 2003, proceeds from the prepayment of the head lease rents were paid to debt payment undertakers and custodians in amounts sufficient, together with investment earnings thereon, to provide for all future obligations of the State under the sublease agreements and the end of lease term purchase options. With respect to payments made to custodians, the State pledged assets as collateral to the custodians for the benefit of the lessors, and granted a first security interest in such assets. The pledged assets will primarily be used to pay the end of lease term purchase options. Payments made by the State to the debt payment undertakers are irrevocable once made and will not be subject to avoidance or recapture by the State or any creditor of the State. Further, the State has no right, title, or interest in or to the amounts paid to the debt payment undertakers upon the payment thereof and, accordingly, the amounts so paid cease to be assets of the State, but are assets solely of the debt payment undertakers. In addition, per the terms of Debt Payment Undertaking Agreement Guarantees, the debt payment undertaker guarantors have unconditionally guaranteed the full and prompt payment of any and all obligations of the debt payment undertakers. The assets held by the debt payment undertakers and the custodians, as well as any related lease obligation liability, are not reflected as assets or liabilities in the financial statements of the State. Although it is remote that the State will be required to make any additional payments under the subleases, the State is and shall remain liable for all of its obligations under the subleases. The aggregate remaining commitment under the subleases totaled approximately $224 million at June 30, 2010.

NOTE 11 - COMMITMENTS AND CONTINGENCIES *(Continued)*

LEASE-LEASEBACK COMMITMENT *(Continued)*

The State is obligated to insure and maintain the rolling stock. In addition, if an equity investor suffers a loss of tax deductions or incurs additional taxable income as a result of certain circumstances, as defined in the Agreement, then the State must indemnify the equity investor for the additional tax incurred, including interest and penalties thereon. The State has the right to terminate the subleases early under certain circumstances and upon payment of a termination value to the equity investors. If the State chooses early termination, then the termination value would be paid from funds available from the debt payment undertakers and the custodians, and if such amounts are insufficient, then the State would be required to pay the difference.

Although the Fund has no liability related to these subleases, payments may be made by the Fund if so directed by the State. No payments were made by the Fund under these subleases for the year ended June 30, 2010.

ARBITRAGE REBATE REQUIREMENTS (amounts expressed in thousands)

Section 148 of the Internal Revenue Code, as enacted by the Tax Reform Act of 1986, requires that 90% of the earnings from the investment of tax-exempt bond proceeds that exceed the yield on tax-exempt bonds be remitted to the federal government. In accordance with this regulation, the Fund is required to rebate a portion of its investment earnings on the proceeds of the Bonds to the federal government. There were no rebate payments made during the year ended June 30, 2010. The total estimated liability for arbitrage rebate totaled $2,057 as of June 30, 2010 (*see Note 8*).

CONTRACTUAL COMMITMENTS

The State entered into a contractual agreement with H.N.S. Management Company, Inc. ("HNS") to manage and operate bus transportation for the State. The State shall pay all expenditures of the system including all past, present and future pension plan liabilities of the personnel employed by the system and any other fees, as agreed upon. Upon termination of the agreement, the State shall assume all of the existing obligations of HNS, including all pension liabilities described above. Although the Fund has no liability related to these costs, payments may be made by the Fund if so directed by the State.

In addition, the Fund has other contractual commitments for various transportation related operating and project costs.

As of June 30, 2010, the aggregate contractual commitments totaled approximately $2.52 billion. Funding of these expenditures is expected to be received from federal and other grants and other revenues to be received by the Fund.

NOTE 11 - COMMITMENTS AND CONTINGENCIES *(Continued)*

PENSIONS

Certain employees of the Fund participate in the State Employees' Retirement System ("SERS") which is administered by the State Employees' Retirement Commission. The Fund has no liability for these pension costs other than the annual contribution, pursuant to Public Act 83-30 of the June 1983 Special Session of the General Assembly of the State of Connecticut as amended to date. In addition, the actuarial study was performed on the SERS as a whole and does not provide separate information for employees of the Fund. Therefore, certain pension disclosures cannot be provided. Information on the total SERS funding status and progress, required contributions and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report.

The Fund's contribution is determined by applying a State mandated percentage to eligible salaries and wages. The contribution made by the Fund totaled $70.4 million for the year ended June 30, 2010.

NOTE 12 - INTERFUND ALLOCATIONS

The Fund is one of many funds within the State of Connecticut financial reporting entity. As a result, certain transactions of the Fund, including operating transfers and certain allocations of expenses among funds, are under the direction of management of the State.

ALLOCATION OF BANK CHARGES

The Fund invests in the State Treasurer's Short-Term Investment Fund, which is a money market investment pool administered by the State Treasurer. In addition, the Fund's cash balances are managed by the State of Connecticut, Office of the Treasurer. Bank charges allocated to the Fund totaled $805,138 for the year ended June 30, 2010.

RISK MANAGEMENT

The State of Connecticut, through its State Insurance and Risk Management Board, is responsible for risk management of the Fund's activities through the use of commercial and self-insurance.

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Appendix D

Form of Opinion of

UPDIKE, KELLY & SPELLACY, P.C.
Bond Counsel

And

LEWIS & MUNDAY, A PROFESSIONAL CORPORATION
Co-Bond Counsel

[Date of Closing]

Honorable Denise L. Nappier
Treasurer, State of Connecticut
Hartford, Connecticut

Dear Madam Treasurer:

We have examined (i) the Constitution and laws of the State of Connecticut, including Public Act No. 84-254 of the February 1984 Session of the General Assembly, as amended (the "Act"), (ii) an Indenture of Trust, by and between the State of Connecticut (the "State") and The Connecticut National Bank (successor trustee is now U.S. Bank National Association), as Trustee, dated September 15, 1984, as amended by the Special Tax Obligation Bonds Transportation Infrastructure Purposes Amendment No. 1 dated as of December 9, 1994 by and between the State of Connecticut and Shawmut Bank Connecticut, National Association (successor trustee is now U.S. Bank National Association), as Trustee, as supplemented by the Thirty-Ninth Supplemental Indenture, by and between the State of Connecticut and U.S. Bank National Association, as Trustee, dated as of the date of delivery of the 2010 Series A, B and C Bonds identified below (the "Senior Indenture") and (iii) a record of proceedings relative to the issuance of the $199,570,000 State of Connecticut Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2010 Series A (the "2010 Series A Bonds"), the $400,430,000 State of Connecticut Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2010 Series B (Taxable Build American Bonds – Direct Pay) (the "2010 Series B Bonds"), and the $137,675,000 State of Connecticut Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2010 Series C (the "2010 Series C Bonds," together with the 2010 Series A Bonds and the 2010 Series B Bonds, collectively, the "2010 Series A, B and C Bonds"). Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Senior Indenture.

The 2010 Series A Bonds mature on November 1 in each of the years and in the principal amounts and bear interest payable semiannually on May 1 and November 1 in each year, commencing May 1, 2011, until maturity at the respective rates per annum, as follows:

Year	Principal Amount	Interest Rate Per Annum
2011	$18,245,000	2.000%
2012	18,905,000	5.000
2013	19,870,000	5.000
2014	20,890,000	5.000
2015	21,960,000	5.000
2016	23,090,000	5.000
2017	24,270,000	5.000
2018	25,515,000	5.000
2019	26,825,000	5.000

The 2010 Series B Bonds mature on November 1 in each of the years and in the principal amounts and bear interest payable semiannually on May 1 and November 1 in each year, commencing May 1, 2011, until maturity at the respective rates per annum, as follows:

Year	Principal Amount	Interest Rate Per Annum
2020	$28,075,000	4.126%
2021	29,295,000	4.376
2022	30,635,000	4.576
2023	32,105,000	4.776
2030	280,320,000*	5.459

*Term Bond

The 2010 Series C Bonds mature on November 1 in each of the years and in the principal amounts and bear interest payable semiannually on May 1 and November 1 in each year, commencing May 1, 2011, until maturity at the respective rates per annum, as follows:

Year	Principal Amount	Interest Rate Per Annum
2012	$11,040,000	2.000%
2013	20,920,000	2.000
2014	20,665,000	3.000
2016	3,035,000	3.000
2017	2,310,000	3.000
2018	2,000,000	3.000
2018	9,435,000	5.000
2019	6,155,000	4.000
2019	8,105,000	5.000
2020	11,020,000	4.000

Year	Principal Amount	Interest Rate Per Annum
2020	12,660,000	5.000
2021	20,230,000	5.000
2022	10,100,000	5.000

The 2010 Series A, B and C Bonds are issuable as fully registered bonds in the denomination of $5,000 or any integral multiple thereof. Principal of the 2010 Series A, B and C Bonds will be payable at the principal corporate office of U.S. Bank National Association, Trustee. Interest on the 2010 Series A, B and C Bonds is payable to the registered owner as of the close of business on the fifteenth day of April and October in each year beginning in April, 2011 or the preceding business day if such fifteenth day is not a business day, by check mailed to the registered owner at such address as appears on the registration books of the State kept for such purpose under the Senior Indenture.

The 2010 Series B Bonds and the 2010 Series C Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the Senior Indenture.

The 2010 Series A, B and C Bonds including the principal thereof and interest and premium, if any, thereon are payable solely from the Pledged Revenues (as defined in the Act and in the Senior Indenture) and other receipts, funds or moneys pledged therefor and credited to the Special Transportation Fund of the State pursuant to the Act and the Senior Indenture.

From such examination we are of the opinion that:

1. The Act is valid, and the State has the legal right and power to authorize, and has duly authorized, executed and delivered the Senior Indenture, and the Senior Indenture is a legal, valid and binding obligation of the State enforceable in accordance with its terms.

2. The 2010 Series A, B and C Bonds have been duly authorized and issued under the Constitution and laws of the State, particularly the Act, and under proceedings duly had and taken in conformity therewith.

3. The 2010 Series A, B and C Bonds are valid and binding special obligations of the State payable from the Pledged Revenues and other receipts, funds or moneys pledged therefor under the Act and the Senior Indenture and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Senior Indenture.

4. The 2010 Series A, B and C Bonds are secured in the manner and to the extent set forth in the Act and the Senior Indenture. Pursuant to the Act, the Senior Indenture creates a valid first call upon Pledged Revenues and lien upon any and all amounts held to the credit of said Special Transportation Fund from time to time, to the extent set forth in the Senior Indenture, including moneys and securities held by the Trustee in the Debt Service Account and Reserve Account established thereunder, which the Senior Indenture purports to create, subject only to the provisions of the Senior Indenture permitting the application thereunder for or to the purposes and on the terms and conditions set forth in the Senior Indenture. Such first call and

lien are valid and binding against all parties having claims of any kind in tort, contract or otherwise against the State (including holders of general obligation debt of the State.) All amounts necessary for the punctual payment of the Debt Service Requirements (as defined in the Act) with respect to the 2010 Series A, B and C Bonds are validly deemed to be appropriated by the Act from the Pledged Revenues and other receipts, funds or moneys pledged therefor and the Treasurer is required under the Act to pay such Debt Service Requirements as the same shall accrue, but only from such sources. Such payment by the Treasurer does not require further legislative approval.

5. The State is not obligated to pay the principal of, and interest and premium, if any, on the 2010 Series A, B and C Bonds except from Pledged Revenues and other receipts, funds or moneys pledged therefor under the Act and the Senior Indenture, and the full faith and credit of the State or any political subdivision thereof is not pledged to the payment of the principal of and interest and premium, if any, on the 2010 Series A, B and C Bonds.

6. Pursuant to the Act, the Senior Indenture validly incorporates the valid and enforceable covenants of the State to impose, charge, raise, levy, collect and apply the Pledged Revenues and other receipts, funds or moneys pledged for the payment of Debt Service Requirements in such amounts as may be necessary to pay such requirements in each year and not to limit or alter the duties imposed on the Treasurer or other officers of the State by the Act and the Senior Indenture with respect to the application of such Pledged Revenues and other such pledged receipts, funds or moneys.

7. Pursuant to the Act, the covenant of the State contained in the Senior Indenture to provide Pledged Revenues and other receipts, funds or moneys pledged under the Senior Indenture in an amount at least equal to two times the aggregate Principal and Interest Requirements on Bonds and Interest Requirements on Notes in each Fiscal Year is valid and enforceable. Such covenant is subject to the right of the State to exercise its power, through a change in law, to limit, modify, rescind, repeal or otherwise alter the character or amount of such Pledged Revenues or to substitute like or different sources of taxes, fees, charges or other receipts as Pledged Revenues if, for the ensuing Fiscal Year as evidenced by the proposed or adopted budget of the State with respect to the Special Transportation Fund, the projected revenues meet or exceed the estimated expenses of the Special Transportation Fund including accumulated deficits, if any, Debt Service Requirements, and any Pledged Revenue coverage requirement set forth in Section 2.4 of the Senior Indenture.

8. Under existing law, (i) interest on the 2010 Series A Bonds and the 2010 Series C Bonds is excludable from the gross income of the owners thereof for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and will not be treated as a preference item for purposes of calculating the Federal alternative minimum tax for individuals or corporations, (ii) interest on the 2010 Series A Bonds is not includable in the adjusted current earnings of corporations for purposes of computing the Federal alternative minimum tax imposed on corporations, and (iii) interest on the 2010 Series C Bonds is includable in the adjusted current earnings of corporations for purposes of computing the Federal alternative minimum tax imposed on corporations. We express no opinion regarding other

Federal income tax consequences caused by ownership of, or receipt of interest on, the 2010 Series A Bonds and the 2010 Series C Bonds.

9. Under existing law, interest on the 2010 Series B Bonds is included in the gross income of the owners thereof for Federal income tax purposes under the Code. We express no opinion regarding other Federal income tax consequences caused by ownership of, or receipt of interest on, the 2010 Series B Bonds. Nothing contained in this paragraph 9 is intended or written to be used, and cannot be used, by any owner of the 2010 Series B Bonds for the purpose of avoiding Federal tax penalties that may be imposed on such owner. The material contained in this paragraph 9 was written in connection with the promotion or marketing of the 2010 Series B Bonds. Each owner of the 2010 Series B Bonds should seek advice from an independent tax advisor based on that owner's particular circumstances.

10. Under existing law, interest on the 2010 Series A, B and C Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trust and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the 2010 Series A Bonds and the 2010 Series C Bonds in order that interest on the 2010 Series A Bonds and the 2010 Series C Bonds be excludable from gross income under the Code. The State has covenanted in a Tax Regulatory Agreement (the "Tax Regulatory Agreement") that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest on the 2010 Series A Bonds and the 2010 Series C Bonds shall be excludable from the gross income of the owners thereof for Federal income tax purposes under the Code.

In rendering the foregoing opinions regarding the Federal income tax treatment of interest on the 2010 Series A, B and C Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) compliance by the State with covenants set forth in the Tax Regulatory Agreement as to such matters.

In rendering this opinion, we further advise you that the enforceability of rights and remedies with respect to the 2010 Series A, B and C Bonds may be limited by insolvency, moratorium and other laws affecting creditor's rights generally heretofore or hereafter enacted and by law applicable to relief in equity and by the reserved police powers of the State; no opinion is expressed as to the availability of a right in equity to specific performance on any covenant requiring legislative action with respect to taxes not presently enacted when an adequate remedy at law for damages is available or another such limitation exists and is applied.

We have examined the bond (or bonds, as may be the case) of each maturity and, in our opinion, the form of said bond or bonds, and its or their execution, are regular and proper.

Respectfully submitted,

Appendix E

FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State of Connecticut (the "State") will agree, pursuant to a Continuing Disclosure Agreement for the 2010 Series A, B and C Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the 2010 Series A, B and C Bonds and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the 2010 Series A, B and C Bonds.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement ("Agreement") is made as of the ____ day of November, 2010 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $199,570,000 Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2010 Series A (the "2010 Series A Bonds"), $400,430,000 Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2010 Series B (Taxable Build America Bonds – Direct Pay) (the "2010 Series B Bonds") and $137,675,000 Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2010 Series C (the "2010 Series C Bonds", together with the 2010 Series A Bonds and the 2010 Series B Bonds, collectively; the "Bonds") dated November 10, 2010, and U.S. Bank National Association, as Trustee for the Bonds (the "Trustee") under the Indenture (as hereinafter defined), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the State dated October 28, 2010 prepared in connection with the Bonds.

"Indenture" means the Indenture of Trust entered into by the State and the Trustee, dated as of September 15, 1984, as supplemented and amended to date as the same may be further supplemented and amended from time to time.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The State agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2010 as follows:

(i) Financial statements of the State's Special Transportation Fund for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the State is required to prepare financial statements of its various funds and accounts on a budgeted basis (i.e., on the basis of the modified cash

method of accounting as described in Appendix A to the Final Official Statement under the caption **FINANCIAL PROCEDURES** - "Accounting Procedures"). As of the date of this Agreement, the State also prepares financial statements for the Special Transportation Fund in accordance with generally accepted accounting principles but is not required to do so. The financial statements will be audited.

(ii) To the extent not included in the financial statements described in (i) above, the financial information and operating data within the meaning of the Rule included in the material under the headings "TOTAL BONDS OUTSTANDING," "DEBT SERVICE ON OUTSTANDING BONDS," "THE OPERATIONS OF THE SPECIAL TRANSPORTATION FUND" and "THE DEPARTMENT OF TRANSPORTATION" and Appendices B and C in the Final Official Statement; provided, however, that reference to such headings in the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The State's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(d) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time, provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Section 3. Material Events.

The State agrees to provide or cause to be provided, in a timely manner, to (i) each Repository notice of the occurrence of any of the following events with respect to the Bonds, if material:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults;
(c) unscheduled draws on debt service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
(g) modifications to rights of holders of the Bonds;
(h) Bond calls;
(i) Bond defeasances;
(j) release, substitution, or sale of property securing repayment of the Bonds; and
(k) rating changes.

In order to assist the State in complying with its undertaking in this Section 3, the Trustee agrees to use its best efforts promptly to notify the State in writing of the occurrence of any of the events listed in (a) - (k) above as to which any officer in the Corporate Trust Administration Department of the Trustee obtains actual knowledge in the course of the performance of the duties of the Trustee under the Indenture; provided, however, that the determination of whether any such occurrence is material shall be a determination to be made by the State and not the Trustee pursuant to its responsibilities under this Agreement.

Section 4. Notice of Failure to Provide Annual Financial Information.

The State agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.

Section 6. Termination.

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds, including, without limitation, an Event of Default under the Indenture, or a breach of any duty or obligation of the Trustee under the Indenture.

Section 8. Miscellaneous.

(a) All documents provided by the State to a Repository pursuant to the State's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The State and the Trustee shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that

such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than 60% of the aggregate principal amount of the Bonds then outstanding pursuant to the terms of the Indenture. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

STATE OF CONNECTICUT

By:_____
Denise L. Nappier
Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By:_____

Authorized Officer

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