NEW ISSUE **FULL BOOK ENTRY**

In the opinion of Bond Counsel to the New York State Thruway Authority, under existing statutes and court decisions, and assuming compliance with the tax covenants described herein, (i) interest on the Series I Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series I Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series I Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers). See "TAX MATTERS" herein.

$1,122,560,000
NEW YORK STATE THRUWAY AUTHORITY
General Revenue Bonds
Series I

Dated: Date of Delivery **Due: January 1, as shown on the inside cover hereof**

Interest is payable each January 1 and July 1 commencing January 1, 2013. The New York State Thruway Authority General Revenue Bonds, Series I (the "Series I Bonds") are issuable only as fully registered bonds without coupons, in the principal amount of $5,000 or any integral multiple thereof. The Series I Bonds will be issued initially under a book-entry only system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series I Bonds. See Appendix D — "BOOK-ENTRY ONLY SYSTEM" herein. Principal of and premium, if any, and interest on the Series I Bonds will be payable to Bondholders through The Bank of New York Mellon, New York, New York, as Trustee.

The Series I Bonds are subject to redemption prior to maturity as described herein.

The Series I Bonds of the New York State Thruway Authority (the "Authority") will be issued pursuant to the Authority's General Revenue Bond Resolution adopted on August 3, 1992, as supplemented (such General Revenue Bond Resolution as from time to time amended or supplemented being herein called the "Bond Resolution"), including as supplemented by the Thirteenth Supplemental Revenue Bond Resolution Authorizing General Revenue Bonds, Series I adopted by the Authority on June 25, 2009, as amended on May 18, 2011 and May 30, 2012 (the "Series Resolution"), and are secured as to the payment of principal, premium, if any, and interest thereon by a pledge of the Revenues and certain funds and accounts established under the Bond Resolution, subject to the application thereof for the purposes and on the terms and conditions provided in the Bond Resolution. **The Series I Bonds are not a debt of the State of New York (the "State") nor shall the State be liable thereon.**

The Series I Bonds are being issued (i) to fund a portion of the cost of the Authority's 2012-2015 Multi-Year Capital Program, (ii) to provide funds to pay the principal and interest at maturity of the Authority's General Revenue Bond Anticipation Notes, Series 2011A, (iii) to make a deposit to the Senior Debt Service Reserve Fund, and (iv) to pay the Costs of Issuance of the Series I Bonds.

MATURITY SCHEDULE — See Inside Cover

The cover and inside cover pages contain certain information for general reference only. They are not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed decision.

The Series I Bonds are offered, when, as and if issued by the Authority and delivered to the Underwriters, and are subject to the approval of legality by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. Certain legal matters are subject to the approval of William J. Estes, Esq., General Counsel to the Authority, and of Hiscock & Barclay, LLP and the Law Offices of Joseph C. Reid, P.A., Co-Counsel to the Underwriters. Public Resources Advisory Group and Acacia Financial Group, Inc. are acting as financial advisors to the Authority. Jeffrey A. Parker & Associates, Inc. and Acacia Financial Group, Inc. are acting as financial advisors to the Authority in connection with the Tappan Zee Bridge Project. It is expected that the Series I Bonds will be available for delivery to The Depository Trust Company, New York, New York, on or about July 11, 2012.

Citigroup **Siebert Brandford Shank & Co., L.L.C.**

BofA Merrill Lynch **Goldman, Sachs & Co.** **RBC Capital Markets**
Jefferies **KeyBanc Capital Markets Inc.** **Raymond James | Morgan Keegan**
Ramirez & Co., Inc. **Roosevelt & Cross Incorporated** **Wells Fargo Securities**

June 27, 2012

$1,122,560,000
New York State Thruway Authority
General Revenue Bonds
Series I

Maturities, Principal Amounts, Interest Rates, Prices or Yields and CUSIP Numbers

$556,265,000 Serial Bonds

Due January 1	Principal Amount	Interest Rate	Price or Yield	CUSIP[1] Number (Base # 650009)
2014	$19,035,000	4.000%	0.548%	XR9
2015	7,540,000	3.000	0.850	XS7
2015	12,255,000	4.000	0.850	YN7
2016	5,000,000	3.000	1.060	XT5
2016	5,000,000	4.000	1.060	YP2
2016	10,510,000	5.000	1.060	YQ0
2017	5,375,000	3.000	1.360	XU2
2017	1,150,000	4.000	1.360	YR8
2017	14,860,000	5.000	1.360	YS6
2018	5,000,000	3.000	1.760	XV0
2018	4,550,000	4.000	1.760	YT4
2018	12,785,000	5.000	1.760	YU1
2019	8,560,000	4.000	2.070	XW8
2019	14,750,000	5.000	2.070	YV9
2020	4,830,000	4.000	2.300	XX6
2020	19,560,000	5.000	2.300	YW7
2021	2,830,000	4.000	2.540	XY4
2021	22,730,000	5.000	2.540	YX5
2022	2,490,000	4.000	2.710	XZ1
2022	24,320,000	5.000	2.710	YY3
2023	2,730,000	4.000	2.900*	YA5
2023	25,395,000	5.000	2.900*	YZ0
2024	29,505,000	5.000	3.070*	YB3
2025	30,980,000	5.000	3.200*	YC1
2026	32,525,000	5.000	3.340*	YD9
2027	5,775,000	4.000	3.500*	YE7
2027	28,380,000	5.000	3.420*	ZC0
2028	35,805,000	5.000	3.490*	YF4
2029	37,595,000	5.000	3.560*	YG2
2030	39,475,000	5.000	3.630*	YH0
2031	41,450,000	5.000	3.680*	YJ6
2032	21,200,000	4.000	100	YK3
2032	22,320,000	5.000	3.710*	ZD8

$64,570,000 4.125% Term Bond due January 1, 2037 Yield 4.200% CUSIP Number[1] 650009YL1
$185,620,000 5.000% Term Bond due January 1, 2037 Yield 3.950%* CUSIP Number[1] 650009ZA4
$70,000,000 4.125% Term Bond due January 1, 2042 Yield 4.290% CUSIP Number[1] 650009YM9
$246,105,000 5.000% Term Bond due January 1, 2042 Yield 4.010%* CUSIP Number[1] 650009ZB2

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* Priced at the stated yield to the January 1, 2022 optional redemption date at a redemption price of 100%.

1 CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. and are included solely for the convenience of the Series I Bonds Bondholders. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series I Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series I Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series I Bonds.

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

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (the term "Official Statement" when used herein shall for all purposes include reference to the Appendices hereto), and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series I Bonds by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale.

The information set forth herein has been provided by the Authority and other sources which are believed to be reliable by the Authority, but is not guaranteed as to its accuracy or completeness.

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

The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

This Official Statement and particularly the information contained under the captions "SUMMARY STATEMENT," "INVESTMENT CONSIDERATIONS," "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS," "BUDGET AND CAPITAL PROGRAM; TRAFFIC ENGINEER'S REPORT", and "APPENDIX A - Report of Traffic Engineer," contain statements relating to future results and economic performance that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "anticipate," "expect," "assume," "estimate," "projection," "plan," "budget," "forecast," "intend," "goal," and similar expressions identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this Official Statement.

Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see the information under "INVESTMENT CONSIDERATIONS." The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

THE SERIES I BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE SERIES I BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE SERIES I BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

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SUMMARY STATEMENT

This summary statement is qualified in its entirety by reference to the information appearing elsewhere in this Official Statement. Terms used in this summary statement and not defined herein shall have the meanings set forth in the body of this Official Statement.

The Authority

The New York State Thruway Authority (the "Authority"), a body corporate and politic constituting a public corporation, created in 1950 by the Act, is empowered, among other things, to construct, operate and maintain as a toll facility, and to improve and reconstruct the New York State Thruway (the "Thruway"), subject to certain statutory limitations on the Authority's right to impose tolls on certain parts of the Thruway, including the Cross-Westchester Expressway. The Act also authorizes the Authority to issue, from time to time, negotiable bonds and notes for any corporate purpose secured by tolls, revenues, rates, fees, charges, rents and other earned income of the Authority. See "THE AUTHORITY".

The Thruway is a 570-mile superhighway system crossing the State and is one of the largest toll superhighway systems in the United States. In addition to being the principal artery of travel and commerce within New York connecting the State's principal cities, the Thruway is a vital link to long distance interstate travel. In addition, the Thruway provides the major route of access for visitors to the State's tourist magnets including Niagara Falls, the State Canal system, the Finger Lakes, the Adirondacks, the Catskills and New York City. See "AUTHORITY GOVERNANCE, FACILITIES AND OPERATIONS — Thruway Facilities and Operations" and Appendix A — "REPORT OF TRAFFIC ENGINEER".

Purpose of Issue

The Series I Bonds are being issued (i) to fund a portion of the cost of the Authority's 2012-2015 Multi-Year Capital Program, (ii) to provide funds to pay the principal and interest at maturity of the Authority's General Revenue Bond Anticipation Notes, Series 2011A, (iii) to make a deposit to the Senior Debt Service Reserve Fund, and (iv) to pay the Costs of Issuance of the Series I Bonds. See "PLAN OF FINANCE".

Security

The Series I Bonds are direct and general obligations of the Authority. Bonds, including the Series I Bonds, issued under the Bond Resolution, are secured as to the payment of principal, premium, if any, and interest thereon by a pledge of the Revenues and certain funds and accounts established under the Bond Resolution, subject to the application thereof for the purposes and on the terms and conditions provided in the Bond Resolution. **The Series I Bonds are not a debt of the State nor shall the State be liable thereon.** The Authority has no taxing power. The Series I Bonds are secured by the Senior Debt Service Reserve Fund in an amount equal to the maximum amount of Aggregate Debt Service for any 12-month period on all Outstanding Bonds secured by the Senior Debt Service Reserve Fund, a substantial portion of which is currently funded by Reserve Credit Facilities as permitted by the Bond Resolution. The Bond Resolution also provides that Operating Expenses of Facilities will be funded from Revenues prior to the provision for accrued Debt Service on the Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" and "DEBT SERVICE REQUIREMENTS".

Toll Covenant

Pursuant to the Bond Resolution, the Authority has covenanted at all times to fix, charge and collect such tolls, fees and charges for the use of the Facilities as are required in order that, in each fiscal year, Net Revenues shall at least equal the Net Revenue Requirement for such year. "Net Revenue Requirement" means, with respect to any period of time, an amount equal to the greater of (i) the sum of amounts required to make payments with respect to Aggregate Debt Service, deposits to the Senior Debt Service Reserve Fund, Reserve Maintenance Payments (minimum, $30 million a year), and the amounts required to be deposited in the Junior Indebtedness Fund pursuant to the Supplemental Resolution or other resolution or agreement authorizing outstanding Junior Indebtedness or (ii) 1.20 times the sum of the Aggregate Debt Service for such period. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Tolls, Fees and Charges" and Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Tolls, Fees and Charges".

Additional Indebtedness

Under the Bond Resolution, the Authority may issue Additional Bonds, Refunding Bonds, Junior Indebtedness and Subordinated Indebtedness payable from Revenues. Additional Bonds may be issued, subject to certain limitations, to pay for Project Costs of the Original Project, any Additional Projects and any Other Authority Projects. Refunding Bonds may be issued, subject to certain limitations, to refund Outstanding Bonds, any Junior Indebtedness and any Subordinated Indebtedness. Such limitations include, but are not limited to, satisfaction of an earnings or coverage test or not-to-exceed Aggregate Debt Service test. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Additional Bonds, Refunding Bonds and Other Indebtedness" and "— Reserve Maintenance Fund".

2012-2015 Multi-Year Capital Program

On December 12, 2011, the Authority Board approved the 2012 Budget and 2012-2015 Multi-Year Capital Program totaling $1.5 billion, excluding the new Tappan Zee Bridge Project. Fiscal constraints required the Authority to pursue a more balanced approach to the 2012-2015 Multi-Year Capital Program project mix, focusing more on high priority and high impact investments to maintain the useful life of Thruway and Canal infrastructure rather than letting major reconstruction, rehabilitation and capacity improvements that were part of the previous 2005-2011 Multi-Year Capital Plan. The 2012-2015 Multi-Year Capital Program will complete major, job-sustaining reconstruction projects that were let during the previous Multi-Year Capital Program and includes reconstruction and rehabilitation of roadway, bridges, facilities and support systems of the Thruway; congestion relief, mobility enhancements and capital funds for Canal projects; and provision for replacement of equipment and other non-bridge and highway projects of the Authority. See "BUDGET AND CAPITAL PROGRAM; TRAFFIC ENGINEER'S REPORT — Multi-Year Capital Program" and "— Funding of the Multi-Year Capital Program" for more information on the 2012-2015 Multi-Year Capital Program and the Tappan Zee Bridge Project.

Toll Adjustments

Based on the results of studies and analyses in the May, 2012 report of Jacobs Civil Consultants, Inc. (the "Traffic Engineer" and "Independent Consultant" as defined in the Bond Resolution), it has been determined that certain toll rates must be adjusted to complement operational streamlining efforts and Federal aid to improve the Authority's financial condition, to fill funding gaps, and to fully support the 2012-2015 Multi-Year Capital Program. This toll adjustment will provide a foundation under which a new system-wide financial plan that includes the Tappan Zee Bridge Project will be developed once final design and cost have been determined, which is expected by the end of 2012. On May 30, 2012 the Authority Board directed that Authority staff take all necessary actions to effect toll adjustments for commercial vehicles with more than two (2) axles. The Authority's current schedule contemplates that the commercial toll adjustments will become effective on September 30, 2012. Implementation of the commercial toll adjustment requires, among other things, public hearings, submissions of various reports, a 45-day comment period and formal approval by the Authority Board currently scheduled for September,

2012. While the Authority cannot with certainty predict the outcome of this process, the Authority has no reason to believe that commercial toll adjustment will not be implemented in September, 2012 substantially as proposed. See "BUDGET AND CAPITAL PROGRAM; TRAFFIC ENGINEER'S REPORT – Toll Adjustments."

Projected Results

The Authority retained the Traffic Engineer to prepare a study (the "Traffic Engineer's Report") of the Authority's Thruway operations and to project the financial results of the Authority's operations in the years 2012-2016. The projections summarized in the following table are based upon Revenue estimates (taking into account implementation of the proposed commercial toll adjustments), additional Federal aid and operating expense projections (taking into account implementation of a new operational streamlining program) through 2016 and the implementation of the 2012-2015 Multi-Year Capital Program. The results of this analysis are included in the Traffic Engineer's Report included in Appendix A, which should be read in its entirety. These projected results do not include the Tappan Zee Bridge Project. By the end of 2012, the Authority will advance a new system-wide financial plan that will include a financing plan for the Tappan Zee Bridge Project.

(millions)[1]

	Actual	Projected				
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Total Revenues	$665.5	$695.8	$763.8	$773.7	$785.2	$796.7
Operating Expenses	370.0	375.3	368.9	370.5	382.5	393.9
Net Revenue	$295.5	$320.5	$394.8	$403.2	$402.7	$402.7
Debt Service	$167.4	$200.8	$244.6	$259.9	$278.0	$304.1
Debt Service Coverage	1.77x	1.60x	1.61x	1.55x	1.45x	1.32x

(1) Totals may not add due to rounding.

See "BUDGET AND CAPITAL PROGRAM; TRAFFIC ENGINEER'S REPORT – Projected Results."

Ratings

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") have rated the Series I Bonds "A1" with a negative outlook and "A+" with a negative outlook, respectively. See "RATINGS."

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OFFICIAL STATEMENT

$1,122,560,000
New York State Thruway Authority
General Revenue Bonds
Series I

Albany, New York
June 27, 2012

INTRODUCTION

The purpose of this Official Statement, including the cover and inside cover pages, the summary statement and appendices, is to set forth information with respect to the General Revenue Bonds, Series I (the "Series I Bonds"), of the New York State Thruway Authority (the "Authority"). The Series I Bonds are authorized by the New York State Thruway Authority Act, as amended, Title 9 of Article 2 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York (the "Act"). The Series I Bonds are authorized to be issued under and pursuant to the Authority's General Revenue Bond Resolution, adopted on August 3, 1992, as amended on January 5, 2007, as supplemented (such General Revenue Bond Resolution as from time to time amended or supplemented being herein called the "Bond Resolution"), including as supplemented by the Thirteenth Supplemental Revenue Bond Resolution Authorizing General Revenue Bonds, Series I (the "Series Resolution"), adopted by the Authority on June 25, 2009, as amended on May 18, 2011 and May 30, 2012.

THE AUTHORITY

The Authority, a body corporate and politic constituting a public corporation, created in 1950 by the Act, is empowered to finance, construct, operate and maintain as a toll facility, and to improve and reconstruct, the Governor Thomas E. Dewey Thruway. In addition, pursuant to Chapter 766 of the Laws of New York of 1992 and other authorizations, the Authority, among other things, (i) has jurisdiction of and operational and financing authority over the New York State Canal system, (ii) will finance and undertake specified economic development transportation projects in the State and (iii) may undertake certain financings on behalf of the State for transportation purposes.

History

In 1942, the State's leaders recognized that the State's highway system would not be adequate for post-war needs and ordered the planning of a superhighway system through the major travel corridors of the State. In 1944, the State Legislature authorized the State Bureau of Public Works (the predecessor of the New York State Department of Transportation) to proceed with construction of the Thruway. Governor Thomas E. Dewey broke ground for the Thruway in 1946. In May 1948, the first section, four miles between Canandaigua and Victor near Rochester, was opened. By 1950, approximately $25 million of State funds had been spent on the Thruway. A special committee of State officials from whom Governor Dewey sought advice urged that it become a toll highway operated by an independent public authority.

In 1950, the Legislature created the Authority to build, operate and maintain the highway. It was financed primarily through the issuance of $500,000,000 of State Guaranteed Bonds and $472,000,000 of Prior General Revenue Bonds, all of which have been paid in full and are no longer outstanding. The revenue to retire these bonds was generated primarily from tolls. In June 1954, the first toll section, a 115-mile stretch from Lowell (west of Utica) to Rochester, was opened. The 416-mile mainline was completed in 1956 and in 1964 it was given Governor Dewey's name in recognition of his role in its development.

In 1992 and 1993, legislation was adopted which, among other things, created and transferred jurisdiction of the State Canal system to a subsidiary corporation of the Authority and authorized the Authority to assist in or finance the development of certain projects.

Powers

The Authority is authorized under the Act to establish and collect such tolls and charges as may be convenient or necessary to produce at all times sufficient revenues to meet its expenses of maintenance and operation, to pay, as the same shall become due, the principal of and interest on the Bonds and to fulfill the terms of any agreement made with the holders of the Bonds until such Bonds and the interest thereon are fully met and discharged. Under the Bond Resolution, tolls shall remain in effect until all of the Bonds have been retired.

Under the Act, the powers of the Authority include, among others, the power to maintain, reconstruct and operate the Thruway so long as its corporate existence shall continue; and, in addition, to construct and maintain facilities for the public not inconsistent with the appropriate use of the Thruway, to contract for such construction, and to lease the right to construct and use such facilities on such terms and for such considerations as it determines.

Title to the real property utilized by the Authority is vested in the State, but the Authority has the right, so long as its corporate existence shall continue, to possess, use and dispose of all real property and rights therein. The Authority has the power to acquire, hold and dispose of personal property for its corporate purposes. The Authority has no taxing power.

Outstanding Indebtedness

The Authority has been authorized under the Act to issue its bonds and notes to fund a portion of the capital needs of the Authority. The Authority has previously issued under the Bond Resolution $4,170,305,000 aggregate principal amount of Bonds. Upon the issuance of the Series I Bonds, the Authority will have $3,280,780,000 of outstanding Bonds.

Members and Officers

The Act provides that the Authority consists of a Board of seven members appointed by the Governor of the State, with the advice and consent of the State Senate. Board members serve for terms of nine years each. Vacancies in the Authority occurring other than by expiration of term are filled for the remainder of the unexpired term in the manner previously stated. Pursuant to the New York State Public Officers Law, members of the Authority whose terms have expired continue to serve until a successor is appointed and qualified. The members of the Authority receive no salary but are reimbursed for their necessary expenses incurred in connection with their duties. The Chairman serves in that capacity for the full term of his appointment as a member of the Authority. The members of the Authority may appoint other officers. The present members of the Board and the expiration dates of their terms of office are as follows:

Name	Expiration of Term
Howard P. Milstein	January 1, 2020
E. Virgil Conway	January 1, 2017
José Holguín-Veras	December 12, 2018
Donna J. Luh	June 22, 2017
J. Donald Rice, Jr.	June 13, 2018
Brandon R. Sall	January 1, 2014
Richard N. Simberg	September 14, 2017

The present officers of the Authority are as follows:

Name	Office
Howard P. Milstein	Chairman
Donna J. Luh	Vice Chair
Thomas J. Madison, Jr.	Executive Director
John M. Bryan	Treasurer
Michael Sikule	Assistant Treasurer
Jill Warner	Secretary
Judy A. Gallagher	Assistant Secretary
William F. McDonough	Assistant Secretary
Elizabeth A. Yanus	Assistant Secretary

Thomas J. Madison, Jr. is the Executive Director of the New York State Thruway Authority and Canal Corporation. John M. Bryan serves as Chief Financial Officer of the Authority. William J. Estes, Esq. serves as the General Counsel to the Authority. See "AUTHORITY GOVERNANCE, FACILITIES AND OPERATIONS" for additional detail on the Board membership and senior staff at the Authority.

PLAN OF FINANCE

The Series I Bonds are being issued (i) to fund a portion of the cost of the Authority's 2012-2015 Multi-Year Capital Program, (ii) to provide funds to pay the principal and interest at maturity of the Authority's General Revenue Bond Anticipation Notes, Series 2011A, (iii) to make a deposit to the Senior Debt Service Reserve Fund, and (iv) to pay the Costs of Issuance of the Series I Bonds. See the table below under "SOURCES AND USES OF FUNDS".

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SOURCES AND USES OF FUNDS

The proceeds received from the sale of the Series I Bonds are expected to be applied in the following approximate amounts:

Sources of Funds	
Principal Amount of Series I Bonds	$1,122,560,000.00
Net Original Issue Premium	100,827,014.10
Total Sources of Funds	$1,223,387,014.10
Uses of Funds	
Deposit to the Series 2011A Note Payment Fund	$ 885,357,675.28
Deposit to Construction Fund	250,000,000.00
Deposit to Senior Debt Service Reserve Fund	72,620,706.24
Costs of Issuance (including New York State Bond Issuance Charge)	9,765,567.54
Underwriters' Discount	5,643,065.04
Total Uses of Funds	$1,223,387,014.10

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DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period of the years shown, the amounts required to be paid by the Authority for the Debt Service for the Bonds.

GENERAL REVENUE BONDS

Calendar Year[1]	Debt Service on Outstanding Bonds	Series I Bonds Principal	Series I Bonds Interest	Series I Bonds Total	Total General Revenue Bond Debt Service
2012	$ 167,622,563	$ -	$ 25,305,521	$ 25,305,521	$ 192,928,084
2013	167,619,944	19,035,000	53,588,163	72,623,163	240,243,106
2014	167,621,519	19,795,000	52,826,763	72,621,763	240,243,281
2015	167,618,576	20,510,000	52,110,363	72,620,363	240,238,939
2016	167,624,431	21,385,000	51,234,863	72,619,863	240,244,294
2017	167,617,694	22,335,000	50,284,613	72,619,613	240,237,306
2018	167,619,244	23,310,000	49,313,363	72,623,363	240,242,606
2019	167,621,675	24,390,000	48,233,463	72,623,463	240,245,138
2020	167,618,444	25,560,000	47,062,263	72,622,263	240,240,706
2021	167,620,194	26,810,000	45,812,563	72,622,563	240,242,756
2022	167,619,544	28,125,000	44,496,963	72,621,963	240,241,506
2023	167,618,856	29,505,000	43,118,013	72,623,013	240,241,869
2024	167,617,806	30,980,000	41,642,763	72,622,763	240,240,569
2025	167,619,775	32,525,000	40,093,763	72,618,763	240,238,538
2026	167,619,025	34,155,000	38,467,513	72,622,513	240,241,538
2027	167,619,663	35,805,000	36,817,513	72,622,513	240,242,175
2028	167,618,288	37,595,000	35,027,263	72,622,263	240,240,550
2029	167,619,050	39,475,000	33,147,513	72,622,513	240,241,563
2030	167,620,500	41,450,000	31,173,763	72,623,763	240,244,263
2031	167,619,250	43,520,000	29,101,263	72,621,263	240,240,513
2032	36,220,750	45,485,000	27,137,263	72,622,263	108,843,013
2033	36,221,750	47,655,000	24,966,831	72,621,831	108,843,581
2034	36,221,750	49,930,000	22,692,275	72,622,275	108,844,025
2035	36,217,250	52,310,000	20,308,606	72,618,606	108,835,856
2036	36,219,750	54,810,000	17,810,663	72,620,663	108,840,413
2037	-	57,430,000	15,192,750	72,622,750	72,622,750
2038	-	60,190,000	12,432,375	72,622,375	72,622,375
2039	-	63,080,000	9,539,338	72,619,338	72,619,338
2040	-	66,115,000	6,507,619	72,622,619	72,622,619
2041	-	69,290,000	3,330,013	72,620,013	72,620,013
Total[2]	$3,533,497,289	$1,122,560,000	$1,008,775,990	$2,131,335,990	$5,664,833,279

(1) Includes principal and interest due January 1 of the following calendar year.
(2) Totals may not add due to rounding.

DESCRIPTION OF THE SERIES I BONDS

General

The Series I Bonds will be dated their date of delivery, will bear interest at the rates per annum and will mature, subject to optional and mandatory redemption as described below, on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series I Bonds will be payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2013.

Book-Entry Only System

The Series I Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). The Series I Bonds will be held in book-entry only form. Principal of and premium, if any, and interest on the Series I Bonds will be payable through The Bank of New York Mellon, as paying agent (the "Paying Agent"). The Bank of New York Mellon is also serving as trustee (the "Trustee") under the Bond Resolution. Purchases from DTC of beneficial interests in the Series I Bonds will be made in book-entry only form (without certificates) in the principal amount of $5,000 or any integral multiple of $5,000 in excess thereof. For so long as Cede & Co., as nominee of DTC, is the registered owner of the Series I Bonds, payments of the principal of, premium, if any, and interest on the Series I Bonds will be made directly to DTC. Disbursement of such payment to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, each such term as hereinafter defined. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES I BONDS, AS NOMINEE FOR DTC, REFERENCES HEREIN TO BONDHOLDERS OR OWNERS OF THE SERIES I BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES I BONDS.

See Appendix D — "BOOK-ENTRY ONLY SYSTEM".

Redemption Provisions

The Series I Bonds are subject to optional and mandatory redemption as described below. In addition, the State may, upon furnishing sufficient funds therefore, require the Authority to redeem the Bonds as provided in the Act. See Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Redemption of Bonds".

Optional Redemption. The Series I Bonds maturing on or before January 1, 2022, are not subject to optional redemption prior to maturity. The Series I Bonds maturing on or after January 1, 2023 are subject to redemption prior to maturity at any time on or after January 1, 2022, at the option of the Authority, as a whole or in part in the principal amounts and from the maturities selected by the Authority, at par, plus accrued interest to the redemption date.

Mandatory Redemption. In addition, the Series I Bonds maturing on January 1, 2037 (the "2037 Term Bonds") and on January 1, 2042 (the "2042 Term Bonds") are also subject to redemption, in part, on January 1 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be paid in amounts sufficient to redeem on January 1 of the following years the principal amount of Series I Bonds specified for each of the years shown below:

2037 4.125% Term Bonds

Year	Sinking Fund Installments
2033	$11,865,000
2034	12,365,000
2035	12,895,000
2036	13,435,000
2037	14,010,000†

2037 5.000% Term Bonds

Year	Sinking Fund Installments
2033	$33,620,000
2034	35,290,000
2035	37,035,000
2036	38,875,000
2037	40,800,000†

2042 4.125% Term Bonds

Year	Sinking Fund Installments
2038	$12,700,000
2039	13,310,000
2040	13,975,000
2041	14,645,000
2042	15,370,000†

2042 5.000% Term Bonds

Year	Sinking Fund Installments
2038	$44,730,000
2039	46,880,000
2040	49,105,000
2041	51,470,000
2042	53,920,000†

† Final maturity.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Authority may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to certain provisions of the Bond Resolution, of the same series, maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Upon any purchase or redemption of Bonds for which Sinking Fund Installments have been established with moneys in the General Reserve Fund, there shall be credited toward each such Sinking Fund Installment thereafter to become due (other than that next due), unless otherwise directed by the Authority, an amount bearing the same ratio to such Sinking Fund Installment as the total principal amount of such Bonds so purchased or redeemed bears to the total amount of all remaining Sinking Fund Installments for the Series I Bonds of the same maturity.

Selection of Bonds to be Redeemed. In the case of redemption of less than all of the Series I Bonds, the Authority will select the maturities of the Series I Bonds to be redeemed. If less than all of the Series I Bonds of a maturity are to be redeemed, the Trustee shall select the Outstanding Bonds of such maturity to be redeemed, using such method of selection as it shall consider proper in its discretion.

Notice of Redemption. The Trustee is to give notice of the redemption of the Series I Bonds in the name of the Authority. Such notice shall be given by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date to the registered owners of any Series I Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority. The failure of any owner of a Series I Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series I Bonds.

The notice of an optional redemption required by the Bond Resolution to be given shall not be given with respect to Bonds to be redeemed pursuant to the Bond Resolution (other than any notice referring to Bonds to be refunded) unless prior to the date such notice is to be given, the Authority shall have paid or caused to be paid to the Trustee (i) an amount of money which, in addition to other money available therefor held by the Trustee, is sufficient to redeem such Bonds on the Redemption Date at the

Redemption Price thereof, and (ii) accrued interest to the Redemption Date on all of the Bonds to be so redeemed.

If on the redemption date moneys for the redemption of the Series I Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption shall have been given, then interest on the Series I Bonds to be redeemed will cease to accrue from and after the Redemption Date and such Series I Bonds will no longer be considered to be Outstanding under the Bond Resolution.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Authorized Projects

In order to finance the projects included within the Authority's responsibilities as broadened by 1992 legislation, the Authority adopted the Bond Resolution which established two project categories: "Facilities" and "Other Authority Projects," as defined below. Only projects which qualify in one of those two categories may be funded from proceeds of Bonds. Any Authority project may be funded from surplus Revenues released from time to time from the General Reserve Fund.

The Bond Resolution uses the two categories to determine which revenues are pledged to the Bonds, the priority of application of Revenues, and the amount of Additional Bonds that may be issued, all as discussed below.

The first category, "Facilities," includes all of the Thruway as it existed in 1992 when the Bond Resolution was adopted (the "Original Project"), together with "Additional Projects" acquired or constructed thereafter, such as additional interchanges, extensions, toll roads, tunnels or bridges and other transportation or transportation-related projects. To qualify as an "Additional Project," a project must meet certain financial requirements and be under the Authority's jurisdiction, and the Authority must have the exclusive power to set tolls, rates, fees and charges on it. The issuance of Bonds for Facilities is limited by the Additional Bonds test. See "— Additional Bonds, Refunding Bonds and Other Indebtedness — *Additional Bonds for Facilities*".

The second category, "Other Authority Projects," includes the State Canal system, as well as six specifically designated projects: the Inner Harbor project and the Intermodal Transportation Center in Syracuse, the Horizons Waterfront project in Buffalo, the Thruway Exit 26 Bridge, Tappan Zee Ferry Service and Stewart International Airport Access projects. Pursuant to a Supplemental Resolution, the Authority may designate a transportation or transportation-related facility or property as an Other Authority Project, if it is within the jurisdiction and control of the Authority. The issuance of Bonds for Other Authority Projects is limited by the Additional Bonds test, and a provision which restricts total debt service in any year on all debt issued for Other Authority Projects to a level equal to no more than 20% of certain historical Net Revenues. See "— Facilities" and "— Additional Bonds, Refunding Bonds and Other Indebtedness — *Additional Bonds for Other Authority Projects*".

Revenues

Under the Bond Resolution, the Authority has pledged "Revenues" to the payment of Bonds, including the Series I Bonds. "Revenues" mean (i) all tolls, revenues, fees, charges, rent and other income and receipts derived from the operation, jurisdiction and control of the Facilities (*i.e.*, the Original Project and Additional Projects), (ii) the proceeds of any use and occupancy insurance relating to the Facilities and of any other insurance which insures against loss of Revenues and (iii) investment income received on any moneys or securities held under the Bond Resolution other than investment income on amounts held in the Rebate Fund or Junior Indebtedness Fund and certain other investment income which is not transferred to the Revenue Fund pursuant to the Bond Resolution. Revenues do not include the (i) proceeds of any gifts, grants or other income to the Authority from the government of the United States or the State, any public instrumentality of the State or any other individual or entity to the extent the Authority is precluded by law, the grant or other operative contract or instrument from applying such amounts to Operating Expenses and Debt Service, or (ii) revenues of Other Authority Projects, including revenues derived from the State Canal system. Provision for operating expenses or capital needs associated with Other Authority Projects or activities to be financed from amounts released from time to time from the General Reserve Fund may not be made under the Bond Resolution unless provision has first been made for, among other things, Operating Expenses of Facilities, accrual of debt service on the Bonds (including the Series I Bonds), and required Reserve Maintenance Fund deposits for Facilities. See "— General Revenue Bond Resolution Flow of Funds".

Pledge under the Bond Resolution

The Bonds are direct and general obligations of the Authority. Under the Bond Resolution, the payment of principal and redemption price of, interest on, and Sinking Fund Installments for the Bonds is secured by a pledge of the following: (i) the Revenues, (ii) the proceeds of the sale of the Bonds, and (iii) all Funds and accounts established under the Bond Resolution referred to below under "General Revenue Bond Resolution Flow of Funds" and in Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Funds and Revenues", including the investments thereof, except for the Rebate Fund and the Junior Indebtedness Fund and, with respect to certain series of Additional Bonds and Refunding Bonds, the Senior Debt Service Reserve Fund. See "Senior Debt Service Reserve Fund" below. The pledge created by the Bond Resolution is subject to the provisions of the Bond Resolution permitting the application of the Revenues, the proceeds of the sale of the Bonds and the funds and accounts established under the Bond Resolution for the purposes and upon the terms and conditions set forth in the Bond Resolution. The Bond Resolution also provides that monthly Operating Expenses of Facilities will be funded from Revenues prior to the provision for accrued Debt Service on Bonds. The Bond Resolution also provides that the pledge and lien created by the Bond Resolution shall be superior in all respects to any pledge or lien now or hereafter created for Junior Indebtedness or Subordinated Indebtedness.

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Bond Resolution specifically provides that the Bonds shall not be a debt of the State nor shall the State be liable thereon.

General Revenue Bond Resolution Flow of Funds

Pursuant to the Bond Resolution, the Authority is required to pay into the Revenue Fund all Revenues as received. On or before the last Business Day of each month, the Authority is required to pay into the Operating Fund, out of the moneys in the Revenue Fund, all amounts required for reasonable and necessary Operating Expenses and reserves for Operating Expenses and working capital with respect to Facilities. Operating Expenses for Other Authority Projects are not payable out of the Operating Fund but may be paid out of the Other Authority Projects Operating Fund. On or before the last Business Day of each month, the Authority is required to deposit amounts remaining in the Revenue Fund after such deposits to the Operating Fund as of the last day of the preceding month as follows:

(1) To the Trustee for deposit in the Senior Debt Service Fund, the amount required so that the balance in the Senior Debt Service Fund shall be at least equal to the Accrued Debt Service for all Bonds Outstanding as of the last day of the then current calendar month, after taking into account any other amounts available for payment of Debt Service, including any amounts representing investment

earnings retained in the Senior Debt Service Fund or transferred from the Senior Debt Service Reserve Fund;

(2) To the Trustee for deposit in the Senior Debt Service Reserve Fund, if and to the extent required so that the balance in said Fund shall equal the Senior Debt Service Reserve Requirement for all Bonds secured by such Fund and Outstanding on said date;

(3) To the Reserve Maintenance Fund, an amount such that (a) on or before the first day of the seventh month of the Authority's fiscal year there shall have been deposited an amount equal to or greater than one-half of the amount, and (b) on or before the last day of the Authority's fiscal year there shall have been deposited an amount equal to or greater than the full amount, provided in the Authority Budget for the applicable fiscal year for Reserve Maintenance Payments, plus accrued deficits, if any, with respect to the prior required allocations to such Fund;

(4) To the Junior Indebtedness Fund, the amount required so that the balance in said Fund shall equal the amounts required to be deposited therein by any instrument authorizing the issuance of Junior Indebtedness outstanding on said date;

(5) To the Facilities Capital Improvement Fund, the amount determined to be necessary or appropriate by the Authority Board to fund Project Costs of Facilities or to set up reserves to fund such costs;

(6) To the Other Authority Projects Operating Fund, the amount determined to be necessary or appropriate by the Authority Board to fund operating expenses relating to Other Authority Projects or to set up reserves to fund such expenses; and

(7) To the General Reserve Fund, any remaining balance of such moneys.

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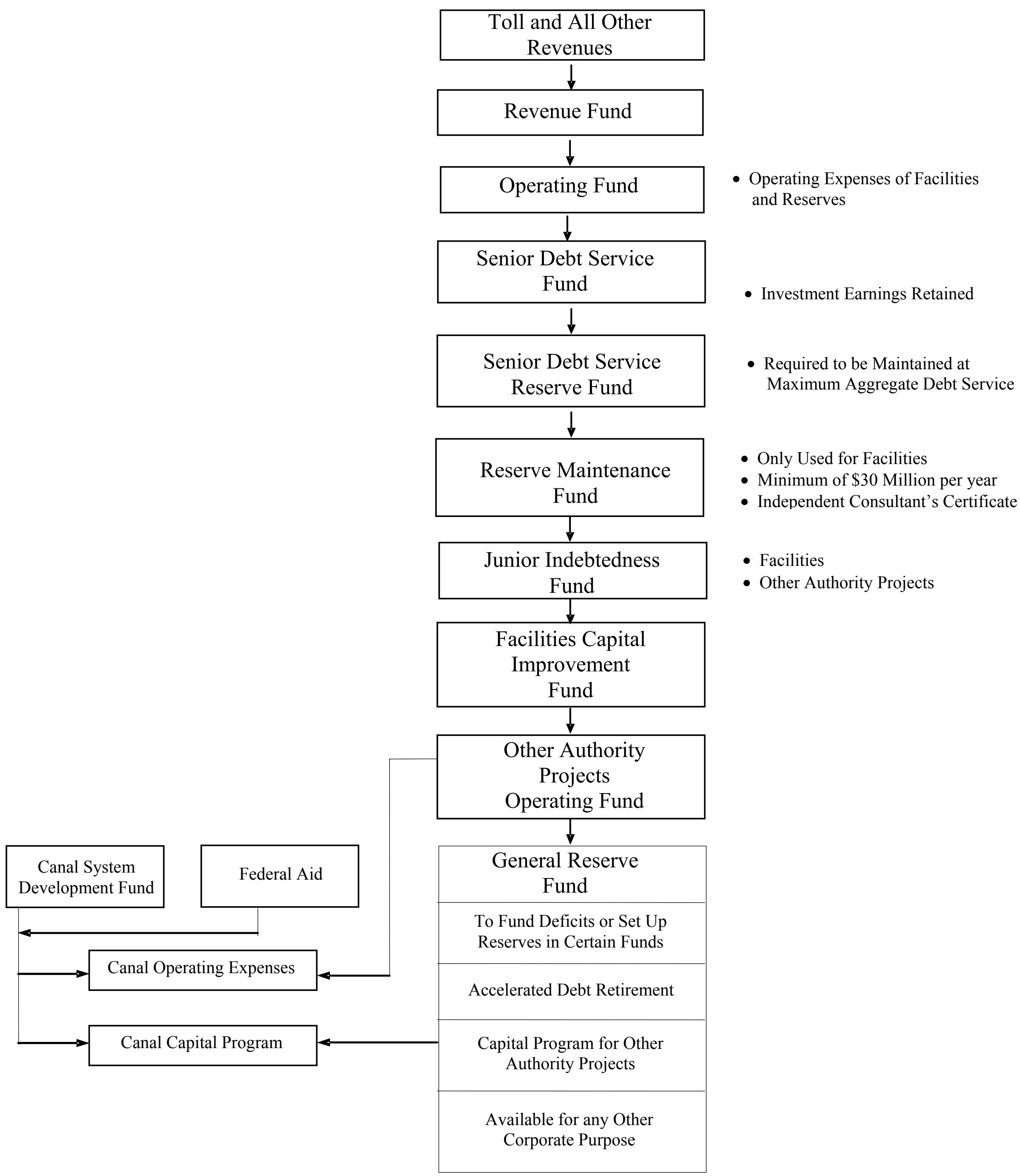
General Revenue Bond Resolution Flow of Funds



Senior Debt Service Reserve Fund

The Senior Debt Service Reserve Fund Requirement is equal to the maximum amount of Aggregate Debt Service for any 12-month period on all Outstanding Bonds secured by the Senior Debt Service Reserve Fund (calculated with respect to Variable Interest Rate Bonds at the Estimated Average Interest Rate until conversion to a fixed rate of interest and subject to certain limitations). On the date of issuance of the Series I Bonds, the amount in the Senior Debt Service Reserve Fund shall be equal to the Senior Debt Service Reserve Fund Requirement. To the extent that amounts in the Senior Debt Service Fund and unencumbered moneys in the General Reserve Fund, the Other Authority Projects Operating Fund, the Facilities Capital Improvement Fund and the Reserve Maintenance Fund are insufficient to pay debt service, when due, on the Bonds, deficiencies will be made up from amounts in the Senior Debt Service Reserve Fund; provided that no payments will be made from moneys in the Senior Debt Service Reserve Fund with respect to Bonds not secured by the Senior Debt Service Reserve Fund. The Bond Resolution provides that the Authority may determine pursuant to any Supplemental Resolution authorizing a series of Bonds that such series of Bonds will not be secured by the Senior Debt Service Reserve Fund. The Series I Bonds are secured by the Senior Debt Service Reserve Fund. The Bond Resolution also provides that a Reserve Credit Facility may be deposited or substituted for deposit in the Senior Debt Service Reserve Fund to satisfy all or any portion of the Senior Debt Service Reserve Fund Requirement. See Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Senior Debt Service Reserve Fund".

As permitted by the Bond Resolution, the Authority currently has on deposit in the Senior Debt Service Reserve Fund, together with cash and investments to meet the Senior Debt Service Reserve Fund Requirement, Reserve Credit Facilities in the form of a Debt Service Reserve Surety Bond originally issued by MBIA Insurance Corporation ("MBIA") in the maximum amount of $69,895,025 (the "MBIA Reserve Fund Surety") and a Municipal Bond Debt Service Reserve Fund Policy originally issued by Financial Guaranty Insurance Company ("FGIC") in the maximum amount of $13,118,280.99 (the "Financial Guaranty Reserve Fund Policy" and collectively with the MBIA Reserve Fund Surety, the "Reserve Fund Policies"). The MBIA Reserve Fund Surety expires on January 1, 2027 and the Financial Guaranty Reserve Fund Policy expires on January 1, 2024, subject, in each case to early termination. The Reserve Fund Policies permit the Trustee, in the event that scheduled debt service is due on Bonds, including the Series I Bonds, and moneys to the credit of the Senior Debt Service Fund are insufficient, to draw *pro rata* amounts up to the maximum amounts of such Policies after all the cash (such as will be deposited in connection with the issuance of the Series I Bonds) and investments of that cash to the credit of the Senior Debt Service Reserve Fund have first been withdrawn. The Bond Resolution and the Reserve Fund Policies permit the substitution at any time and from time to time of other Reserve Credit Facilities meeting certain requirements for cash to the credit of the Senior Debt Service Reserve Fund. The Authority understands that MBIA ceded the MBIA Reserve Fund Surety to its subsidiary, MBIA Insurance Corp. of Illinois ("MBIA Illinois"), and that MBIA Illinois has been renamed National Public Finance Guarantee Corporation ("National"). The Authority further understands that pursuant to a reinsurance agreement between FGIC and National, National has reinsured certain obligations of FGIC, including the Financial Guaranty Reserve Fund Policy. As of the date hereof, National is rated "Baa2" and "BBB" by Moody's Investors Service and Standard & Poor's Ratings Services, respectively. See "SOURCES AND USES OF FUNDS" and Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Senior Debt Service Reserve Fund".

The Authority will use a portion of the proceeds of the Series I Bonds to make a cash deposit to the Senior Debt Service Reserve Fund in an amount sufficient, together with other monies on deposit and the Reserve Credit Facilities, to equal the Senior Debt Service Reserve Fund Requirement.

Additional Bonds, Refunding Bonds and Other Indebtedness

The Bond Resolution permits the issuance of Bonds, Junior Indebtedness and Subordinated Indebtedness. The Bond Resolution defines the "Bonds" to be bonds or other indebtedness of the Authority payable from amounts in the Senior Debt Service Fund, including but not limited to, any additional payment obligations in connection with a Qualified Swap, a Qualified Reverse Swap, a Parity Reimbursement Obligation or a capital lease undertaken in connection with the issuance of certificates of participation. "Junior Indebtedness" is any evidence of indebtedness of the Authority payable out of the Junior Indebtedness Fund. "Subordinated Indebtedness" is any evidence of indebtedness of the Authority payable out of amounts available in the General Reserve Fund. To date, the Authority has not issued and currently has no plans to issue any Junior Indebtedness or Subordinated Indebtedness under the Bond Resolution. In addition, the Authority has not and has no current plans to enter into any payment obligations in connection with a Qualified Swap, a Qualified Reverse Swap, a Parity Reimbursement Obligation or a capital lease undertaken in connection with the issuance of certificates of participation under the Bond Resolution.

Bonds consist of the currently Outstanding Bonds and any Additional Bonds and Refunding Bonds that may be issued hereafter. Subject to the limitations described below (i) Additional Bonds may be issued to pay for Project Costs of the Original Project, any Additional Projects and any Other Authority Projects and (ii) Refunding Bonds may be issued to refund any Outstanding Bonds, any Junior Indebtedness or any Subordinated Indebtedness. For a more complete description of the provisions of the Bond Resolution governing the issuance of Additional Bonds and Refunding Bonds than the discussion that follows, see Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Additional Bonds" and "— Refunding Bonds".

Additional Bonds for Facilities. In the case of Additional Bonds issued to provide for the Project Cost of one or more Facilities, other than as described under "Additional Bonds to Prevent a Loss of Revenues from Facilities" below, the following requirements, among others, must be met:

(1) The Net Revenues (subject to certain adjustments including toll increases, as provided by the Bond Resolution) for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of the proposed Additional Bonds are at least equal to the Net Revenue Requirement. "Net Revenue Requirement" means, with respect to any period of time, an amount equal to the greater of (i) the sum of the amounts required to make payments with respect to Aggregate Debt Service, deposits to the Senior Debt Service Reserve Fund, Reserve Maintenance Payments, and the amounts required to be deposited in the Junior Indebtedness Fund pursuant to the instrument authorizing the issuance of such Junior Indebtedness and (ii) 1.2 times the sum of the Aggregate Debt Service (which under certain circumstances may be reduced by an amount equal to anticipated investment income on the Senior Debt Service Fund and on the Senior Debt Service Reserve Fund) for such period;

(2) For the then current fiscal year and each fiscal year in the Test Period (being the next five Authority fiscal years or the period extending from the next Authority fiscal year through the second Authority fiscal year following the estimated date of completion of any Facility not then completed, whichever period is greater), the Net Revenues (subject to certain adjustments including toll increases, as provided by the Bond Resolution) must, based on estimates by an Independent Consultant, be at least equal to the estimated Net Revenue Requirement (assuming the Maximum Interest Rate on any Variable Interest Rate Bonds); and

(3) The Net Revenues in the last fiscal year of the Test Period must be estimated by an Independent Consultant to be at least equal to Maximum Annual Debt Service on all Bonds Outstanding immediately after the issuance of the proposed Additional Bonds.

Additional Bonds to Prevent a Loss of Revenues from Facilities. The Authority may issue Additional Bonds without satisfying any earnings or coverage test for the purpose of providing for Project Costs of improvement, reconstruction or rehabilitation of one or more Facilities for the purpose of preventing a loss of Net Revenues derived from such Facilities where such loss would otherwise result from an emergency or some unusual or extraordinary occurrence.

Additional Bonds for Other Authority Projects. Additional Bonds may be issued to finance Other Authority Project Costs only if, in addition to satisfying the conditions described under the subheading "Additional Bonds for Facilities" above, the Maximum Annual Debt Service on all Outstanding Bonds (including the proposed Additional Bonds) the proceeds of which are used to finance or refinance Project Costs for Other Authority Projects (excluding Other Authority Projects that have since been designated as Additional Projects in accordance with the Bond Resolution) is less than 20% of the amount of Net Revenues for 12 consecutive months out of the most recent 18 months.

Refunding Bonds to Refund Bonds. Bonds may be issued for the purpose of refunding Bonds if, in addition to meeting certain other requirements, (i) Aggregate Debt Service (assuming with respect to any Variable Interest Rate Bonds a Maximum Interest Rate), including the Refunding Bonds then proposed to be issued but not including the Bonds to be refunded, for the then current and any future fiscal year is no greater than the Aggregate Debt Service on the Bonds as calculated immediately prior to the refunding (including the refunded Bonds but not including the Refunding Bonds) or (ii) the requirements set forth above under the subheading "Additional Bonds for Facilities" are met.

Refunding Bonds to Refund Junior Indebtedness or Subordinated Indebtedness. Refunding Bonds may be issued for the purpose of refunding Junior Indebtedness or Subordinated Indebtedness that was issued to finance or refinance Project Costs of Facilities or Other Authority Projects if the requirements set forth above under the subheading "Additional Bonds for Facilities" are met and, in addition, if the Junior Indebtedness or Subordinated Indebtedness to be refunded was issued to finance Project Costs for any Other Authority Project that has not been designated as an Additional Project, Refunding Bonds may be issued only if the requirements set forth under the subheading "Additional Bonds for Other Authority Projects" above are met.

Other Indebtedness. The Bond Resolution permits the issuance of Junior Indebtedness and Subordinated Indebtedness under another resolution. See Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Junior Indebtedness Fund" and "— General Reserve Fund". The Authority may covenant with the holders of Junior Indebtedness or Subordinated Indebtedness to add to the conditions and restrictions under which Additional Bonds may be issued. The holders of Junior Indebtedness or Subordinated Indebtedness may not accelerate the principal owed upon a default unless all Outstanding Bonds shall have been declared immediately due and payable in accordance with the Bond Resolution. The proceeds of Junior Indebtedness may be used to provide for Facilities or Other Authority Projects. Subordinated Indebtedness may be used to finance any lawful corporate purpose of the Authority. In April 2012, the Authority incurred Subordinated Indebtedness under a Loan Agreement with Citibank, N.A. to finance emergency capital project repairs on the Canal system. See "BUDGET AND CAPITAL PROGRAM; TRAFFIC ENGINEERS REPORT – Canal Financing" herein.

Facilities

The Facilities consist of the Original Project and any Additional Projects. Additional Projects consist of New Interchanges, New Extensions and Other Authority Projects that have been designated as Additional Projects by the Authority in accordance with the requirements set forth in the Bond Resolution.

Original Project. The Original Project consists of all Thruway sections and connections constituting roads or bridges, authorized by the Act as in effect on, and open to traffic on, the date of adoption of the Bond Resolution on August 3, 1992, together with any Facility Capital Improvements related thereto which include other related structures and facilities.

Additional Projects. Any project may become an Additional Project if so designated by the Authority and if (i) such project has been operated (whether or not by the Authority) so as to produce revenues in excess of operating expenses for a twelve-month period prior to the date such project is designated as an Additional Project by the Authority, (ii) the Authority certifies that the Net Revenues (including the revenues and operating expenses of the proposed Additional Project) at least equaled the Net Revenue Requirement for such twelve-month period, (iii) an Independent Consultant estimates that Net Revenues for all Facilities (including the proposed Additional Project) less the estimated Reserve Maintenance Payments for each of the fiscal years in the Test Period equal or exceed the estimated Net Revenues for all Facilities (excluding the proposed Additional Project) less the estimated Reserve Maintenance Payments for each of the fiscal years in the Test Period, and (iv) counsel opines that the Authority has the legal right and authority to undertake such project and to establish charges in connection therewith which do not require certain additional governmental approvals. See Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Additional Projects". Operating Expenses with respect to Facilities, including Additional Projects, are payable from the Operating Fund prior to Debt Service on the Bonds, including the Series I Bonds. The Authority has not designated any project as an Additional Project under the Bond Resolution.

Other Authority Projects. Under the Bond Resolution, the Canal system constitutes an Other Authority Project. Other Authority Projects also include facilities and other property which the Authority is now or hereafter authorized to acquire, construct, maintain, operate, finance, improve, reconstruct, rehabilitate or otherwise undertake for transportation or transportation-related purposes. In order for a facility or any other property to qualify as an Other Authority Project, it must be within the jurisdiction and control of the Authority and be designated as an Other Authority Project by the Authority. Other than projects for which the Authority has already reached its maximum funding obligation, the Authority has not designated any other project as an Other Authority Project under the Bond Resolution.

Reserve Maintenance Fund

Pursuant to the Bond Resolution, the Authority is required to deposit in each fiscal year into the Reserve Maintenance Fund an amount which shall be no less than the greater of $30,000,000 or the amount specified in an Independent Consultant's Certificate for such fiscal year (the "Minimum Amount"). The amount deposited into the Reserve Maintenance Fund may not exceed any amount from time to time established by the Authority pursuant to a Supplemental Resolution (the "Maximum Amount") provided that the Maximum Amount may not be less than the Minimum Amount.

Subject to the provisions of the Bond Resolution, money held in the Reserve Maintenance Fund can be disbursed for the purpose of paying (i) costs relating to the Facilities of (a) maintenance or repairs not recurring annually, and renewals and replacements; (b) repairs or replacements resulting from an emergency or caused by some unusual or extraordinary occurrence, to the extent that the moneys in other available Funds, together with insurance proceeds, if any, available therefor are insufficient to meet such emergency; (c) items of equipment; and (d) engineering expenses incurred in connection with the above permitted uses and (ii) similar costs relating to certain highway and railroad grade crossings. The Authority may from time to time transfer any money from the Reserve Maintenance Fund to the Revenue Fund when such amount is no longer needed for the purposes of the Reserve Maintenance Fund. In addition, to the extent that amounts in the Senior Debt Service Fund and unencumbered moneys in the General Reserve Fund, the Other Authority Projects Operating Fund and the Facilities Capital

Improvement Fund are insufficient to pay debt service, when due, on the Bonds, deficiencies will be made up from amounts in the Reserve Maintenance Fund.

Tolls, Fees and Charges

Toll Covenant. Pursuant to the Bond Resolution, the Authority has covenanted at all times to fix, charge and collect such tolls, fees and charges for the use of the Facilities as are required in order that, in each fiscal year, Net Revenues shall at least equal the Net Revenue Requirement for such year. "Net Revenue Requirement" means, with respect to any period of time, an amount equal to the greater of (i) the sum of amounts required to make payments with respect to Aggregate Debt Service, deposits to the Senior Debt Service Reserve Fund, Reserve Maintenance Payments (minimum, $30 million a year), and the amounts required to be deposited in the Junior Indebtedness Fund pursuant to the Supplemental Resolution or other resolution or agreement authorizing outstanding Junior Indebtedness or (ii) 1.20 times the sum of the Aggregate Debt Service for such period.

If the Authority determines that Net Revenues may be inadequate, it is required to cause a study to be made by an Independent Consultant that will recommend a schedule of tolls, fees and charges which will provide sufficient Net Revenues in the following year to comply with the revenue covenant described above and which will provide additional Net Revenues to eliminate any deficiency in funds and accounts held under the Bond Resolution at the earliest practicable time, and the Authority will place in effect as soon as practicable either (i) the recommended schedule of tolls, fees and charges, or (ii) a different schedule of tolls, fees and charges developed by the Authority which will provide sufficient Net Revenues in the following fiscal year to comply with the revenue covenant described above and which will provide additional Net Revenues in such following fiscal year to eliminate any deficiency at the earliest practicable time, which conclusion is concurred in by an Independent Consultant. See Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Tolls, Fees and Charges".

Ability To Set Tolls. The Authority's power under the Act to fix, collect and alter toll rates is not subject to the approval of any governmental entity. Tolls on the Tappan Zee Bridge and the Grand Island Bridges, which were constructed pursuant to the General Bridge Act of 1946, as amended, may be subject to the standard imposed by Section 135 of the Surface Transportation and Uniform Relocation Assistance Act of 1987, Pub. L. 100-17 to the effect that such tolls be "just and reasonable". The Authority believes that the tolls on all of its vehicular toll facilities are just and reasonable.

Agreement of the State

Under the Act, the State has agreed with the holders of the bonds and notes of the Authority, including the Bonds, that it will not limit or alter the rights vested by the Act in the Authority to establish and collect such fees, rentals and charges as may be convenient or necessary to produce sufficient revenue to meet the expense of maintenance and operation and to fulfill the terms of any agreements made with such holders of bonds, or in any way impair the rights and remedies of such bondholders and noteholders. In addition, the State has agreed with the holders of bonds and notes of the Authority secured by a pledge of tolls from any bridge constructed by the Authority across the Hudson River south of Bear Mountain bridge or from any part of the Original Project which includes such bridge, that no bridge or tunnel constituting a connection for vehicular traffic over, under or across the Hudson River between the present location of the Bear Mountain bridge and the boundary line between New York and New Jersey at the west side of the Hudson River will be constructed or maintained so long as the obligations of such bonds and notes for principal and interest shall not have been paid or otherwise discharged.

AUTHORITY GOVERNANCE, FACILITIES AND OPERATIONS

Thruway Facilities and Operations

The Thruway is one of the largest tolled highway systems in the United States and is a critical component in the national interstate network. The original Thruway roadway system was constructed between 1949 and 1960 and is one of the oldest components of the national Interstate Highway System. In 1991, State legislation made the Authority additionally responsible for the operation and maintenance of 11 miles of I-287 Cross-Westchester Expressway. (The New York State Department of Transportation (NYSDOT) remains responsible for capital improvements to this roadway.) The Thruway System is now over 570 total miles in total length and includes 134 interchanges.

The Thruway serves travelers with a variety of needs and purposes, including commuters, business travelers, recreational travelers, and commercial vehicle traffic and provides the major route of access for visitors to the State's tourist destinations including Niagara Falls, the State Canal system, the Finger Lakes, the Adirondacks, the Catskills and New York City. The Thruway has provided a dependable roadway system for these travelers, sustaining and encouraging economic growth, fostering job creation and generating tax revenues to the State and its local governments. Underscoring its importance to the state, region and nation, in 2011 Thruway customers traveled approximately 8.1 billion vehicle-miles on the highway, averaging almost 22.1 million vehicle-miles per day. Due to the extent of its maintenance activities, good infrastructure conditions and the dedication of a specialized troop of the New York State Police to patrol the Thruway System, it has remained one of the safest roadway networks in the nation.

The Thruway System is vast, comprised of 2,822 lane miles of roadway. In addition, the Authority has maintenance responsibility for 811 bridges and also owns 27 travel plazas located at intervals along the Thruway System, operated by three food service and two fuel concessionaires that are open 24-hours daily, 7 days a week. Routine maintenance activities are performed by Authority staff from 21 maintenance locations grouped into four divisions. Also, the Authority's tolling system is extensive, including over 250 toll booths and 90 dedicated E-ZPass-only lanes, and it manages sophisticated incident response, ITS and traveler information systems to enhance mobility, safety and service.

The Thruway connects the principal cities of the State from New York City to Albany, and on to Utica, Syracuse and Rochester through to Buffalo and the Pennsylvania State Line. Because the Thruway corridor serves 37 of the State's 62 counties and the majority of the State's population, it is the principal artery of travel and commerce within the State. It also is an important interstate connector, joining with the Massachusetts Turnpike (I-90), Connecticut Turnpike (I-95), New Jersey's Garden State Parkway, as well as several other Interstate routes such as I-287 from New Jersey; I-90 in Pennsylvania; I-290 around the north side of Buffalo; I-390 and I-490 serving Rochester; I-81, I-481 and I-690 at Syracuse; I-790 in Utica; I-87 (the Northway), I-88, I-90, I-787, and I-890 at Albany; and I-84 at Newburgh. As a result, the Thruway is a vital link to long distance interstate travel and a high proportion of its patrons are from out-of-state.

The Thruway is comprised of two types of toll systems – a controlled (ticket) system and a barrier system. The controlled system (approximately 481 miles) makes up the largest portion of the Thruway, running from Woodbury (in the southeast corner of the State) north along I-87 to Albany, then west on I-90 to Buffalo and south of Lake Erie to the Pennsylvania border. In addition to this main stretch of the controlled system, there is a small tolled branch south and east of Albany, known as the Berkshire Spur.

On the controlled system, tolls are charged based on the actual distance traveled by the customer. Meanwhile, barrier toll plazas have a fixed toll rate for each vehicle class and payment type (e.g., Cash, E-ZPass, as well as Commuter and other E-ZPass Discounts). The two barrier systems (four located in the NYC metropolitan region and one in the Buffalo region) are comprised of the Tappan Zee Bridge, Yonkers Barrier, New Rochelle Barrier, Spring Valley Barrier, Harriman Barrier and the Grand Island Bridges. Under the existing policy, toll rates across the system are based on vehicle classifications, related to the number of axles per vehicle and the height of the vehicle over the first two axles. Approximately 245.2 million toll transactions occurred on the Thruway in 2011, generating over $630.0 million in toll revenues.

For a further description of the Thruway's facilities, traffic patterns on the Thruway system, and an analysis of the Thruway's financial history and projections for the future, see Appendix A — "REPORT OF TRAFFIC ENGINEER".

Canal Facilities and Operations

Legislation enacted in 1992 (the "1992 Legislation") (i) created and transferred jurisdiction of the State Canal system to the New York State Canal Corporation, a subsidiary corporation of the Authority (the "Canal Corporation"), and (ii) authorized and directed the Authority to assist in the financing of the Inner Harbor project and the Intermodal Transportation Center, both in Syracuse, the Horizons Waterfront project in Buffalo, the Stewart International Airport Access Project in Orange County and the Thruway Exit 26 Bridge Project in Schenectady County.

The 1992 Legislation transferred jurisdiction of the State Canal system (except bridges over the canals) from the DOT to the Canal Corporation, transferred all powers and duties of the Commissioner of Transportation over this property to the Canal Corporation and authorized the Authority to issue up to $60 million in bonds for the construction, reconstruction or improvement of the Canal system. (This original bond authorization has been fully exhausted.) This transfer followed the ratification in 1991 of a constitutional amendment which allowed the imposition of user fees and the sale or lease of lands along the Canal system. A modest toll schedule was introduced beginning with the 1994 navigation season.

The 1992 Legislation, as amended, also created the Canal Recreationway Commission (the "Commission") with 14 voting members, including the Chairman of the Authority and the Commissioners of Transportation, Parks, Recreation and Historic Preservation and Environmental Conservation plus 10 other individuals selected from sporting, environmental and tourism fields that are geographically representative of the Canal's various sections. The Commission has primary responsibility for guiding the development of a statewide canal recreationway plan for the Canal system. The Authority supports the cost of the operation and maintenance of the Canal system from the Other Authority Projects Operating Fund and certain capital costs from the General Reserve Fund.

Today, New York State's 524-mile Canal System is a world class recreation-way and tourist destination that cultivates historic preservation and spurs economic development in upstate New York. The Canal System links the Hudson River with Lake Champlain, Lake Ontario, the Finger Lakes, the Niagara River and Lake Erie, passes through 25 counties and is in close proximity to more than 200 villages, hamlets and towns.

The current Canal System, constructed in 1905, provides extensive inter-modal linkages within and beyond the State's borders and includes four major canals, canalized natural waterways, five lakes, feeder reservoirs and numerous shipping terminals. It consists of 57 locks, 20 lift bridges, 22 reservoirs, 203 buildings, 114 dams and many other structures critical to the maintenance and operations of the waterways and its feeder systems. In addition to maintaining these important facilities, the Authority also maintains more than 260 miles of multi-use, recreational trails across upstate New York that are adjacent to the waterways of the Canal System or follow remnants of the historic original canals that date back to the early 1800s.

The Canal Corporation has the same members as the persons holding the offices of members of the Authority. Under the 1992 Legislation, the Canal Corporation has power to operate, toll, maintain, improve, finance (but not issue bonds) and promote the Canal system. All revenues of the Canal system are to be credited to the New York State Canal System Development Fund (created by the 1992 Legislation and held by the State) where they are available to the Canal Corporation, subject to appropriation, only for purposes of the Canal system.

Board Members

The Act grants to the Authority Board the broad powers of the Authority, as summarized herein under the caption "THE AUTHORITY". The Authority Board continues in existence so long as the Authority has any indebtedness or other obligations outstanding. Pursuant to the New York State Public Officers Law, members of the Authority whose terms have expired continue to serve until a successor is appointed and qualified.

Howard P. Milstein was unanimously confirmed as Chairman of the New York State Thruway Authority on June 15, 2011, for a term expiring January 1, 2020. Mr. Milstein is an active investor and leader in industries that include finance, real estate, technology and entertainment. He is also a renowned philanthropist, provides dynamic leadership and generous support for a broad range of charitable, educational and civic causes. Mr. Milstein serves as Chairman, President and Chief Executive Officer of New York Private Bank & Trust and its operating bank, Emigrant Bank (the country's largest privately held bank). He also chairs and operates the Milstein family's real estate companies, including: Milstein Properties, Milford Management, and the Milford Agency. Mr. Milstein is founding Chairman of the merchant bank, FriedbergMilstein. Mr. Milstein earned a B.A. in Economics, *summa cum laude*, from Cornell University, along with a J.D. and a M.B.A. from Harvard University.

E. Virgil Conway was initially confirmed as a member of the Authority Board in December 2006. Mr. Conway has been a financial consultant and corporate director for more than 50 years. Mr. Conway had served most recently as Chairman and Chief Executive Officer for the New York State Metropolitan Transportation Authority (MTA). Mr. Conway is a graduate of Colgate University and received his *Legum Baccalaures* from Yale University School of Law.

Jose Holguin-Veras, Ph.D., P.E., was confirmed as a member of the Authority Board in May 2010. Dr. Holguin-Veras is a Professor and Director of the Center for Infrastructure, Transportation, and the Environment at the Rensselaer Polytechnic Institute. Dr. Holguin-Veras received a Bachelor of Science degree in Civil Engineering from Universidad Autonoma de Santo Domingo; Master of Science degree in Transportation from Universidad Central de Venezuela; and a doctoral degree in transportation from the University of Texas at Austin.

Donna J. Luh was confirmed as a member of the Authority Board in June 2008. Ms. Luh currently owns and operates Luh Consulting Services. Ms. Luh is a graduate of Canisius College, earning a Master of Science in Education Administration.

J. Donald Rice, Jr., was confirmed as a member of the Authority Board in May 2010. Mr. Rice is founder and Chief Executive Officer of Rice Financial Products Company, a New York City-based full service municipal investment banking firm. Mr. Rice received a M.B.A. with distinction from Harvard Business School and a bachelor's degree in engineering with honors from Kettering University.

Brandon R. Sall was confirmed as a member of the Authority Board in June 2008. Mr. Sall is currently a partner in the law firm of Schuman Sall & Geist concentrating in real estate law, trusts and estates. Mr. Sall is a graduate of the University of Miami and earned his Juris Doctor at Benjamin N. Cardozo School of Law.

Richard N. Simberg was confirmed as a member of the Authority Board in June 2009. Mr. Simberg previously served in several positions with the New York State Department of Transportation between 1958 and 1991, including Assistant Commissioner for Engineering and Chief Engineer, and Regional Director of Transportation for the Central New York and Mohawk Valley Regions. Since then he has been active in engineering education, engineering ethics and has consulted with the City of Alexandria regarding the Woodrow Wilson Bridge. Mr. Simberg earned a Bachelor of Civil Engineering degree from Clarkson University and received a Master of Civil Engineering degree from Rensselaer Polytechnic Institute.

Senior Staff

The day-to-day management of the Authority and the Canal Corporation is primarily the responsibility of the following senior staff members:

Executive Director. Thomas J. Madison, Jr. is the Executive Director of the New York State Thruway Authority and Canal Corporation. Upon the recommendation of Governor Andrew M. Cuomo, Mr. Madison was appointed to serve in this position by the Boards of the Thruway Authority and the Canal Corporation on September 15, 2011 and was confirmed by the New York State Senate on January 9, 2012. Previously, Mr. Madison had been Vice President and Director of Transportation Policy for STV, Inc. Prior to his position with STV, Mr. Madison served as Federal Highway Administrator for the United States Department of Transportation. He also served as President of Spectra Subsurface Imaging Group, LLC and as Vice President for Infrastructure Services of Spectra Environmental Group, Inc. Before joining Spectra, Mr. Madison served as Commissioner of the New York State Department of Transportation and held several other high level positions in both New York State and local government. Mr. Madison earned a B.A. in Political Science from the State University of New York at Geneseo.

Chief of Staff. Thomas J. Ryan was appointed Chief of Staff for the New York State Thruway Authority and Canal Corporation in February 2011. Mr. Ryan joined the Authority in 2009, serving first in the Legal Bureau as the Deputy Director of Governmental Relations and later as the Authority's Director of Public Affairs. His previous employment included service as President of the State Council on Waterways and Regional Administrator for both the U.S. General Services Administration and the U.S. Department of Transportation's Federal Transit Administration. In addition, during a decade of New York State service, he was Deputy Commissioner of the Department of Motor Vehicles and Director of Communications & Intergovernmental Relations for the Department of Transportation, where he chaired the Canal Planning & Development Board and the Tourism Sign Task Force. He began his state service as Assistant Secretary to Governor Mario M. Cuomo after serving Senator Daniel Patrick Moynihan as State Coordinator. Mr. Ryan attended Dutchess Community College and The New School, and is a Merchant Marine Officer licensed by the U.S. Coast Guard.

Chief Engineer. Donald R. Bell, P.E. has served as Acting Chief Engineer since January, 2012. Immediately prior to this appointment he served as the Director of Maintenance and Operations. Mr. Bell has held a number of different positions during his career with the Authority, including Albany Division Director, Superintendent of Maintenance and Director of Highway Management. Mr. Bell received his Bachelor of Science degree in Engineering from Clarkson University. He is a licensed Professional Engineer in New York State.

Chief Financial Officer. John M. Bryan was appointed to serve as the Chief Financial Officer and Treasurer of the Thruway Authority and Canal Corporation in December 2004. Mr. Bryan has also served as the Authority's Interim Chief Information Officer since October 2010. Prior to joining the Authority and the Canal Corporation, Mr. Bryan had 15 years of service for the State of New York, including Senior Vice President and Chief Administrative/Information Officer of the Empire State Development Corporation and various positions at the NYS Senate Finance and NYS Assembly Ways and Means Committees. Mr. Bryan received Bachelor's and Master's degrees in Economics from the Maxwell School of Citizenship and Public Affairs at Syracuse University.

General Counsel. William J. Estes, Esq. has served as General Counsel to the New York State Thruway Authority and Canal Corporation since July 2009. Before joining the Authority, Mr. Estes served as an Assistant Counsel to the Governor. Prior to that, he held positions with the United States Securities and Exchange Commission, where he was cross-designated a Special Assistant United States Attorney, and with the New York State Attorney General's Office. Mr. Estes received his Bachelor of Arts degree in English from Northwestern University and his Juris Doctor from the Emory University School of Law.

Director of Administrative Services. John F. Barr was appointed Director of Administrative Services on November 16, 2006. Prior to joining the Authority, Mr. Barr served as the Executive Deputy Commissioner of the New York State Department of Civil Service. Mr. Barr received a Bachelor of Arts degree in History from Hartwick College. Mr. Barr earned his Juris Doctor at Thomas M. Cooley Law School.

Director of Maintenance and Operations. Mark A. Hixson, P.E. has served as the Acting Director of Maintenance and Operations since January 2012. Mr. Hixson joined the Authority in April 1987 and has served as the Authority's Deputy Director of Maintenance and Operations, and previously as Division Highway Engineer and later Deputy Division Director in the Albany Division, and in various roles in the Department of Engineering. Mr. Hixson has nearly 28 years of transportation engineering and management experience. He is a graduate of Clarkson University with a Bachelors Degree in Civil and Environmental Engineering and has a Masters in Business Administration from Sage Graduate School. He also holds a Graduate Studies Certificate from Cornell University's School of Industrial and Labor Relations and has completed the AASHTO Executive Leadership Institute. Mr. Hixson is a licensed Professional Engineer in the State of New York.

Director of Audit and Management Services. Harry A. Lennon was appointed Acting Director for the Department of Audit and Management Services, in May 2012. Prior to this appointment, Mr. Lennon served as Senior Confidential Investigator Auditor for the Department of Audit and Management Services. During this time, Mr. Lennon also served as Infrastructure Security Officer. Prior to joining the Authority, Mr. Lennon served as a Confidential Investigator for the New York State Ethics Commission. At the beginning of his career, Mr. Lennon served as a Police Officer for the Supreme Court of the United States. Mr. Lennon earned his Bachelor of Science degree at the University of Scranton.

Director of Information Technology. Susan B. Young has served as Director of Information Technology since April, 2012. Immediately prior to this appointment she served as Assistant Director of Information Technology Services. Ms. Young has over 29 years experience at the Authority and has held a number of positions in technology and management including Director of Systems Management and Manager of Business Systems. Ms. Young received a Bachelor of Science Degree from St. Bonaventure University.

Director of Media Relations and Public Affairs. Shane Mahar was appointed to the position of Acting Director of Public Affairs in April 2012. Prior to joining the Authority, Mr. Mahar served as district scheduler and press secretary for Congressman Paul Tonko, assignment manager for CBS 6 News (WRGB-TV), and fire chief of the Stillwater Fire Department. Mr. Mahar received a Bachelor of Arts degree in political science from Siena College.

Director of the Canal Corporation. Brian U. Stratton has served as Director of the New York State Canal Corporation since April 2011. In this capacity, he is responsible for overseeing the operation and development of New York's 524-mile Canal system, including the historic Erie Canal. Prior to joining the Canal Corporation Mr. Stratton served as Mayor of the City of Schenectady for seven years. Mr. Stratton received his Bachelor of Arts degree from SUNY Oswego in 1980.

Organization

To administer its responsibilities for the Thruway and Other Authority Projects, the Authority is organized into nine operating departments and employs approximately 2,590 permanent employees, exclusive of approximately 528 permanent employees dedicated to the Canal system.

The departments are Engineering, Maintenance and Operations, Administrative Services, Finance and Accounts, Legal, Media Relations & Public Affairs, Audit and Management Services, Information Technology and the Canal Corporation.

The Department of Engineering includes the Offices of Design, Contracts and Construction Management, Traffic Engineering, the Tappan Zee/I-287 Environmental Study Group, and the Capital Program Management groups. The Department oversees the development and implementation of the Authority's long range capital program. It has the professional capacity to design and inspect many capital projects in-house and accordingly does not have to rely solely on outside consultants.

The Department of Maintenance and Operations manages and maintains the highway, bridge and facilities infrastructure and equipment in a cost-effective manner in order to offer Thruway users high levels of safety and service. It is responsible for all toll collection activities, traffic management and travelers' services including concessions. The Department also acts as liaison with New York State Police Troop T, whose 320 members patrol the Thruway. The Department helps develop the Multi-Year Capital Program designed to preserve the condition, serviceability and safety of the roadway, bridges and facilities. The Department also continues to explore and implement innovative designs and technologies to enhance the safety and efficiency of the Thruway system. Direct field management of the maintenance and operations functions is handled through the four division offices (New York, Albany, Syracuse and Buffalo) under the auspices of the four Division Directors who report to the Director of Maintenance and Operations.

RESULTS OF OPERATIONS AND 2012 REVISED BUDGET

Financial Results of Operations

Set forth below are certain Revenue and expense items (in millions) and certain other financial information derived from the Authority's audited financial statements for each of the Authority's fiscal years 2009 through 2011, as well as the revised budget for 2012. The revenues and operating expenses below are presented in accordance with the Bond Resolution and were derived by adjusting information contained in the Authority's audited financial statements, which are prepared in conformity with generally accepted accounting principles. This information is qualified by, and should be read in conjunction with, the audited financial statements for the Authority's fiscal year ended December 31, 2011 included in Appendix B to this Official Statement. See also "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS" below.

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FINANCIAL RESULTS OF OPERATIONS

	(in millions)			
	Actual			Revised Budget
	2009	2010	2011	2012[1]
Revenue:				
Toll Revenue	$611.6	$641.2	$634.1	$663.9
Concession Revenue	12.6	12.7	12.5	13.3
Other Revenue	14.1	18.6	18.9	18.7
Total Pledged Revenue	638.3	672.5	665.5	695.8
Operating Expenses:				
Facilities Operating[2]	339.3	358.2	365.4	372.3
Public Liability & Environmental Reserves[7]	7.3	6.0	4.6	3.0
Total Operating Expense	346.6	364.2	370.0	375.3
Net Revenue [A]	291.7	308.3	295.5	320.5
Debt Service [B]	166.3	167.3	167.4	200.8
Net Revenue After Debt Service	125.4	141.0	128.1	119.7
Retained for Operating Reserves[3]	(6.8)	(18.8)	(4.3)	4.2
Less: Reserve Maintenance Fund Provisions	34.5	31.0	10.0	63.6
Remaining Net Revenue	84.1	91.2	113.8	60.3
Other Authority Projects — Operating (Canals & I- 84)[4]	48.6	46.0	51.3	53.2
General Reserve Fund Provision[5]	35.7	45.1	62.6	7.1
Remaining Balance	(0.2)	0.1	(0.1)	0.0
Adjustment to Cash Basis[6]	0.2	(0.1)	0.1	0.0
Balance After Cash Adjustment	$0.0	$0.0	$0.0	$0.0
Pro Forma Debt Service Coverage (A÷B)	1.75x	1.84x	1.77x	1.60x

(1) Based on the 2012 revised Budget prepared by the staff of the Authority and includes the projected toll adjustments. Totals may not add due to rounding.

(2) Operating expenses do not include the liability of $40.6 million in 2009, $41.5 million in 2010 and $42.1 million in 2011 for Thruway purposes or $8.6 million in 2009, $8.8 million in 2010 and $9.3 million in 2011 for Canal purposes, relative to the implementation of Government Accounting Standard Board Statement 45 (GASB 45), which establishes reporting standards for post-employment health care benefits. These amounts represent the unfunded expenses for the years as noted.

(3) In 2009 $7.0 million was retained for use in 2010, $4.7 million was retained in 2010 for 2011 and $21.1 million was deposited into working capital, and in 2011, $9.0 was retained for 2012.

(4) Effective October 30, 2007 the Authority entered into agreements with the New York State Department of Transportation (“DOT”) and the New York State Police (“State Police”) to maintain and operate I-84. The Authority continued to maintain and operate I-84 under the terms of the agreements until October 10, 2010, when maintenance and operating responsibilities for I-84 were returned to DOT and the State Police.

(5) Funds transferred from Net Revenue After Debt Service to cover Canal capital program expenditures, and Series 2009A BAN’s interest costs in the years 2009-2011.

(6) Reflects differences in cash and accrual basis and timing differences relating to permit sales, investments and Debt Service.

(7) Includes $4.3 million for the newly established Environmental Remediation Reserve in 2009, $4.0 million in 2010, $3.6 million in 2011, and $2.0 million for 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Discussion of Results of Operations: 2009 through 2011

Over the last several years, the Authority has faced several fiscal challenges. Principal among them, the Authority had to manage budgets with historic declines in traffic and toll revenues resulting from high and volatile fuel prices, a deep and lengthy national and state recession and a slow and protracted recovery period. As experienced by other toll facilities across the nation, traffic on the Thruway System declined from 2009 through 2011. In addition, the prevalence of high fuel and construction commodity prices placed pressure on the Authority's operating budgets and capital programs, as had considerable declines in Federal aid allocations. In response to these fiscal challenges, the Authority took action to provide for a balanced financial plan and healthy financial metrics during this difficult period by implementing toll adjustments, reconfiguring its capital program, and implementing operational cost controls.

In 2009, the Authority enhanced its ongoing cost containment program with additional workforce reductions, departmental consolidations, reduced equipment purchases and other major actions that enhanced the efficiency of its operations. In addition, the Authority made adjustments to its 2005-2011 Multi-Year Capital Plan that allowed it to reduce the overall cost of the program while maintaining good highway and bridge conditions. The Authority supplemented operating and capital cost reductions with two successive 5% increases in commercial and passenger toll rates, effective January 2009 and January 2012. Combined with the full year impact of the reduction in all E-ZPass discounts to 5% that was implemented in 2008, these rate adjustments were able to provide significant additional revenue.

<u>2009</u>. Total revenues were $638.3 million or $42.1 million above the level collected in 2008. Toll revenue increased $48.9 million or 8.7% compared to 2008 year, mainly due to the toll increase implemented in January 2009 and the full-year impact of the reduction of E-ZPass discounts to 5%. Other revenue decreased $6.9 million primarily due to lower interest earnings rates, lower special hauling and other sundry revenue, and slightly higher concession revenue.

Total operating expenses increased $9.3 million or 2.8%. The increase related principally to the establishment of the Environmental Remediation Reserve related to the upgrading of the fuel stations located at the Authority's service plazas. The Authority deposited $4.3 million into this fund in 2009.

<u>2010</u>. Total revenues were $672.5 million or $34.2 million above 2009. Toll revenue increased $29.6 million or 4.8%, mainly attributable to the 5% toll increase that went into effect in January 2010. Other revenue increased $4.5 million primarily due to increased receipts from collecting E-ZPass violations and fees and other miscellaneous revenue actions.

Total operating expenses increased $17.6 million or 5.1%, which was predominately due to the payment of an $11.4 million surcharge related to the implementation of the 2010 Early Retirement Incentive Program.

<u>2011</u>. Total revenues were $665.5 million or $7.0 million below the prior year. Toll revenue decreased $7.1 million or 1.1% mainly due to reduced traffic related to high gas prices and road closures caused by Tropical Storms Irene and Lee. Concession revenue decreased slightly by $0.2 million, while other revenue increased slightly by $0.3 million.

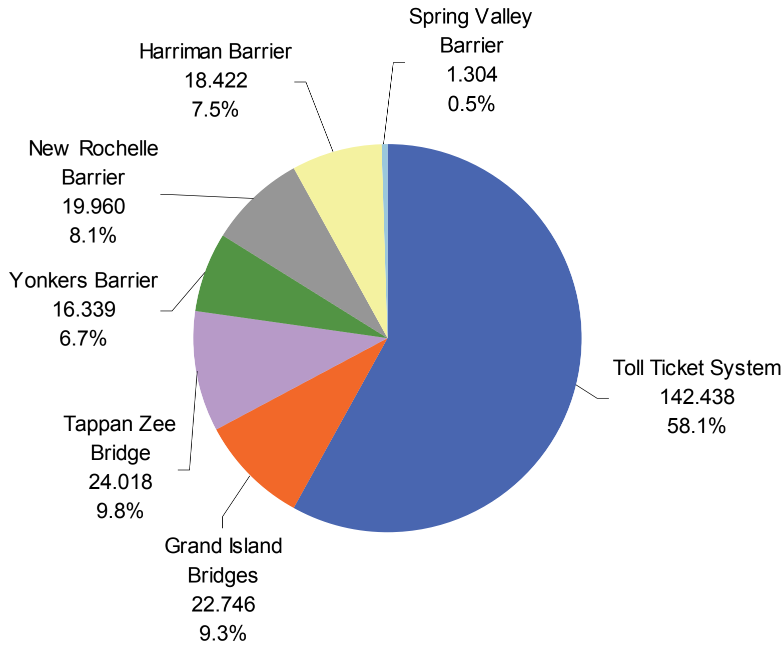
Total operating expenses increased $5.8 million or 1.6%. The small increase is primarily due to higher health insurance and pension costs being offset by personal service savings related to the 2010 Early Retirement Incentive Program.

Traffic and Revenue

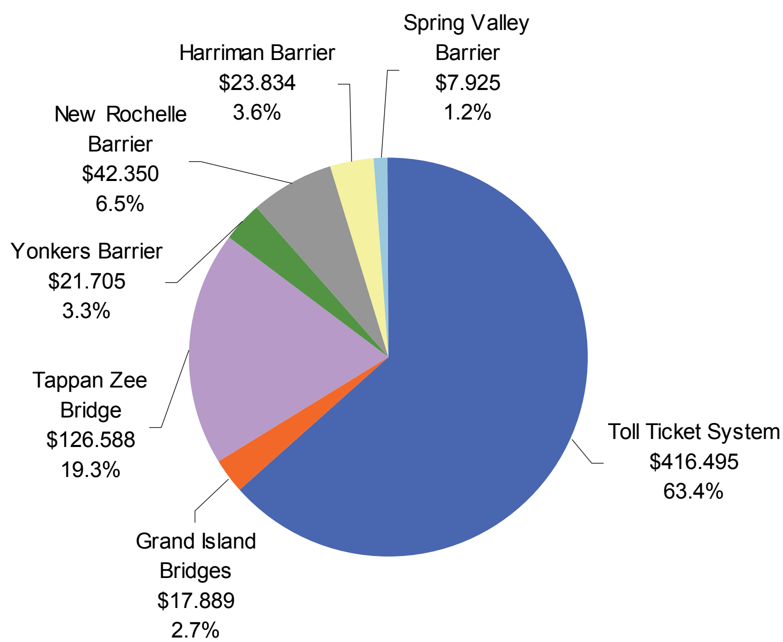
The following charts show traffic and toll revenues at the various pay points and total operating revenues for 2011:

2011 TRAFFIC AND OPERATING REVENUES
(in millions)

Traffic Transactions - 245.2 million



Toll Revenue - $656.8 million



See Appendix A — "REPORT OF TRAFFIC ENGINEER" for a more detailed discussion of traffic, revenue and expenses for the years 2009 through 2011.

BUDGET AND CAPITAL PROGRAM; TRAFFIC ENGINEER'S REPORT

2012 Revised Budget

The Board of the Authority adopted a 2012 Budget (the "2012 Budget") at its December 12, 2011 meeting and Authority staff has developed a revised 2012 Budget (the "2012 Revised Budget"). The 2012 Revised Budget includes the impact of a recently approved adjustment to commercial toll rates, new commitments of Federal aid and a new operational streamlining program. The 2012 Revised Budget provides the necessary resources to ensure that current levels of safety, service and maintenance of the Authority's facilities are preserved until a new long-term financing plan is developed that includes the Tappan Zee Bridge Project.

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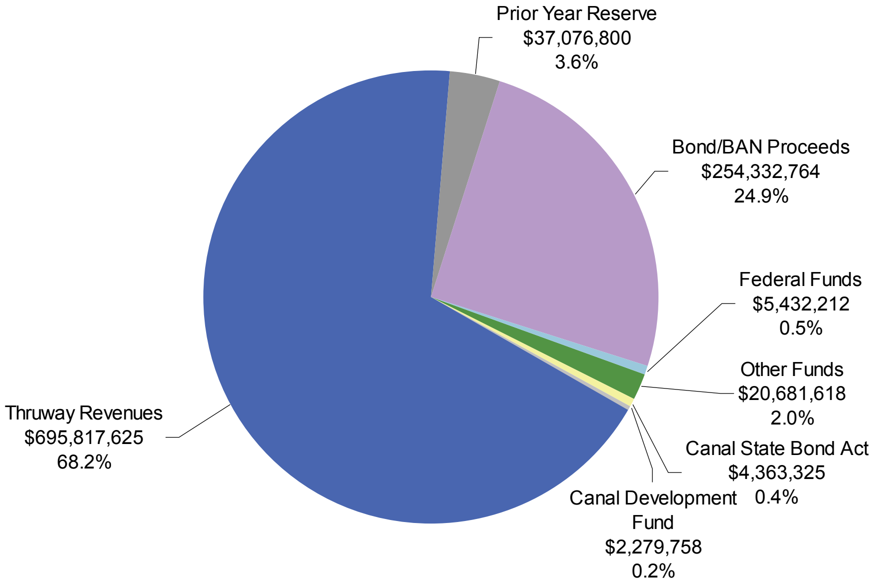
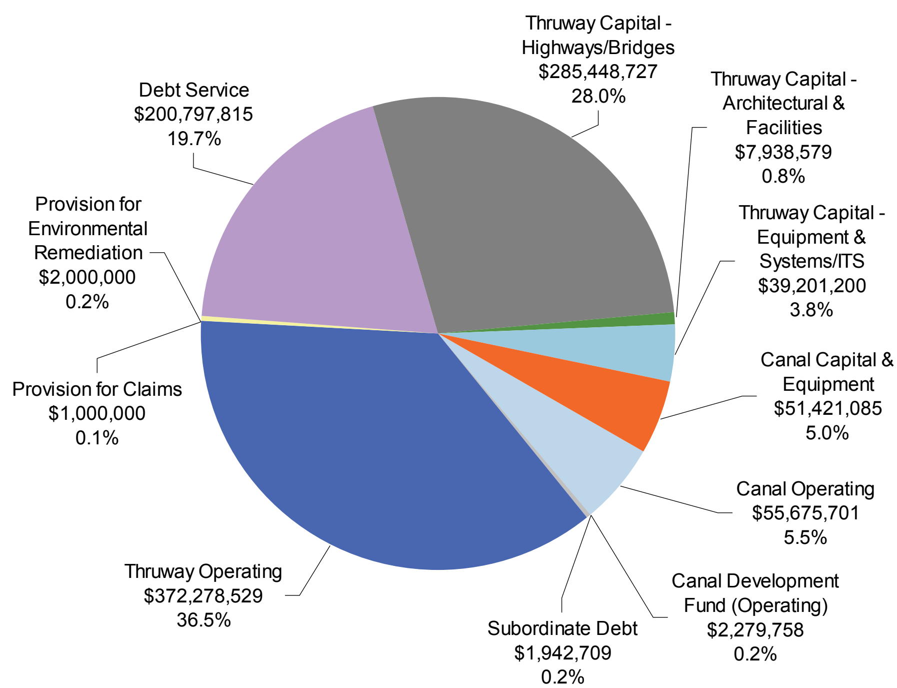
The 2012 Revised Budget totals $1,020 million, which is a decrease of $34.7 million or 3.3% from 2011 actual expenditures. Sources and uses of the 2012 Revised Budget are highlighted in the following charts:

2012 Revised Budget

Sources of Funds - $1.0 Billion



Uses of Funds - $1.0 Billion



2012-2015 Multi-Year Capital Program

Annually, the Authority adopts a one-year contracts program based on the prioritization of projects scheduled in its Multi-Year Capital Program. This annual contracts program is approved by the Board and represents the Authority's official capital construction program for the year. Project selection considers the following priority factors: safety, bridge and highway condition rating, capacity needs, and facility needs.

On December 12, 2011, the Authority Board approved the 2012 Budget, the 2012 Contracts Program and the 2012-2015 Multi-Year Capital Program. The 2012-2015 Multi-Year Capital Program totals $1.5 billion in investments for capital projects and equipment and excludes the new Tappan Zee Bridge Project. See "—Funding of the Multi-Year Capital Program – *Tappan Zee Bridge Project*" for a more detailed description of the Tappan Zee Bridge Project. Fiscal constraints required the Authority to pursue a more balanced approach to the Multi-Year Capital Program project mix, focusing more on high priority and high impact investments to maintain the useful life of Thruway and Canal infrastructure rather than pursuing major reconstruction, rehabilitation and capacity improvements that were prevalent in the recently completed 2005-2011 Capital Plan.

The 2012-2015 Multi-Year Capital Program will complete major, job-sustaining reconstruction projects that were let during the previous Multi-Year Capital Program and includes reconstruction and rehabilitation of roadway, bridges, facilities, equipment and support systems of the Thruway and Canal systems. The 2012-2015 Multi-Year Capital Program provides for work on 107 bridges, the resurfacing/ rehabilitation/reconstruction of approximately 184 center line miles (814 lane miles) of highway and the reduction of congestion in key corridors. From 2012 through 2015, the Authority estimates that the investments made in this program will preserve overall highway and bridge conditions in the "good" category, allowing for the continued reliability of the Thruway system.

As the Thruway is at the end of its sixth decade of operation, the necessity for reconstruction and rehabilitation of the aging Thruway infrastructure requires an increasing level of investment. At the same time, travelers on the roadway during peak travel periods are experiencing delays resulting from increasing traffic volumes. Authority staff, utilizing existing asset management systems, historical records of past remedial work, and their knowledge of the current condition of facilities, developed the 2012-2015 Multi-Year Capital Program. The 2012-2015 Multi-Year Capital Program is designed to address several key objectives that are critical to Thruway customers and is intended to maximize the benefit to the Thruway. These objectives are system reliability, increased customer service, improved safety and mobility and environmental stewardship. The 2012-2015 Multi-Year Capital Program also will take advantage of technology improvements and innovations in the field of transportation management. As evidenced through the plan, the Authority is committed to providing customers with the mobility and service they expect, and to preserving the main transportation artery that supports New York State's economy.

Since the transfer of the Canal system to the Authority in the 1990s, the Authority has made significant maintenance and capital investments into the waterway's infrastructure. However, given the age of the Canal system, revitalization of infrastructure is necessary to meet the demands of recreational boaters, tour and rental boats and a resurgent commercial shipping sector. While the Authority undertakes an ambitious annual maintenance program, Canal structure conditions continue to deteriorate. Complicating efforts to reduce this rate of deterioration, a substantial portion of the Canal's current floating plant equipment consists of a variety of vessels that need to be replaced, and in 2011 Tropical Storms Irene and Lee caused nearly $100 million in damages to many components of the Canal system.

Total Capital Program Expenditures. The following table presents the year-by-year actual cash expenditure for the 2005-2011 Multi-Year Capital Plan and estimated expenditures for the 2012-2015

Multi-Year Capital Program for 2012 through 2015. With the 2012-2015 Multi-Year Capital Program, the Authority can continue to provide good service to patrons, meet the growing demands of increased use with up-to-date technology and other necessary improvements, and assure that the system is not adversely affected by deteriorating bridge and pavement conditions.

ACTUAL AND PROJECTED TOTAL CAPITAL PROGRAM EXPENDITURES
2005-2015
(in millions)

Year	Thruway Highway and Bridges Capital Expenditures	Equipment Replacement and Other Facility Capital Needs	Canal Capital Program	Total Capital Program Expenditures[1]
2005[2]	$ 97.1	$ 27.3	$ 21.0	$ 145.4
2006[2]	179.3	50.9	14.4	244.6
2007[2]	267.3	59.0	44.2	370.5
2008[2]	288.7	36.2	30.3	355.2
2009[2]	259.6	35.4	26.1	321.2
2010[2]	311.0	39.9	26.8	377.7
2011[2]	367.6	49.5	27.4	444.5
2012[3] [4]	285.4	47.1	51.4	384.0
2013[3] [4]	263.1	48.8	62.1	374.0
2014[3] [4]	282.5	43.7	50.8	377.0
2015[3] [4]	291.6	40.7	51.2	383.5
Total[1]	$2,893.2	$478.5	$405.7	$3,777.4

(1) Total may not add due to rounding.
(2) Actual.
(3) Current 2012-2015 Multi-Year Capital Program.
(4) Estimated capital expenditures.

Funding of the Multi-Year Capital Program

The 2012-2015 Multi-Year Capital Program totals $1.5 billion and excludes the Tappan Zee Bridge Project for which the Authority is currently developing a financing plan. See "2012-2015 Multi-Year Capital Program - Tappan Zee Bridge Project." The 2012-2015 Multi-Year Capital Program is funded with a combination of Net Revenues, Bond and Note proceeds, and Federal, State and other funds.

The Authority's Capital Program Management Group and the Board continually monitor projected system needs and balance them with available resources identified in the Authority's financial plan. The Authority is also upgrading its asset management system to ensure the efficient and effective delivery of the 2012-2015 Multi-Year Capital Program, resulting in smart project selections and enhancing its ability to respond to price variability and other changes that would impact funding, project cost and delivery. It is important to note that the Authority's Board has the power, without approval by the Legislature or the Governor, to increase toll rates to maintain a high level of operating safety and services on the Thruway system, to maintain and rehabilitate the Thruway system, to pay debt service, to meet toll covenants and to maintain the balance of revenues and expenses.

In June 2011, a law was changed to increase the authorized amount of bonds or notes that the Authority may issue for capital projects for the Canal system by $100 million, as well as an additional $10 million authorization for bonding for any canal capital improvements deemed an emergency project. In addition, on April 23, 2012, the Authority entered into a Loan Agreement with Citibank, N.A., (the "Bank") under which the Bank is providing a revolving line of credit, evidenced by a note (the "Bank

Note"), in an aggregate amount not to exceed $60 million. The Note matures on April 23, 2017 and may be pre-paid at any time by the Authority without penalty. The proceeds of the Note as needed are to be applied to finance capital projects for the State Canal system arising from tropical storm damage caused in August and September 2011. The Authority's reimbursement obligations under the Note are secured in part by a pledge of revenues available in the General Reserve Fund, which pledge constitutes Subordinated Indebtedness under the Bond Resolution. In addition, grant monies expected to be received from the Federal Emergency Management Agency ("FEMA") for these emergency repairs are also pledged to repay the Note, and such FEMA funds are expected to provide a substantial portion of the proceeds to repay the Note.

Tappan Zee Bridge Project. The Authority has moved toward undertaking the replacement of the Tappan Zee Bridge (the "Tappan Zee Bridge Project"). The purpose of the Tappan Zee Bridge Project is to maintain a vital link in the regional and national transportation network by providing an improved Hudson River crossing. In 2011 the Tappan Zee Bridge Project was one of fourteen infrastructure projects that President Obama tapped for expedited federal environmental review. In addition, the Tappan Zee Bridge Project is the first to employ the State's design-build legislative authorization enacted in December 2011. The Tappan Zee Bridge Project is in the federal environmental process and no formal action regarding financing or construction can occur until a determination is made under the National Environmental Policy Act ("NEPA") in late Summer 2012.

The proposed Tappan Zee Bridge Project would address the structural, operational, mobility, safety, and security needs of the existing bridge. The replacement will provide 12 foot wide travel lanes with an oversized shoulder in each direction for emergency vehicle access as well as a share use path for pedestrians and bicycles on the northern span. In addition to addressing the current non-standard elements on the bridge, it will have improved grades and sight distance and meet current seismic design criteria. The toll plaza at the east side of the bridge will be reconstructed to provide highway speed E-ZPass toll lanes. The Tappan Zee Bridge Project will not preclude accommodation of future transit service.

The Tappan Zee Bridge Project is on an accelerated schedule as environmental, procurement and financing processes are all occurring simultaneously. In February 2012, four joint ventures, made up of large domestic and international firms, were short-listed and invited to submit design-build bids under a formal Request for Proposals, due July 27, 2012. Design and construction would begin in late 2012.

The newly authorized design-build procurement process being used in connection with the Tappan Zee Bridge Project is intended to allow the private sector to offer innovative, cost-effective designs for this major transportation infrastructure replacement project. The design-build process further permits an expedited design and construction schedule which is intended to generate significant cost savings and provides for less risk to the Authority for potential delays and cost overruns.

The estimated cost of the Tappan Zee Bridge Project is $5.4 billion in year-of-expenditure dollars[1]; the actual cost of the Tappan Zee Bridge Project will be driven by the design-build proposal selected for award later this year. The Tappan Zee Bridge Project will be financed primarily with toll revenues, toll revenue bonds, and a broad range of other financing options under consideration including federal credit assistance (Transportation Infrastructure Finance and Innovation Act – "TIFIA"). As a result, the financing plan for the Tappan Zee Bridge Project remains under development and will be

[1] The Federal Highway Administration ("FHWA") has conducted an independent review of the Authority's cost estimate to verify its reasonableness and to develop a probability range for the cost estimate that represents the current stage of Project design. The cost estimate review gave consideration to the design-build delivery mechanism now in procurement and has determined that the estimated total project cost to complete the Tappan Zee Project ranges from $4.6 billion to $5.6 billion in year-of-expenditure dollars. These costs represent the 20th percentile and 80th percentile of the probability range respectively. For planning purposes a 70% confidence level is often used as a baseline cost, which in this instance is $5.4 billion.

dependent upon actual project cost, credit market conditions, and the level of participation from federal credit programs. A new financing plan for the this project and the Authority's other capital and operating needs will be provided in late 2012.

Bridge Inspection Program and Condition Ratings

The Authority has inspection responsibility for 812 bridges, including 412 mainline and ramp bridges and 399 overhead bridges, excluding bridges on the Cross-Westchester Expressway for which the Authority has not assumed any inspection responsibility. The New York State Department of Transportation ("DOT") is responsible for inspecting certain overhead bridges located on the Thruway and the bridges located on the Cross-Westchester Expressway.

The Authority's inspection program exceeds current Federal and State standards. The inspection process strives for strict adherence to both the qualification and training of inspectors, and inspection methodologies as prescribed by DOT. All bridges are inspected biennially as per the requirement of the State's Uniform Code of Bridge Inspection (the "Bridge Code"). The Authority contracts with outside consultants to conduct this inspection for over 40% of its bridges. In addition to the Bridge Code requirement, the Authority performs an annual inspection of suspension components of pin and hanger assemblies of bridges, inspection of bridges over waterways after each major flood event, and inspection of bridges after each seismic activity in the area. During each general biennial or interim inspection, certain superstructure elements which could cause the failure of a bridge receive particularly close inspection. Bridges over waterways which are identified for underwater diving inspection are also inspected regularly at a frequency recommended in the last diving inspection report as per guidelines issued by DOT.

The Authority's bridge maintenance engineers review each bridge inspection report to determine maintenance and rehabilitation needs. A maintenance and rehabilitation program is implemented through in-house crews or through a contracts program depending upon the extent of work required to be performed at any bridge.

A comparison of the Authority's Bridge Condition Ratings are shown as follows.

BRIDGE RATINGS

CONDITION	**NO. OF BRIDGES**	
	Dec. 2010	**Dec. 2011**
GENERAL RECOMMENDATION 5-7 Bridges with only minor to moderate repairs required.	680	671
GENERAL RECOMMENDATION 4 Bridges requiring reconditioning of some structural elements.	124	134
GENERAL RECOMMENDATION 2-3 Bridges requiring major repairs or replacement.	7	6

The change in the Authority's bridge condition ratings between December 2010 and 2011 is generally due to the age of its bridges. As of December 31, 2011 there were six bridges with a general recommendation of 3. All six bridges in such condition will be rehabilitated or replaced in the current or ensuing Multi-Year Capital Program.

Navigant Report

The Authority Board engaged Navigant Capital Advisors ("Navigant") to conduct a review of the Authority's governance, management and financial practices. Navigant has submitted an Executive Summary Report dated May 24, 2012 (the "Navigant Report") to the Authority Board. The Navigant Report summarizes its review of historical financial and operating reports provided by the Authority, as well as other publicly available information, and makes a number of recommendations for action by the Authority Board and staff. The recommendations contained in the Navigant Report will be used by the Authority to enhance revenues and reduce operating costs to provide a firm financial foundation until a new financial plan, that includes the Tappan Zee Bridge Project, is developed by the end of 2012. Principally, among the recommendations, the report recommends the Authority streamline its operations, increase toll revenues and seek additional Federal aid. The Navigant Report and its recommendations can be found on the Authority's website at www.thruway.ny.gov.

Operational Streamlining

The Authority is significantly enhancing the efficiency of its operations through a new operational streamlining program. This new program will play an important role in the maintenance of future fiscal balance, involving structural reforms and other measures that will generate reductions in Authority operating expenses. The new operational streamlining program is expected to significantly reduce future operating expenses in 2012 and beyond. The Authority expects to hold operating costs at relatively the same level from 2011 through 2014. The Authority's streamlining program consists of further workforce reductions, a realignment of employee benefits to comport with the State benefit plans, additional departmental consolidations and reorganizations, reductions in vehicle and equipment fleets, further reductions in overtime and the number of toll lanes that are staffed, bulk purchasing of goods and services with other entities to reduce pricing, and many other initiatives.

Federal Aid Funds

Pursuant to the provisions of an agreement dated July 19, 1982, entered into among the Authority, the United States Department of Transportation and the State and in accordance with the provisions of Title 23, United States Code, as amended ("Title 23"), the Authority historically has received Federal funds in connection with the funding of various resurfacing, restoration and rehabilitation projects on certain designated interstate portions of the Thruway. While the amount of Federal aid received by the Authority in recent years has been de-minimis, the Authority recently received a commitment for $100 million in new Federal aid for 2012-2016.

Toll Adjustments

The Authority retained Jacobs Civil Consultants, Inc. (the "Traffic Engineer" and an "Independent Consultant" as defined by the Bond Resolution) to study the Authority's operations, to recommend a schedule of tolls, fees and charges to provide sufficient Net Revenues in the following Authority fiscal year to comply with the toll covenant in the Bond Resolution and to provide additional Net Revenues to fund the 2012-2015 Multi-Year Capital Program, which excludes the Tappan Zee Bridge Project (a financing plan for this project will be developed by the end of 2012). The results of this study are set forth in a May 2012 report entitled "New York State Thruway Financial Requirements and Proposed Toll Adjustments 2012-2016" prepared by the Traffic Engineer (the "May 2012 Toll

Adjustment Report"). Based on the results of the studies and analyses in the May 2012 Toll Adjustment Report, toll rates must be adjusted to complement operational streamlining efforts and additional Federal aid in order to fill funding gaps and fully support the 2012-2015 Multi-Year Capital Program. The May 2012 Toll Adjustment Report recommends a 45% increase in toll rates for commercial vehicles, with three or more axles, on both the controlled system and all the bridge and barrier stations.

On May 30, 2012 the Authority Board directed that Authority staff take all necessary actions to effect 45% toll adjustments for commercial vehicles with more than two (2) axles. The Authority's current schedule contemplates that the commercial toll adjustment will become effective on September 30, 2012. The commercial toll adjustment is expected to generate an additional $85 million to $90 million of Revenue annually. Implementation of the commercial toll adjustments requires, among other things, public hearings, submissions of various reports, a 45-day comment period and formal approval by the Authority Board which is currently scheduled for a meeting of the Authority Board in September 2012. While the Authority cannot with certainty predict the outcome of this process, the Authority has no reason to believe that commercial toll adjustments will not be implemented on September 30, 2012 substantially as proposed.

Report of Independent Traffic Engineer

The Authority retained the Traffic Engineer to prepare a study (the "Traffic Engineer's Report") of the Authority's Thruway operations to project the financial results of the Authority's operations in the years 2012-2016, assuming implementation of the 2012-2015 Multi-Year Capital Program, including the issuance of additional bonds/notes, operational streamlining, additional Federal aid and adjustments to toll rates as currently proposed.

The Traffic Engineer's Report contains the following conclusions:

- The Authority has the ability to provide significant amounts of additional Revenues through increases in toll rates.

- The Authority's operational streamlining efforts will have a positive impact by limiting future operating expense growth.

- Capacity constraints on the Thruway will not affect the projected growth of traffic and toll Revenues.

- The Authority's Facilities have been maintained in high standards over the years with resulting overall good conditions.

- The Authority's planned extensive and regular maintenance programs and 2012-2015 Multi-Year Capital Program will ensure that the overall operational and structural integrity of the Authority's Facilities will be maintained.

- Toll revenues will be sufficient, assuming the proposed toll increases and operational streamlining initiatives are implemented and increases in Federal aid to allow the Authority to fund the 2012-2015 Multi-Year Capital Program and programs as detailed in the Traffic Engineer's Report.

- Although a further review of the proposed financial plan for the Tappan Zee Bridge Project will be required when the proposed financing plan is developed in late 2012, the Authority has the ability to generate additional toll revenues through the implementation of toll rates that are higher than those proposed for the September 30, 2012 toll modification to support the additional capital needs of the Tappan Zee Bridge Project once the plan of finance is advanced in late 2012.

The conclusions presented above are subject to the limitations and assumptions detailed in the Traffic Engineer's Report. The Traffic Engineer's Report is contained in Appendix A, which should be read in its entirety.

Projected Results

The projections summarized in the following table are based upon the assumptions, which include the receipt of additional Federal aid, the implementation of operational streamlining programs and toll adjustments, the 2012-2015 Multi-Year Capital Program (but not the Tappan Zee Bridge Project discussed in more detail herein), and the results of studies and analyses contained in the Traffic Engineer's Report. It is important to note that the Authority will advance a new financial plan by the end of 2012 to finance the Tappan Zee Bridge Project and the needs for the rest of the System. See "Report of Independent Traffic Engineer" above, and Appendix A — "REPORT OF TRAFFIC ENGINEER".

(in millions)[1]

	Actual	Projected				
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Total Revenues	$665.5	$695.8	$763.8	$773.7	$785.2	$796.7
Operating Expenses	370.0	375.3	368.9	370.5	382.5	393.9
Net Revenue	$295.5	$320.5	$394.8	$403.2	$402.7	$402.7
Debt Service	$167.4	$200.8	$244.6	$259.9	$278.0	$304.1
Debt Service Coverage	1.77x	1.60x	1.61x	1.55x	1.45x	1.32x

(1) Totals may not add due to rounding.
Source: Jacobs Civil Consultants, Inc. Traffic Engineer's Report for 2012 - 2016, dated June 18, 2012.

Future availability of Net Revenues will affect the amount of debt sold to fund capital expenditures and, therefore, the level of future debt service coverages. However, the Authority has covenanted to maintain tolls in order that Net Revenues will at least equal the Net Revenue Requirement for each year. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Tolls, Fees and Charges".

In addition, the Authority continually monitors its projected needs and financial plan. It also continually reviews projections of Revenues and expenses and has the power, without approval by the Legislature or the Governor, to increase toll rates to maintain a high level of operating safety and services on the Thruway system, to maintain and rehabilitate the Thruway system, to pay debt service, to meet toll covenants and to maintain the balance of revenues and expenses.

ADDITIONAL AUTHORITY INFORMATION

Employee Relations

Authority and Canal Corporation employees are represented pursuant to New York State's Public Employees' Fair Employment Act (Taylor Law) by three unions, International Brotherhood of Teamsters (the "Teamsters"), Civil Service Employees Association ("CSEA") and the Public Employees Federation ("PEF"). The Teamsters represent the Authority's maintenance, toll collection and clerical employees while the CSEA represents both Authority professional, supervisory and technical employees and Canal Corporation operational, maintenance and clerical employees in separate locals. PEF represents professional, technical and supervisory Canal Corporation employees. In 2010, the Authority offered a Retirement Incentive Program to employees who met eligibility requirements. Approximately 10% of the Authority's workforce elected to retire under this program. The Authority is responsible for a surcharge that was estimated to be $14.08 million which was provided for in 2010. The Authority currently is in negotiation with all bargaining units, each of which has a labor contract with a term ending on June 30, 2012.

Retirement Plans and Other Employee Benefits

The pension plan for Authority and Canal Corporation employees is part of the New York State Employees' Retirement System. The pension plan for New York State Police assigned to the Authority is part of the New York State Policemen's and Firemen's System. Plan benefits are provided under the provisions of the New York State Retirement and Social Security Law and are guaranteed under the State Constitution. The Authority's election to participate in the State plans is irrevocable. The rate of contributions for all State plan employers, including the Authority, began to increase in 2003 due to the decline in value of the Common Retirement Fund which decreased as a result of stock market conditions. The rate of contributions in 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011 was an average of 4.9%, 13.5%, 10.9%, 10.2%, 9.2%, 9.5%, 8.2%, 10.6% and 12.2%, respectively, of projected salaries. See Note 8 – Retirement Benefits and Note 9 – Other Postemployment Benefits in the Authority's financial statements in Appendix B to this Official Statement for a further discussion of the Authority's pension plan and for a discussion of the Authority's post retirement health care program.

Investments

The Bond Resolution enumerates various investments for Authority funds as authorized by law. See Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Definitions — Investment Obligations" and "Investments of Funds". The Act limits investments to those obligations in which the Comptroller of the State may invest public funds pursuant to Section 98-a of the State Finance Law, as amended from time to time. Title 7, Section 2925 of the Public Authorities Law requires that the Authority Board annually review and approve its investment policies and practices and provides for an annual independent audit of all investments. Appendix B includes a copy of the Authority's financial statements and a list of its investments as of December 31, 2011 and 2010. The Authority's investment policies emphasize preservation of principal and the Authority believes its practices are fiscally responsible.

Insurance

Pursuant to the Bond Resolution, the Authority purchases various insurance policies to provide against loss of or damage to the Facilities and loss of revenue, to the extent necessary and reasonably obtainable, to protect the interests of the Authority and the Bondholders. The insurance program is comprised of a combination of policies from major insurance companies, self-insurance and contractual transfer of liability, including naming the Authority as an additional insured and indemnification.

Property damage to bridges is insured through two policies with major insurance companies equal to the maximum probable loss from a single occurrence. The Thruway's largest bridge, the Tappan Zee Bridge, is separately covered by two commercial insurance policies providing loss of revenue and damage coverage in the amount of $550 million and terrorism coverage in the amount of $100 million. Loss of revenues is insured through a use and occupancy policy that covers any interruption in excess of fifteen days with a maximum recovery period of 30 months. In addition, the Authority purchases insurance for workers' compensation benefits and various liability exposures.

The Authority is self insured for property damage to its division headquarters buildings, maintenance facilities and toll plazas and third party liability, including automobile liability. There are two funded reserves for these exposures, a $2.5 million insurance fund and a reserve for public liability claims which, as of December 31, 2011, totaled $9.9 million.

Insurance for the Authority's service area facilities is provided by the concessionaires. Also, the liability related to construction projects, tandem trailer operations, authorized garage operations and similar type risks is transferred through contractual indemnification and compliance with Authority insurance requirements.

Other Bond Programs

Pursuant to its statutory mandate the Authority has from time to time issued bonds to provide funds to finance primarily non-Authority transportation projects in the State. Those bonds and the programs discussed below have no lien on the Revenues, assets or properties of the Authority which secure the Bonds. Those bond programs include the Local Highway and Bridge Service Contract Bonds, the General Highway and Bridge Trust Fund Bonds, and State Personal Income Tax Revenue Bonds (Transportation), all issued in multiple series for State and local highway purposes. These bond programs require varying debt service payments which are payable solely from payments received by the Authority under contractual agreements with the State. In each of these bond programs the obligation of the State to make such payments is subject to, and dependent upon, annual State legislative appropriations. The State may from time to time authorize the Authority by statute to undertake additional financing activities.

INVESTMENT CONSIDERATIONS

The Series I Bonds are revenue obligations of the Authority which are secured and payable solely from the Net Revenues available therefor under the Bond Resolution. The following is a discussion of certain investment considerations that should be considered in evaluating an investment in the Series I Bonds. This discussion does not purport to be either comprehensive or definitive. The order in which such considerations and risks are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. Moreover, there may well be other considerations and risks associated with an investment in the Series I Bonds in addition to those set forth herein. Investors are advised to read the entire Official Statement, including the appendices hereto to obtain information essential to the making of an informed investment decision.

Traffic Engineer's Report

As the Traffic Engineer for the Authority, Jacobs Civil Consultants, Inc. was requested by the Authority to prepare a traffic and toll revenue projection study (the "Traffic Engineer's Report") presenting its analyses and findings relative to recent trends in traffic and revenue on the Thruway System. See "APPENDIX A — Report of Traffic Engineer" attached to this Official Statement. *The revenue forecasts contained in the Traffic Engineer's Report are based upon certain assumptions and limits set forth or incorporated therein which should be reviewed by potential investors to assure an understanding of some of the risks inherent in such estimates and projections.* The Traffic Engineer's

Report is not a guarantee of any future events or trends and the forecasts therein are subject to future economic and social conditions and demographic developments that cannot be predicted with certainty. Further, the estimates, projections and assumptions in the Traffic Engineer's Report are inherently subject to significant economic and competitive uncertainties and contingencies, many of which are beyond the control of the Authority. Failure to achieve or realize any of the assumptions listed in the Traffic Engineer's Report may have a materially adverse effect upon the Net Revenues actually realized by the Authority.

The information provided with respect to toll revenues collected by the Authority is based on historical data. The amount of future toll revenues to be collected by the Authority depends upon a number of factors, some of which are not in the control of the Authority. Some of these factors include a decline in traffic on the Thruway System due to general economic conditions, diversion of traffic to alternative non-toll routes, increased fuel costs, limited supply of fuel, availability of alternate forms of travel and shipping, and government regulations, such as Clean Air Act requirements, increased mileage standards or higher fuel taxes, which could significantly restrict motor vehicle use, as well as international events affecting fuel supply and costs. Although the Authority has covenanted in the Bond Resolution to fix, charge and collect tolls for the use of the Thruway System in amounts so that, in each calendar year, the Net Revenues shall at least equal the Net Revenue Requirement for such year, there can be no assurance that the traffic on the Thruway System will continue to be sufficient for the Authority to generate the necessary revenues to meet its obligations under the Bond Resolution.

Risks Relating to the New Tappan Zee Bridge Project

General

As discussed in greater detail herein under "2012-2015 Multi-Year Capital Program" and "Funding of the Multi-Year Capital Program - *Tappan Zee Bridge Project*", the Authority has advanced the planning and implementation of the full replacement of the Tappan Zee Bridge. The Tappan Zee Bridge Project is on an accelerated schedule with environmental, procurement and financing processes occurring simultaneously. The final outcome of the Federal environmental and Authority planning processes could, but is unlikely to, result in adoption of a "no-build option".

The preliminary estimated cost of a new Tappan Zee Bridge Project is $5.4 billion in year-of-expenditure dollars, but the actual cost of the project will be driven by the design-build proposal selected for award later this year. The preliminary conceptual plan of finance for the project assumes the project will be financed primarily with toll revenue bonds among a broad range of options under consideration such as Federal credit assistance (Transportation Infrastructure Finance and Innovation Act – "TIFIA") and pay-as-you-go funding. The level and timing of toll adjustments, debt structure, and balance between debt and pay-as-you-go funding remain under development and will be dependent upon actual project cost, credit market conditions, and the level of participation, if any, from Federal credit programs. A specific financing plan for implementation of the new Tappan Zee Bridge Project will be finalized by the end of 2012.

Financing risks related to construction delays are expected to be mitigated by the fact that the existing bridge will continue to operate and generate revenues during project construction.

Potential Toll-Backed Components of the Tappan Zee Bridge Financial Plan

The new Tappan Zee Bridge financial plan is likely to include a substantial amount of Authority general revenue bonds, including Bonds and perhaps Junior or Subordinate Indebtedness, or both. Reliance on such funding will require the Authority to raise revenue under the requirements of the Bond

Resolution. Such revenue actions are contingent on future Board action, environmental reviews and traffic demand.

A loan from the United States Department of Transportation TIFIA program may be a significant component of the financial plan, which loan also would be secured by toll revenues. The TIFIA loan process has not been completed at this time.

Risks Relating to the Potential Design-Build Contract

The new Tappan Zee Bridge is being procured using a design-build contract that transfers many risks normally retained by the Authority to the design-build joint venture. These include such items as design defects, changed geotechnical conditions and commodity price escalation, among others. The teams that have been short-listed to compete for the design-build contract have extensive experience in large infrastructure developments and are providing significant levels of financial security to the Authority. However, it is possible that despite these modifications to traditional contracting processes additional costs beyond the initial contract price may be incurred. The Authority is budgeting contingencies for such possibilities but additional bonds for completion could be required.

Ratings of the Bonds Could be Lowered or Withdrawn

Two credit rating agencies have assigned credit ratings to the Bonds, including the Series I Bonds. The ratings of the Bonds are not a recommendation to purchase, hold or sell the Bonds, and the ratings do not comment on the market price or suitability of the Bonds for a particular investor. The ratings of the Bonds may not remain for any given period of time and may be lowered or withdrawn depending on, among other things, each rating agency's assessment of the Authority's financial strength and the financial plan relating to the new Tappan Zee Bridge Project and its progress and implementation.

Certain Matters Relating to Enforceability of Obligations

The remedies available to the owners of the Series I Bonds upon the occurrence of an Event of Default under the Bond Resolution are, in many respects, dependent upon regulatory and judicial actions that are often subject to discretion or delay. Under existing law and judicial decisions, including specifically the United States Bankruptcy Code, the remedies specified in the Bond Resolution may not be readily available or may be limited. However, the Authority is not authorized under existing State law to file for bankruptcy under the United State Bankruptcy Code. Enforcement of such remedies (i) may be subject to general principles of equity which may permit the exercise of judicial discretion, (ii) are subject to the exercise in the future by the State and its agencies and political subdivisions of the police power inherent in the sovereignty of the State, (iii) may be subject, in part, to the provisions of the United States Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and (iv) are subject to the exercise by the United States of the powers delegated to it by the Constitution of the United States of America. The various legal opinions to be delivered concurrently with the delivery of the Series I Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series I Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Legislative Action

Legislation is introduced from time to time in the State Legislature which, if adopted, may affect the Authority and/or the Thruway System. The Authority cannot predict whether or not these bills will be enacted into law or how such legislation may affect the Authority and its ability to pay debt service on the Series I Bonds.

LITIGATION

There is no litigation pending or, to the knowledge of the Authority, threatened in any court, questioning the creation, organization or existence of the Authority, the title to office of the members or officers of the Authority, the validity of any provision of the Series I Bonds or the Bond Resolution, or any proceedings of the Authority taken with respect to the issuance or sale thereof, or seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series I Bonds.

The Authority is a party to various legal proceedings including negligence suits, many of which arise in the normal course of the Authority's operations, a majority of which will, in the opinion of the Authority, be disposed of within the amounts which the Authority has reserved or has available therefor, or, as applicable, within the amounts of insurance coverage provided therefor and without any material adverse effect on the financial position of the Authority. The Authority maintains a claims reserve sufficient to cover anticipated liability and it is periodically replenished.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series I Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series I Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Series I Bonds, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series I Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Series I Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York and the City of Yonkers).

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series I Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series I Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series I Bonds in order that interest on the Series I Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series I Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series I Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series I Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series I Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series I Bond. 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 Series I Bonds.

Prospective owners of the Series I Bonds should be aware that the ownership of such obligations 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, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series I Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series I Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series I Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series I Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series I Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series I Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series I Bond upon original issuance for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series I Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series I Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Series I Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series I Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series I Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series I Bonds under Federal or state law or otherwise prevent beneficial owners of the Series I Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) could affect the market price or marketability of the Series I Bonds.

Prospective purchasers of the Series I Bonds should consult their own tax advisors regarding the foregoing matters.

See Appendix E for the proposed form of opinion of Bond Counsel.

RATINGS

Moody's Investors Service ("Moody's") has rated the Series I Bonds "A1" with a negative outlook. Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies ("S&P") has rated the Series I Bonds "A+" with a negative outlook.

Ratings reflect only the respective views of such organizations, and any desired explanation of the significance of such ratings should be obtained from the rating agencies furnishing the same. The Authority furnished to such rating agencies certain materials and information in addition to that provided here. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series I Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase from the Authority the Series I Bonds at an aggregate purchase price of $1,217,743,949.06, reflecting a net original issue premium of $100,827,014.10 and an Underwriters' discount of $5,643,065.04 and to reoffer such Series I Bonds at the public offering prices or yields set forth on the inside cover page hereof. Such Series I Bonds may be offered and sold to certain dealers (including dealers depositing such Series I Bonds into investment trusts) at prices lower and yields higher than such public offering prices and yields and prices and yields may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Series I Bonds if any Series I Bonds are purchased. The Underwriters have designated Citigroup Global Markets Inc., as Representative of the Underwriters of the Series I Bonds.

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

On April 2, 2012, Raymond James Financial, Inc. ("RJF"), the parent company of Raymond James & Associates, Inc. ("Raymond James"), acquired all of the stock of Morgan Keegan & Company, Inc. (“Morgan Keegan”) from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name “Raymond James | Morgan Keegan” that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined. Morgan Keegan has entered into a distribution arrangement with Raymond James for the distribution of the Series I Bonds at the original issue prices. Such arrangement generally provides that Morgan Keegan will share a portion of its underwriting compensation or selling concession with Raymond James.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

LEGALITY OF INVESTMENT

Pursuant to the Act, the Bonds are made securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and saving associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds including capital in their control or belonging to them. The Bonds are also made securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series I Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters are subject to the approval of William J. Estes, Esq., General Counsel to the Authority, and of Hiscock & Barclay, LLP, Albany, New York and the Law Offices of Joseph C. Reid, P.A., New York, New York, Co-Counsel to the Underwriters.

CONSULTANT’S AND ACCOUNTANT’S REPORTS

The Traffic Engineer’s Report is included herein as Appendix A of this Official Statement in reliance upon the authority of Jacobs Civil Consultants, Inc. as experts. The Traffic Engineer has advised the Authority that they have reviewed the summaries contained in this Official Statement of the information, estimates and projections contained in the Traffic Engineer’s Report and that, in their opinion, the statements made herein are correct and fairly present in summary form the information contained in such Traffic Engineer's Report, and that all material assumptions or qualifications with respect to such statements are reflected therein.

The financial statements of the Authority for the fiscal years ended December 31, 2011 and 2010, included in Appendix B of this Official Statement have been audited by Toski & Co., CPA's, P.C., independent auditors, as stated in their report appearing in Appendix B.

FINANCIAL ADVISORS

The Authority has retained Public Resources Advisory Group and Acacia Financial Group, Inc. as Financial Advisor ("Financial Advisors") in connection with the issuance of the Series I Bonds. Although the Financial Advisors have reviewed the Official Statement, the Financial Advisors have not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of information in the Official Statement. Public Resources Advisory Group and Acacia Financial Group, Inc. are independent financial advisory firms not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Jeffrey A. Parker & Associates, Inc. and Acacia Financial Group, Inc. are acting as financial advisors to the Authority in connection with the Tappan Zee Bridge Project.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the purchasers of the Series I Bonds in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("SEC"), the Authority and the Trustee will enter into a written agreement (the "Agreement") for the benefit of the holders of the Series I Bonds to provide continuing disclosure. The Authority will undertake for the benefit of the holders of the Series I Bonds to provide to the Municipal Securities Rulemaking Board ("MSRB"), on an annual basis on or before 120 days after the end of each fiscal year, commencing with the fiscal year ending December 31, 2012, certain financial information and operating data concerning the Authority and the sources of revenue for Bonds issued under the Bond Resolution referred to herein as "Annual Information" and described in more detail below. The Authority will also undertake to provide no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending December 31, 2012, the Authority's annual financial statements for such year, prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards, to the MSRB; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be provided to the MSRB if and when available. In addition, the Authority will undertake, for the benefit of the holders of the Series I Bonds, to provide to the MSRB, in a timely manner, the notices of certain events described below. The Authority may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required under the Agreement, and revoke or modify any such designation.

The Annual Information shall consist of the financial information and operating data of the type included in this Official Statement under the headings "RESULTS OF OPERATIONS AND 2012 REVISED BUDGET — Financial Results of Operations", "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS — Traffic and Revenue", and "BUDGET AND CAPITAL PROGRAMS; TRAFFIC ENGINEER'S REPORT — 2012 Revised Budget," and "— Funding of the Multi-Year Capital Program" which shall include information relating to the following: (i) current toll rates for all classes of vehicles; (ii) statements of Revenues, Operating Expenses and Net Revenues for the most recent fiscal year; (iii) statements of traffic and operating revenues for the most recent fiscal year; (iv) summary of the most recent inspection by the Authority, its Independent Consultant, or other professional engineer or engineers retained for the purpose of such inspection; (v) status of the Authority’s capital planning process; and (vi) statement of the Authority’s debt service coverage for the most recent fiscal year.

The notices described above include notices of any of the following events with respect to the Series I Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to the rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities, if material; (11) rating changes, (12) bankruptcy, insolvency, receivership or similar event of the Issuer; (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Authority will undertake, for the benefit of the holders of the Series I Bonds, to provide to the MSRB, in a timely manner, notice of any failure by the Authority to provide the Annual Information and annual financial statements by the date required in the Authority’s undertakings described above.

The Authority has never failed to timely comply with its obligations under a continuing disclosure agreement or to allow underwriters of its bonds to fulfill their obligations under Rule 15c2-12.

The sole and exclusive remedy for breach or default under the Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the Authority, and no person, including the holder of the Series I Bonds, may recover monetary damages thereunder under any circumstances. Any Series I Bondholder, including any beneficial owner, may enforce the Agreement for the equal and proportionate benefit of all holders similarly situated to the extent provided in the Agreement. A breach or default under the Agreement shall not constitute an Event of Default under the Bond Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Agreement do not anticipate that it often will be necessary to amend the informational undertakings. The Agreement, however, may be amended or modified under certain circumstances set forth therein. Copies of the Agreement when executed by the parties thereto upon issuance of the Series I Bonds will be on file at the office of the Authority.

MISCELLANEOUS

The references herein to the Act and the Bond Resolution are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Act and the Bond Resolution for full and complete statements of such provisions. Copies of the Act and the Bond Resolution are on file at the offices of the Authority, and the Trustee.

The agreements of the Authority with the holders of the Series I Bonds are fully set forth in the Bond Resolution. Neither any advertisement of the Series I Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series I Bonds.

Any statements in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are intended merely as expressions of opinion, forecasts or estimates and not as representations of fact.

The delivery of this Official Statement by its Chief Financial Officer and Treasurer has been duly authorized by the Authority.

NEW YORK STATE THRUWAY AUTHORITY

By: *_/s/ John M. Bryan_*
Chief Financial Officer and Treasurer

APPENDIX A

REPORT OF TRAFFIC ENGINEER

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JACOBS

Submitted to:
New York State
Thruway Authority

Traffic and Revenue Report Including Review of Operating Expenses and Physical Condition

June 18, 2012

Submitted by:

Jacobs Civil Consultants Inc.
2 Penn Plaza, Suite 603
New York, NY 10121

To: Members of the New York State Thruway Authority

You have requested this traffic and revenue study ("T&R Study") – including a review of operating and other expenses, revenues and the physical condition of the Authority's infrastructure – for use in connection with the sale and issuance by the New York State Thruway Authority ("Authority") of its General Revenue Bonds, Series I.

This Study identifies the general characteristics of the Thruway customers; describes current toll rates and those proposed to be changed; historical levels of traffic, revenues and expenses; and projections of future levels through 2016, including the 2012-2015 Multi-Year Capital Program.

The projections of future traffic, revenues and expenses are based on the toll schedule and operational streamlining program that were approved by the Authority Board on May 30, 2012. On the basis of studies and analyses made, we have reached the following conclusions:

- The Authority has the ability to provide significant amounts of additional revenues through increases in toll rates.
- The Authority's operational streamlining efforts will have a positive impact by limiting future operating expense growth.
- Capacity constraints on the Thruway will not affect the projected growth of traffic and toll revenues.
- The Authority's facilities have been maintained in high standards over the years with resulting overall good conditions.
- The Authority's planned extensive and regular maintenance programs and Five-Year Capital Program will ensure the overall operational and structural integrity of the facilities will be maintained.
- Toll revenues will be sufficient, assuming the proposed toll increases and operational streamlining initiatives are implemented and increases in Federal aid to allow the Authority to fund the 2012-2015 Multi-Year Capital Plan and programs as detailed in the Traffic Engineer's Report.
- Although a further review of the proposed financial plan for the Tappan Zee Bridge Project will be required when the proposed financing plan is developed in late 2012, the Authority has the ability to generate additional toll revenues through the implementation of toll rates that are higher than those proposed for the September 30, 2012 toll modification to support the additional capital needs of the Tappan Zee Bridge Project once the plan of finance is advanced in late 2012.

Table of Contents

I. Introduction

Since its opening more than 55 years ago, the New York State Thruway ("Thruway") has served as the central artery of the State's transportation system, providing a vital link between its major cities from the Atlantic Ocean to Canada and the Great Lakes. Over the years, the New York State Thruway Authority ("Authority") has taken actions that have allowed for safe and efficient travel for millions of passenger and commercial customers.

The Thruway serves travelers with a variety of needs and purposes, including commuters, business travelers, recreational travelers, and commercial vehicle traffic. The Authority has provided a dependable roadway system for these travelers, sustaining and encouraging economic growth, fostering job creation and generating tax revenues to the State and its local governments. Underscoring its importance to the state, region and nation, Thruway customers traveled approximately 8.1 billion vehicle-miles on the highway in 2011, averaging almost 22.1 million vehicle-miles per day.

Significant capital improvements and maintenance work is undertaken each year to keep the Thruway highways and bridges in a state of good repair, ensuring safe and efficient travel for the heavy traffic demands of today's world. In addition to on-going capital and maintenance tasks, the Authority is also continually evolving to better serve its patrons, improving customer service with advances in technology and adding new capacity to highways and bridges in the corridors with high travel demand. Furthermore, the Authority has the responsibility of maintaining the reliability of the historic Canal System, ensuring that it remains a viable waterway for boating, shipping and recreation and an important component of New York State's economy.

Over the last several years, the Authority has faced substantial challenges that have strained its ability to maintain its financial strength while financing the capital needs of the aging Thruway and Canal Systems. Principal among these challenges, the Authority had to manage budgets with historic declines in traffic and toll revenues resulting from volatile fuel prices, a deep and lengthy national and state recession and a slow and protracted recession recovery period. As experienced by other toll facilities across the nation, the number of trips and the length of trips taken by Thruway patrons have markedly declined over the past four years and traffic is not expected to reach pre-recession levels for many years to come. In addition, the prevalence of high fuel and construction commodity prices has placed enormous pressure on the Authority's operating budgets and capital programs, as have considerable declines in Federal aid allocated to support its growing infrastructure and service needs.

During these times of financial stress, the Authority downsized and reconfigured its capital program, implemented operational cost controls and issued short-term notes to bridge capital funding gaps. It is important to note that prior toll adjustments were originally designed to only provide sufficient revenues to finance the recently completed 2005-2011 Capital Program. As a result, in order for the Authority to successfully meet its future growing capital needs, refinance outstanding short term debt and provide reliable service to its patrons, additional revenues are needed at this time to complement enhanced operational streamlining efforts.

Based on that need for additional revenues, the Authority Board began the process of modifying toll rates by proposing a 45 percent adjustment to commercial toll rates to be implemented on September 30, 2012. However, in an effort to lessen the impact on local businesses that rely on the Thruway System, the toll adjustment would exclude commercial vehicle with two-axles and over seven feet six inches in height (2H). The impact of the streamlining program and the proposed toll action on the Authority's revenues and long-term financial plan is described in more detail herein.

It is important to understand that the current design-build procurement process for the replacement of the Tappan Zee Bridge is underway and a better understanding of the cost of the new Tappan Zee Bridge and any potential Federal aid or financing assistance for this important project or other capital purposes will not be available until later this year. At that time, the Authority intends to advance a long-term plan to finance the construction of the new replacement Tappan Zee Bridge and allow the Authority to meet its other future capital, operational, and maintenance needs.

II. The New York State Thruway & Canal System

The following sections provide an overview of the Thruway System and the Authority's responsibilities.

A. The Thruway System

At 570 miles in length, the New York State Thruway is one of the largest tolled highway systems in the United States and is a critical component in the national interstate network. The Thruway connects the principal cities of the State from New York City to Albany, and on to Utica, Syracuse and Rochester through to Buffalo and the Pennsylvania State Line. The Thruway corridor serves 37 of the State's 62 counties and the majority of the State's population. Approximately 245.2 million toll transactions occurred on the Thruway in 2011, generating about $634.1 million in toll revenues.

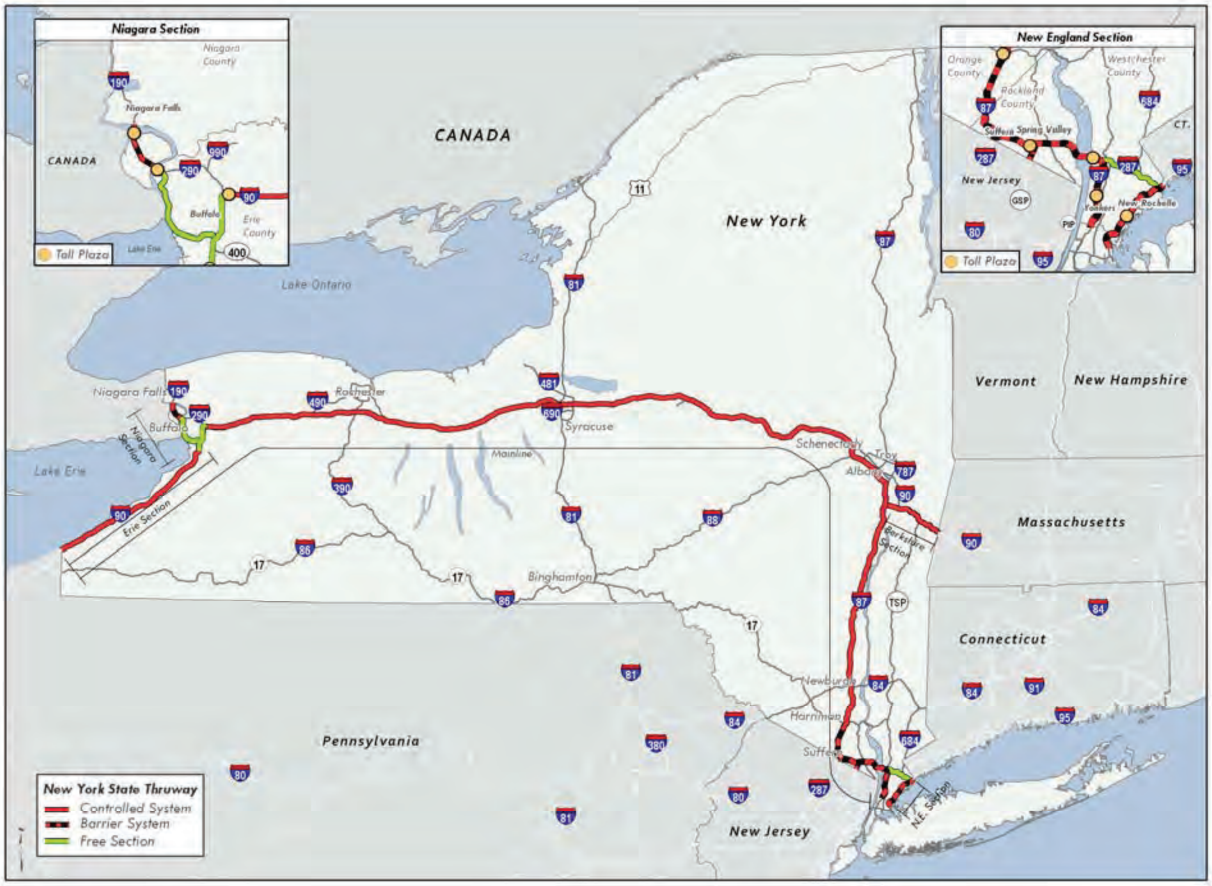
The Thruway is an important interstate connector, joining with the Massachusetts Turnpike (I-90), Connecticut Turnpike (I-95), and New Jersey's Garden State Parkway, as well as several other Interstate routes such as I-287 from New Jersey; I-90 in Pennsylvania; I-290 around the north side of Buffalo; I-390 and I-490 serving Rochester; I-81, I-481 and I-690 at Syracuse; I-790 in Utica; I-87 (the Northway), I-88, I-90, I-787, and I-890 at Albany; and I-84 at Newburgh. It also makes direct connections with numerous major State highways.

The Thruway is comprised of two types of toll systems – a controlled (ticket) system and a barrier system. The controlled system (approximately 481 miles) makes up the largest portion of the Thruway, running from Woodbury (in the southeast corner of the State) north along I-87 to Albany, then west on I-90 to Buffalo and south of Lake Erie to the Pennsylvania border. In addition to this main stretch of the controlled system, there is a small branch south and east of Albany providing a connection to the Massachusetts border and the I-90 Massachusetts Turnpike.

On the controlled system, tolls are charged based on the actual distance traveled by the customer. Meanwhile, barrier toll plazas have a fixed toll rate for each vehicle class and payment type (e.g., Cash, *E-ZPass*, as well as Commuter and other *E-ZPass* Discounts). The barrier systems (one located in the southeast corner of the State and the other located in the northwest corner of the State) are comprised of the Tappan Zee Bridge, Yonkers Barrier, New Rochelle Barrier, Spring Valley Barrier, Harriman Barrier and the Grand Island Bridges. Under the toll structure, toll rates across the system are based on the vehicle classification, related to the number of axles per vehicle and the height of the vehicle over the first two axles.

It is important to note that there are portions of the roadways under the Thruway jurisdiction that are currently toll-free. These include a nine-mile section in the Buffalo area between the controlled sections; I-190 between Buffalo and Grand Island; I-90 between Albany (Interchange 24) and I-88 (Interchange 25A); and the Cross-Westchester Expressway (I-287). In addition, there are stretches of roadway on the sections with fixed-toll barriers where short trips can be made without passing through a toll barrier.

Figure II-1: New York State Thruway Toll Systems



1. Roadways

The original 2,800-lane mile Thruway roadway system was constructed between 1949 and 1960 and is one of the oldest components of the national Interstate Highway System. In 1991, State legislation made the Authority additionally responsible for the operation and maintenance of 11 miles of the Cross-Westchester Expressway (I-287). The New York State Department of Transportation (NYSDOT) remains responsible for capital improvements to this roadway. The Thruway System is now over 570 total miles in length and includes 134 interchanges. The various sections of roadway currently maintained by the Authority are listed in Table II-1.

Thruway pavements are typically nine inches of reinforced Portland cement concrete placed on 12 inches of granular sub-base. Shoulders are made up of treated granular material with asphaltic wearing surface. A large portion of the roadway's base dates back to its original construction, highlighting the need for heavy maintenance, reconstruction and rehabilitation activities to retain the riding surface in a state of good repair.

Table II-1: The Thruway System

Section	Controlled Section	Barrier Section	Length (in Miles)
The Mainline (New York City - Buffalo)	x	x	426
Erie Section (Buffalo - Pennsylvania Line)	x		70
Niagara Section I-190 (Buffalo - Niagara Falls)		x	21
Berkshire Section (Selkirk - Massachusetts Line)	x		24
New England Section (I-95) (Bronx - Connecticut Line)		x	15
Garden State Parkway Connection (Spring Valley - New Jersey)			3
Cross-Westchester Expressway (I-287) (Mainline I-87 in Tarrytown - I-95 in Rye)			11
Total			570

2. Bridges

The Authority has maintenance responsibility for 811 bridges that carry local roads and state highways over the Thruway System. The structural characteristics of these bridges vary: about 15 percent are concrete structures, either pre-stressed girder, arch, rigid frame or box culverts. The remaining 85 percent of the bridges are steel structures with asphalt overlaid, reinforced concrete decks. As with the roadway, an overwhelming majority of the structures date back to the original opening of the Thruway System in the 1950's and require continual and significant repair, rehabilitation and reconstruction investments to prevent deteriorating conditions.

By far, the largest bridge on the Thruway System is the Tappan Zee Bridge over the Hudson River, located approximately 20 miles north of New York City. The Tappan Zee Bridge was opened to traffic in 1956 and is a three-mile long multi-span steel truss, deck truss and girder type structure. Due to its size and importance, a permanent Authority maintenance team is assigned to the Tappan Zee Bridge. The Tappan Zee Bridge routinely experiences peak hour traffic volumes that are 40 percent higher than normal operational volumes and to increase the Bridge's one-way traffic capacity, a movable barrier provides for the reversal of one of the seven traffic lanes to help accommodate directional peak traffic volumes. As described in more detail later in this report (on page VI-3), the Tappan Zee Bridge is scheduled to be replaced in the near future.

Besides the Tappan Zee Bridge, the Thruway consists of seven other major bridge structures. These include the Castleton-on-Hudson Bridge across the Hudson River on the Berkshire Section; the four Grand Island Bridges spanning branches of the Niagara River north of Buffalo; the mile long Niagara Viaduct, and the Byram River Bridge on the New England Section.

3. Service Areas and Buildings

There are 393 buildings of various types owned by the Authority along the Thruway, which are summarized in Table II-2. These buildings include large maintenance and administrative facilities as well as smaller structures, such as storage sheds, utility buildings, and other minor facilities. The buildings include four administrative headquarters and 55 centralized maintenance buildings; 148 maintenance section buildings; 64 service area buildings, 67 toll facilities, 12 police barracks and 43 miscellaneous use buildings.

Table II-2: Thruway Authority Buildings

Thruway Authority Buildings	
Description	**Number**
Administrative Headquarters	4
Centralized Maintenance	55
Maintenance Section	148
Service Areas	64
Toll Facilities	67
Police Barracks	12
Miscellaneous Use	43
Total	393

The Authority's Administrative Headquarters is located just off Interchange 23 at 200 Southern Boulevard in Albany, overlooking the Thruway mainline and the Albany Division maintenance complex. This building was constructed in 1972.

The Thruway's maintenance responsibility is divided into four divisions, with each division having its own headquarters complex. These Division headquarters are located in Suffern, Albany, Syracuse, and Buffalo. The Division headquarters complexes serve several functions that include housing the administrative staff for the maintenance program, as well as providing offices for State police, toll collection, traffic and customer service, and various personnel.

Toll booth facilities (toll buildings) are an important part of the Authority's physical plant. The Thruway system contains over 250 toll lanes. The toll booths have all of the characteristics of individual buildings, with each having its own heating and lighting systems, windows and doors.

Service areas providing fuel, restaurants and other amenities for the 27 travel plazas are operated through concessionaire agreements. The buildings, parking areas, and waste water treatment plants are maintained by Thruway staff.

The Authority owns 27 travel plazas located at intervals along the Thruway System, operated by three food service concessionaires: HMS Host Family Restaurants, Inc. (12 plazas), McDonald's Corporation (11 plazas) and Delaware North Companies Travel Hospitality Services, Inc. (4 plazas); and two fuel service operators: Lehigh Gas Corporation (12 plazas) and Sunoco, Inc. (R&M) (15 plazas).

To provide maximum customer service, all food and fuel centers are open 24 hours daily, 7 days per week and offer parking, fuel, public restrooms (including family assist restrooms equipped for persons with disabilities), ATMs, and free Wireless Internet Service. There is also a brand name food vendor at each travel plaza open to the public 24 hours per day, 7 days per week. Further, many travel plazas have seasonal farm markets, gift shops, fax machines, sell *E-ZPass* On-the-Go (retail *E-ZPass* transponders) and staff a number of Tourist Information Centers.

The Authority and its concessionaires continue to make various improvements at the travel plazas, including updating food concepts and the overall appearance of the interiors and exteriors of the buildings, gas station renovations, adding trucker's lounges and increased tractor trailer parking.

4. Safety, Incident Response and Traveler Information Systems

The Thruway Statewide Operations Center ("TSOC"), housed at the Authority's Administrative Headquarters in Albany, is the central location for the coordination of all traffic incident response, emergency management, and dissemination of traveler information along the entire Thruway. The TSOC operates 24 hours per day, 7 days per week, 365 days per year. The Authority exchanges traffic and Intelligent Transportation Systems ("ITS") data with NYSDOT through the Regional Traffic Operation Centers, providing the public with a view of traffic operations across New York State so they may make more informed travel choices.

To increase the functionality of the TSOC, the Authority recently implemented an Advanced Traffic Management System to integrate and control all current and future ITS devices and systems. Such devices include 73 Permanent Variable Message Signs, 154 Closed Circuit Television cameras, 13 Highway Advisory Radio stations, 119 real-time vehicle detector sites, and 26 Portable Variable Message Signs. The Authority also offers an email alert service (TRANSalert) to its customers to inform them of major unscheduled incidents that may affect their travel plans and the Thruway website (www.thruway.ny.gov) offers a centralized location to access a multitude of traveler information.

Finally, a troop of New York State Police (Troop T) is entirely dedicated to policing on the Thruway System. The principal mission concern for Troop T is to increase safety on the roadway and reduce fatal and personal injury auto accidents. They address the issue through enforcement and education. Through the years, Troop T has participated in traffic enforcement initiatives directed at drivers who engage in behavior known to cause fatalities or exacerbate the fatality rate: speed, failure to use seatbelts and drunk and/or drugged driving. However, the greatest proven method to reduce fatalities is the day-to-day visible enforcement of traffic laws by the patrol troopers on the highway.

In 2011, good overall highway conditions, traveler access to online and radio information services, good incidence and weather response and the efforts of Troop T contributed to a very low fatality rate. The fatality rate on the Thruway is among the lowest in the nation at 0.44 fatalities per 100 million miles traveled. This compares to an index of 1.13 for the national average and 0.8 for all of New York State.

5. Annual Routine Maintenance Activities

Over the years, the Authority has developed comprehensive plans for the maintenance of its facilities. Formal pavement and bridge management systems have been developed to address maintenance issues and provide input into the development of long-term infrastructure management programs. Routine maintenance activities are performed by Authority staff from 21 maintenance locations grouped into four divisions.

Additional specified routine maintenance activities are provided by the four division highway and bridge maintenance headquarters and by the Tappan Zee Bridge maintenance team. Responsibilities include snow and ice removal, pavement and bridge repair and maintenance, guiderail and safety work, responding to incidents and accident damage, and right-of-way maintenance. Additional specialized maintenance activities are provided by the four centralized division maintenance crews and the Tappan Zee Bridge crews. Maintenance activities also include innovative preventative maintenance operations to preserve the highway system and minimize added capital improvement costs.

In addition, environmental stewardship has become an important factor in on-going maintenance decisions. Some examples of what is included in these types of enhancements by the Authority are the use of solar-powered ITS elements, the planting of living snow fencing, the purchase of flex fuel vehicles and the planned construction of five wind turbines along the Thruway section south of Lake Erie between Buffalo and the Pennsylvania border, for the generation of electric power to provide heat and light for Thruway facilities.

B. Mandated Additions to the Authority

In addition to the original mandate of the Authority to operate and maintain the controlled ticket, bridge and barrier systems along the Thruway, the Authority was given responsibility over several other transportation facilities in the early 1990's, described below:

- In 1991, the Cross-Westchester Expressway (I-287), which starts at I-87 near Tarrytown and travels east for 11 miles to the Thruway's New England Section (I-95) in Rye became the Authority's responsibility for maintenance and operational expenditures only. Capital improvements remained the responsibility of NYSDOT.

- In 1991, the Authority began to operate and maintain I-84, a 71-mile section of roadway that connects the Pennsylvania State Line to the Connecticut State Line. After November 2007, the Authority was fully reimbursed by NYSDOT for all operating and maintenance costs. The operation and maintenance responsibility of I-84 was transferred back to NYSDOT as of October 11, 2010.

- In 1992, the New York State Canal Corporation was formed, as a subsidiary of the Authority, and the Authority assumed control of the maintenance and operation of the 524-mile New York State Canal System. The Authority is also responsible for capital improvements to the Canal System. The Canal System is composed of the Erie, Champlain, Oswego, and Cayuga-Seneca canals. Since the Authority assumed such responsibility, federal funds have offset a portion of the Authority's related capital costs.

Financially the Canal System has been considered to be in the category of "Other Authority Projects." Funds for the maintenance and operations of these types of projects can only be provided through the Other Authority Projects Operating Fund, which are junior to Thruway operations, debt service, and Thruway System capital responsibilities.

C. The New York State Canal System

For two centuries, the New York State Canal System has played a very important role in the history and development of the State and the nation. The ability to efficiently move people and goods across the State proved instrumental in the westward expansion of the nation, and the development of major cities in upstate New York including Buffalo, Rochester, Syracuse and Albany, as well as hundreds of smaller cities, towns and villages. The construction of the Erie Canal and the subsequent Canal System was primarily responsible for the dominance of New York City as the country's premier shipping port for many years.

Today, New York State's 524-mile Canal System is a world class recreation-way and tourist destination that cultivates historic preservation and spurs economic development in upstate New York. The Canal System links the Hudson River with Lake Champlain, Lake Ontario, the Finger Lakes, the Niagara River and Lake Erie, passes through 25 counties and is in close proximity to more than 200 villages, hamlets and towns. Previous reports estimated that this extensive waterway network supports nearly $400 million in economic activity throughout the Canal corridor. For much of its length, it closely parallels the Thruway System.

The current Canal System, which began construction in 1905, provides extensive inter-modal linkages within and beyond the State's borders and includes four major canals, canalized natural waterways, five lakes, feeder reservoirs and numerous shipping terminals. It consists of 57 locks, 20 lift bridges, 22 reservoirs, 203 buildings, 114 dams and over 1,500 other structures critical to the maintenance and operations of the waterways and its feeder systems (water control devices, fixed bridges over the Canal

System, terminals, terminal walls, aqueducts, culverts, roads and reservoirs). Due to the age of the infrastructure, substantial maintenance activities are required to ensure system reliability.

Figure II-2: New York State Canal System

In addition to maintaining these important facilities, the Authority also maintains more than 260 miles of multi-use, recreational trails across upstate New York that are adjacent to the waterways of the Canal System or follow remnants of the historic original canals that date back to the early 1800s.

According to a recent study, an estimated 2.4 million people use the trail network each year for bicycling, walking, jogging and other activities, providing an economic impact of more than $41 million per year. More information on the Canal System and Trail Network can be found at http://www.canals.ny.gov/.

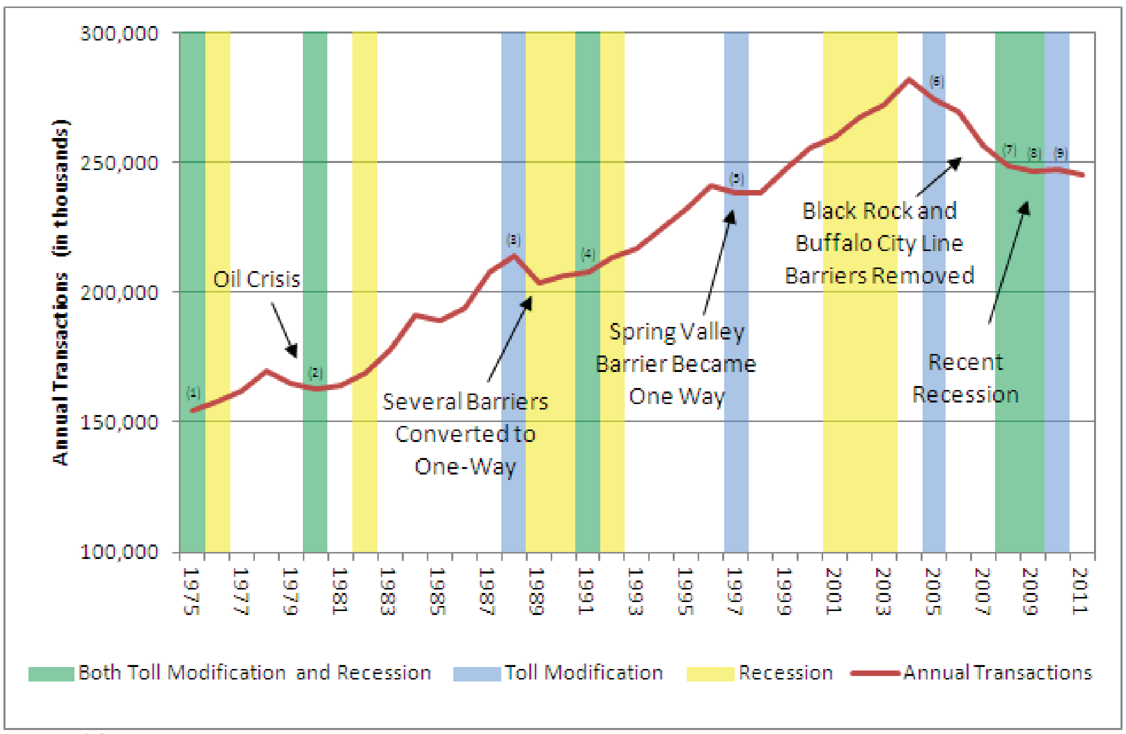
III. Historical Review of Thruway Traffic & Revenue

The following sections provide an overview of past Thruway traffic and revenue.

A. Traffic

Figure III-1 shows historical total traffic on the Thruway since 1988. It is important to note that the volumes shown are not adjusted for various toll collection changes on the Thruway. For example, the 2005 toll modification resulted in the elimination of several commercial vehicle classes that were based on a single vehicle receiving two toll transactions, resulting in an apparent decrease in commercial traffic counts. This was a one-time occurrence that did not represent a decrease in actual number vehicle trips made on the Thruway. Similarly, in October 2006, tolls were removed from the Buffalo City Line and Black Rock toll barriers which reduced total annual trips on the Thruway by approximately 17 million annually.

Figure III-1: Historical Thruway Traffic Volumes



(1) 1975 - Toll Increase varied by location
(2) 1980 - Average Toll Increase of 25% Passenger Cars, 30% Commercial
(3) 1988 - Average Toll Increase of 32% Passenger Cars, 38% Commercial
(4) 1991 - Spring Valley Toll Adjustment, Passenger Cars Only
(5) 1997 - Tappan Zee Corridor Relief (Congestion Pricing)
(6) 2005 - System Reclassification, Average Toll Increase of 25% Passenger Cars, 35% Commercial
(7) 2008 - Average Toll Increase of 10% for all vehicles, plus reduction in E-ZPass discount in July
(8) 2009 - Average Toll Increase of 5% for all vehicles
(9) 2010 - Average Toll Increase of 5% for all vehicles (not apparent in all toll schedules, due to rounding)

Table III-1 summarizes passenger and commercial traffic trends from 2005 through 2011.

Table III-1: Traffic Trends (millions of transactions)

Year	Passenger		Commercial		Total	Percent Change
	Control	Barrier	Control	Barrier		
2005	125.8	115.7	19.9	12.5	274.0	-
2006	127.8	112.6	17.7	11.3	269.4	-1.7%
2007	127.7	100.6	17.7	10.1	256.0	-5.0%
2008	125.5	96.5	16.9	9.7	248.5	-2.9%
2009	128.2	94.3	15.4	8.8	246.7	-0.7%
2010	129.0	93.8	15.7	9.1	247.6	0.4%
2011	126.6	93.5	15.8	9.3	245.0	-1.0%

Note: Numbers may not add due to rounding.

1. Thruway Trips and Customers

The Thruway provides service to urban, suburban, and rural areas with a substantial amount of out-of-state travel on certain sections. The traffic is composed of short and long trips; commuters and occasional users; recreational and business travelers; local delivery and long-distance trucking; and those traveling for many other purposes. Customers of the Thruway are composed of people making a large mix of trip purposes, trip lengths, trip frequency and payment methods; and portions of the Thruway serve the major population areas of the state including New York City, Albany, Syracuse, Rochester and Buffalo. These urban areas provide a strong commuter and commercial component to the overall traffic on the System. Similarly, the prevalence of recreational areas such as the Catskills, Adirondacks, Finger Lakes, Niagara Falls, and various casinos and other attractions support a strong recreational component to traffic. Additionally, the location of the Thruway along major north-south and east-west corridors support a large component of long-distance travel and freight movement. This balance generally minimizes the negative effects of economically driven downturns.

Travel time savings, high levels of safety and service, and reliable maintenance gives the Thruway an advantage over other nearby competing routes. There are several major employers located within the Thruway corridor that contribute to the Thruway's broad traffic base. These include General Electric, IBM, Woodbury Commons and United Technologies. In addition, several commercial distribution centers such as those for Wal-Mart, Price Chopper, and Target are located close to the Thruway in order to easily transport goods to stores. Finally, Tappan Zee Bridge is a major interstate river crossing linking the Mid-Atlantic States to New England.

An understanding of the diverse service provided by the Thruway can be obtained from an analysis of the users of different portions of the system which can be described as follows:

a) Westchester-Harriman

The southern section of the Thruway mainline, part of I-87, serves local traffic as well as commuters and long-distance traffic from New York City through Westchester County to the Tappan Zee Bridge at Tarrytown. Across the Tappan Zee Bridge, the mainline passes through Rockland County to the Harriman area where the controlled system commences. The New England Section of the Thruway, part of I-95 along the Long Island Sound shore between the Bronx and Connecticut, serves both local and long-distance traffic.

In Westchester County, the Saw Mill River Parkway to the west and Sprain Brook and the Hutchinson River Parkways to the east provide competitive toll-free routes to the Thruway and serve a high percentage of the regular commuting traffic. Trucks, prohibited from using the Parkways, account for some 11 percent of Thruway traffic in this area. The toll-free Cross-Westchester Expressway (I-287) connects the mainline Thruway at Elmsford with the Thruway's New England section at Port Chester and carries heavy volumes of commuting and other local traffic to and from the White Plains area. It also serves as the principal corridor between points west of the Hudson River via the Tappan Zee Bridge to Connecticut and the rest of New England.

Unlike the Thruway within Westchester County, the primary alternate routes to the Tappan Zee Bridge are a significant distance away from the Bridge. Optional routes to the north include the Bear Mountain Bridge, about 22 miles to the north. However, this bridge is not connected to any major routes and heavy trucks are prohibited. About 40 miles to the north of the Tappan Zee is the Newburgh-Beacon Bridge which carries Interstate Route 84. Similarly, there are options south of the Tappan Zee Bridge including the heavily congested George Washington Bridge 17 miles to the south, or one of the two Hudson River Tunnels 25 and 27 miles south.

Thruway users in Rockland County, the section between the Tappan Zee Bridge and the Harriman Barrier to the north, include a large number of local Rockland and Orange County travelers and Rockland-to-Westchester commuters as well as longer distance business and recreational traffic going to and from the Catskill region and points farther north. The Thruway in Rockland County also serves a high portion of all local east-west travel as it offers a faster and more convenient route than parallel Route 59, which is often congested. Substantial volumes of long-distance passenger car and commercial traffic to and from New Jersey and beyond enter and leave the Thruway system at Suffern.

In years of average weather conditions, passenger car traffic at the New Rochelle and Yonkers Barriers in Westchester County during the lowest winter month and the highest summer month does not vary by more than 15 percent from the monthly average, a remarkably consistent pattern. That highlights the essentiality of the Thruway in this area.

b) Hudson Valley

Between Albany and the southern terminus of the controlled system near the Harriman Barrier, the Thruway traffic includes substantial flow to, from, and between the local communities as well as business and recreational long-distance travel. Relatively heavy movements - particularly involving trucks - occur on and off at the Newburgh Interchange, connecting the Thruway with I-84. I-84 traverses New York State between Connecticut and Pennsylvania and intersects with the Thruway-controlled system at Newburgh. Route 9W is the primary alternate route on the western side of the Hudson River and for most of its distance it features low speed limits and passes through numerous local communities. The Taconic State Parkway a passenger-vehicle-only parkway on the east side of the Hudson River, offers a toll-free alternative route for passenger cars between the New York City area and Albany but like 9W is characterized by lower speeds and longer travel times.

c) Albany-Buffalo

Between Albany and Buffalo, the Thruway serves local and commuting traffic for the cities and communities along it as well as serving long-distance traffic traveling across the State. In the Albany area, the Thruway is heavily used by local commuters, particularly between Albany and Schenectady. Major interstate and other routes converge in the Capital District with the Thruway's Berkshire Section connecting to the Massachusetts Turnpike (I-90 to the east), the Taconic State Parkway, and Route I-90 to the west. This latter route extends around Albany to the north, connecting back to the Thruway at its intersection with the Northway, I-87, the principal route to/from the north. I-88, an interstate route connecting to the Southern Tier at Binghamton, terminates at the Thruway in the Schenectady area. These routes carry long-distance traffic to and through the area; they are also used by commuting and other local traffic as they serve the nearby suburban areas.

The Thruway between Albany and Buffalo serves the principal upstate cities of Utica, Syracuse and Rochester and is the main route for heavy trucking across the State. It provides connections to several interstate routes, among them I-790 in Utica; I-81 in Syracuse, the principal north-south route between Binghamton and Watertown, and I-690 and I-481, circumferential routes around Syracuse; I-390 and I-490 serving Rochester; and I-290 to the north of Buffalo. This section of the Thruway is the primary East-West route in the area.

This section of the Thruway also serves many of the State's recreational areas. Summer traffic is extremely important and levels are well above average in this area. Conversely, due to the amount and frequency of heavy snow and ice events, traffic during the winter months is typically below average. In the urban areas, however, this variation is less extreme as the local commuters and frequent users represent a greater percentage of the traffic than on other sections. The historical trend has shown a higher rate of growth of those drivers who regularly use the road at all times of the year. For long distance trips the primary alternate routes are US Route 20 and State Route 5. Similar to Route 9W and the Taconic Parkway in the Hudson Valley Region, these roadways have lower speeds and pass through local communities, adding to travel times and fuel usage.

d) *Buffalo Area*

The Niagara Section (I-190) is heavily used for local travel to and from the region's cities and localities. It also provides the only highway access to Grand Island and serves some longer-distance travel to and from Canada either via the bridges in Niagara Falls or the Peace Bridge in Buffalo The Erie Section of the mainline, which is a continuation of I-90, serves the lakeshore communities as well as long-distance through traffic.

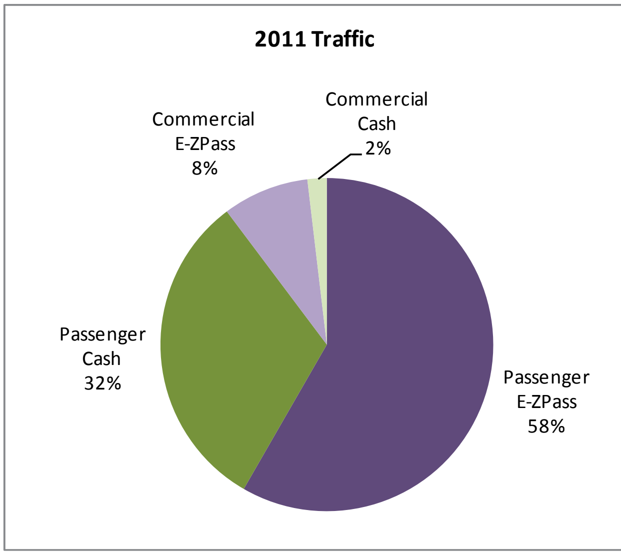
Similar to the other sections of the Thruway, the alternate routes are limited featuring much lower speeds and travel through local communities. In addition, the Buffalo region of the Thruway is situated in the lake effects snow-belt recording high snowfall amounts annually. The Thruway is generally better equipped to handle the higher snowfall amounts and is often the one of the only roadways in the area that is cleared and free of snow and ice.

2. The Make-Up of Traffic on the Thruway System

As shown in Figure III-2, in 2011 the majority of traffic on the Thruway System was comprised of passenger cars, making up roughly 90 percent of traffic. The remaining ten percent of traffic is from a variety of different commercial vehicle types. Though commercial traffic comprises only a small percentage of system-wide traffic, they accounted for 37 percent of Thruway revenues. In addition, in 2011 approximately 66 percent of vehicles paid a toll with an E-ZPass transponder. For passenger cars, the E-ZPass market share equaled approximately 65 percent, while trucks utilized E-ZPass more frequently, averaging a market share of about 82 percent.

Also, in 2011 approximately 72 percent of the Thruway's toll revenues were generated by the Authority's E-ZPass customers. Customers that had a transponder issued by a New York State toll agency (the Authority or the Metropolitan Transportation Authority) accounted for about 78 percent of total E-ZPass toll revenues. As a result, 22 percent of E-ZPass toll revenues were collected from customers that had a non-New York issued transponder, underscoring the importance of the Thruway System in the regional and national economy.

Figure III-2: 2011 System Wide Traffic and Revenue Distribution



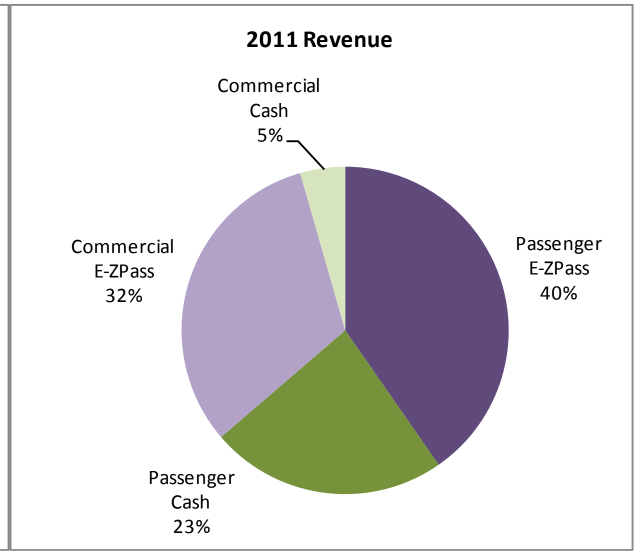


Table III-2 shows the amount and percentage of total 2011 traffic and revenue realized at the separate Thruway pay points for both passenger cars and commercial vehicles. The controlled system, with tolls collected based on the distance traveled, serves 58 percent of total trips through pay points and provides over 63 percent of the total toll revenues (exclusive of the volume discount being applied).

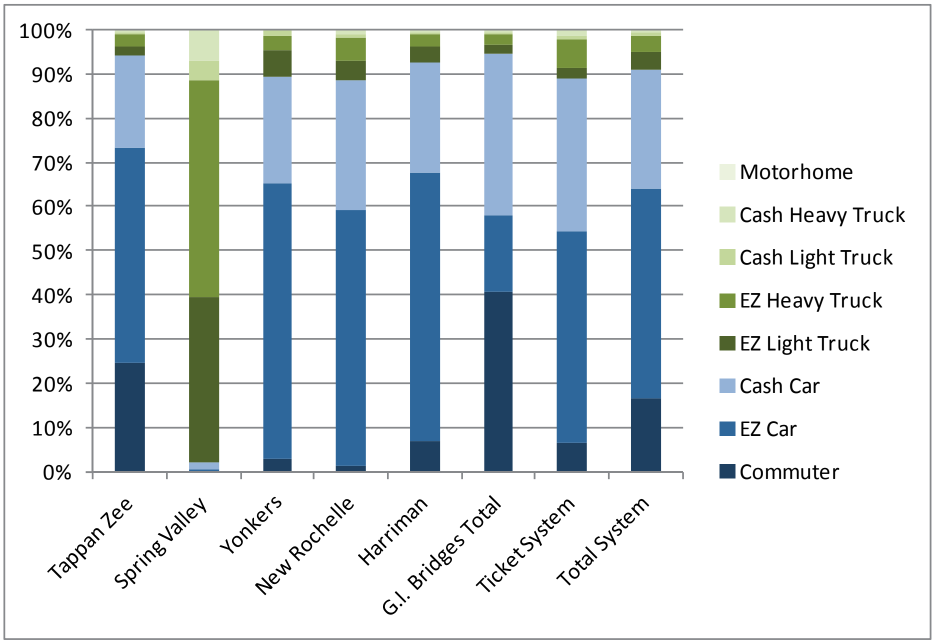
Table III-2: 2011 Traffic and Revenue Geographical Distribution

Traffic in Thousands by Region	Passenger Cars				Commercial Vehicles			
	Controlled System	Barriers	Total Passenger Car Traffic		Controlled System	Barriers	Total Commercial Vehicles Traffic	
			Traffic	% of Total			Traffic	% of Total
NYC Sub-Area	-	71,926	71,926	32.7%	-	8,117	8,117	32.3%
Hudson Valley	20,080	-	20,080	9.1%	2,447	-	2,447	9.7%
Albany	35,973	-	35,973	16.3%	3,894	-	3,894	15.5%
Utica	3,284	-	3,284	1.5%	638	-	638	2.5%
Syracuse	16,572	-	16,572	7.5%	1,793	-	1,793	7.1%
Rochester/Buffalo	33,505	21,543	55,048	25.0%	4,282	1,203	5,485	21.8%
Erie	17,189	-	17,189	7.8%	2,781	-	2,781	11.1%
Total	126,603	93,468	220,072	100.0%	15,835	9,320	25,156	100.0%
Revenue in Thousands by Region	**Passenger Cars**				**Commercial Vehicles**			
	Controlled System	Barriers	Total Passenger Car Revenue		Controlled System	Barriers	Total Commercial Vehicles Revenue	
			Revenue	% of Total			Revenue	% of Total
NYC Sub-Area	-	$169,384.09	$169,384.09	41.9%	-	$53,017.91	$53,017.91	23.0%
Hudson Valley	$46,215.06	-	$46,215.06	11.4%	$29,080.38	-	$29,080.38	12.6%
Albany	$53,037.13	-	$53,037.13	13.1%	$45,214.53	-	$45,214.53	19.6%
Utica	$9,861.60	-	$9,861.60	2.4%	$10,973.73	-	$10,973.73	4.8%
Syracuse	$29,491.36	-	$29,491.36	7.3%	$24,199.97	-	$24,199.97	10.5%
Rochester/Buffalo	$57,913.50	$14,342.10	$72,255.61	17.9%	$56,029.51	$3,547.18	$59,576.69	25.9%
Erie	$20,981.39	-	$20,981.39	5.2%	$30,790.95	-	$30,790.95	13.4%
Sub-Total[1]	$215,772.93	$183,726.20	$399,499.13	98.9%	$196,289.07	$56,565.09	$252,854.15	109.9%
Permits	$4,433.15	-	$4,433.15	1.1%				
Volume Discount					($22,696)	-	($22,696)	-9.9%
Grand Total	$220,206.08	$183,726.20	$403,932.28	100.0%	$173,592.73	$56,565.09	$230,157.81	100.0%

[1]Does not include $2.7 Million Annual Cost of Permit

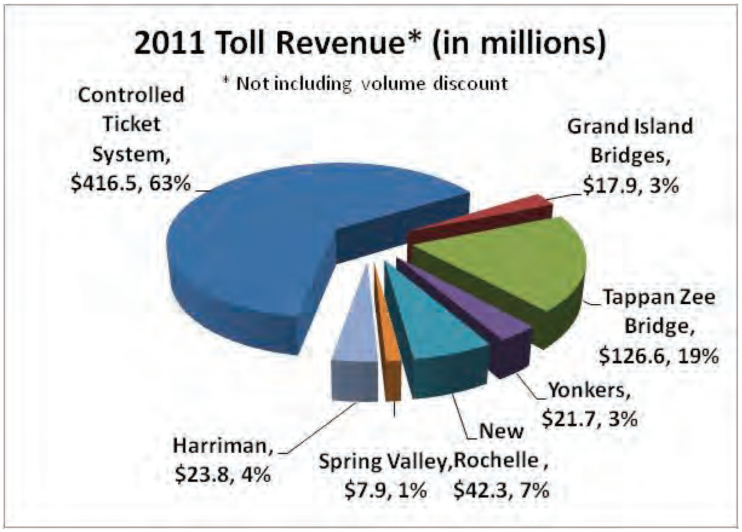
The distributions of vehicle class and payment type vary by facility, as shown in Figure III-3. The highest passenger car participation in *E-ZPass* is seen at the Tappan Zee Bridge, while the highest truck participation rate in *E-ZPass* payment is seen at the nearby Spring Valley Barrier, which is a truck-only toll facility that offers open road tolling. It should be noted that although *E-ZPass* transactions account for about two-thirds of annual transactions on the Thruway, the majority of customers (individual people) using the Thruway over the course of a year travel infrequently and pay with cash.

Figure III-3: 2011 Traffic Distribution by Facility



Jacobs further analyzed the breakdown of 2011 annual toll revenues by Thruway facility, as presented in Figure III-4. Of the Thruway's facilities, the Ticket System and the Tappan Zee Bridge generate the most significant portion of the Thruway's traffic and revenue. In 2011, the Ticket System generated $416.5 million or approximately 63 percent of all Thruway toll revenues, and the Tappan Zee Bridge generated $126.6 million (approximately 19 percent) of toll revenues. The New York Metropolitan area barrier tolls (other than the Tappan Zee Bridge) generated about $95.7 million or a combined 15 percent of 2011 revenues. In the Buffalo area – the Grand Island Bridges plus the Erie Section of the mainline - generated approximately 11 percent of 2011 revenues.

Figure III-4: Distribution of 2011 Toll Revenues by Thruway Facility



Details of the relative importance of each of the existing interchanges of the controlled system are provided in Table III-3, which shows the exiting traffic through each of the interchanges in 2011. All of the interchanges are ranked according to total exiting volume. The busiest interchanges are at the urban areas and at the ends of the ticket or controlled system. It is important to note that the ten busiest interchanges account for almost 50 percent of all passenger car and commercial vehicle trips on the controlled system.

For passenger cars, the busiest interchange on the Thruway controlled system is Washington Avenue (#24) at Albany, which is also the connection to the Northway (I-87) and I-90 around Albany. Almost one out of ten of all controlled system trips passes through this interchange. The next busiest point is Williamsville (#50) adjacent to Buffalo at the northern end of the controlled system, followed by Lackawanna (#55), the northern end of the Erie Section, then Woodbury (#15), the southern end of the controlled system, and Schenectady (#25). Of the ten busiest interchanges, the remaining locations are adjacent to upstate cities (Rochester #45, Newburgh #17, and Albany #23) with the exception of the ninth busiest at Canaan (#B3) on the Berkshire Section, which connects to the Massachusetts Turnpike, and the tenth-busiest location at Depew (#49). The seventh-busiest at Newburgh (#17) also serves as a connection to I-84.

Table III-3: Controlled System Traffic Summary, Exiting Traffic at Interchanges, 2011

Interchange No.	Interchange Name	Mile Post	Passenger Cars	Commercial Vehicles	Grand Total	% of Grand Total	Grand Total Rank
15	Woodbury	45	6,131,033	1,078,451	7,209,484	5.1%	4
16	Harriman - Rte 17	45	1,011,505	55,904	1,067,409	0.7%	43
17	Newburgh (I-84)	60	4,808,622	773,959	5,582,581	3.9%	7
18	New Paltz	76	2,386,716	136,893	2,523,609	1.8%	22
19	Kingston	91	2,939,486	197,137	3,136,623	2.2%	16
20	Saugerties-East and West	101	1,359,373	79,184	1,438,557	1.0%	35
21	Catskill	114	1,442,858	125,649	1,568,507	1.1%	32
21B	Coxsackie	124	983,021	122,368	1,105,389	0.8%	42
B1	Hudson-Renss. (I-90)	B 7	2,286,148	411,850	2,697,998	1.9%	19
B2	Taconic Pkwy	B 15	717,924	8,817	726,741	0.5%	48
B3	Canaan (Mass Line)	B 18	3,184,652	787,677	3,972,329	2.8%	9
22	Selkirk	135	636,067	96,734	732,801	0.5%	47
23	Albany (Downtown) I-787	142	4,255,087	375,609	4,630,696	3.3%	8
24	Albany(Northway)I-87,I-90	148	11,909,527	1,028,447	12,937,974	9.1%	1
25	Schenectady (East) I-890	154	6,450,431	215,328	6,665,759	4.7%	5
25A	Schenectady I-88	159	2,893,649	551,148	3,444,797	2.4%	12
26	Schenectady (West) I-890	162	1,117,498	107,012	1,224,510	0.9%	37
27	Amsterdam	174	1,538,973	189,228	1,728,201	1.2%	28
28	Fultonville	182	535,071	266,561	801,632	0.6%	45
29	Canajoharie	194	390,819	44,969	435,788	0.3%	50
29A	Little Falls	211	195,367	28,756	224,123	0.2%	52
30	Herkimer	220	652,292	72,274	724,566	0.5%	49
31	Utica	233	1,510,300	225,002	1,735,302	1.2%	27
32	Westmoreland-Rome	243	1,068,256	78,529	1,146,785	0.8%	40
33	Verona-Rome	253	2,317,846	175,256	2,493,102	1.8%	23
34	Canastota	262	1,353,627	93,640	1,447,267	1.0%	34
34A	Syracuse I-481	277	3,041,715	293,367	3,335,082	2.3%	14
35	Syracuse (East)	279	1,687,022	211,726	1,898,748	1.3%	25
36	Syracuse I-81	283	2,395,349	362,447	2,757,796	1.9%	18
37	Electronics Pkwy	284	1,116,505	75,863	1,192,368	0.8%	38
38	Syracuse-Liverpool	286	1,057,853	99,527	1,157,380	0.8%	39
39	Syracuse (West) I-690	290	2,533,769	402,732	2,936,501	2.1%	17
40	Weedsport	304	967,956	146,086	1,114,042	0.8%	41
41	Waterloo	320	1,129,768	329,850	1,459,618	1.0%	33
42	Geneva	327	1,509,173	192,665	1,701,838	1.2%	29
43	Manchester	340	1,257,033	96,445	1,353,478	1.0%	36
44	Canandaigua	347	3,329,946	143,637	3,473,583	2.4%	11
45	Rochester (East) I-490	351	5,776,187	281,641	6,057,828	4.3%	6
46	Rochester I-390	362	2,922,840	455,742	3,378,582	2.4%	13
47	Leroy I-490	379	2,335,378	275,225	2,610,603	1.8%	21
48	Batavia	390	1,462,261	220,764	1,683,025	1.2%	30
48A	Pembroke	401	1,486,893	378,207	1,865,100	1.3%	26
49	Depew	417	3,503,359	293,767	3,797,126	2.7%	10
50	Buffalo I-290	420	7,824,578	1,468,172	9,292,750	6.5%	2
55	Lackawanna	429	7,136,860	1,178,566	8,315,426	5.8%	3
56	Blasdell	432	2,467,967	167,775	2,635,742	1.9%	20
57	Hamburg	436	2,145,592	100,808	2,246,400	1.6%	24
57A	Eden-Angola	445	718,548	42,457	761,005	0.5%	46
58	Silver Creek	456	825,366	83,085	908,451	0.6%	44
59	Dunkirk-Fredonia	468	1,395,851	183,285	1,579,136	1.1%	31
60	Westfield	185	244,869	27,881	272,750	0.2%	51
61	Ripley (Penna. Line)	496	2,254,407	997,195	3,251,602	2.3%	15
TOTAL			126,603,193	15,835,297	142,438,490	100.0%	-

3. Comparison of Thruway Traffic to Other Regional Toll Facilities

A performance comparison of regional toll facilities with the Thruway was developed for the June 2006 to December 2011 period, during which the nation experienced a historic recession and slow and protracted recovery period, impacting travel on all highway transportation facilities across the nation. Figure III-5 presents the comparison of traffic on selected regional toll facilities to the Thruway, with the black line representing total traffic on the New York State Thruway. As shown, in terms of traffic trends, the Thruway performed comparably well to and in some cases better than other Northeastern US toll facilities. The broad diversity of traffic across the Thruway system is a contributor to its relatively good performance.

Figure III-5: Comparison of the Thruway System to Regional Toll Facilities

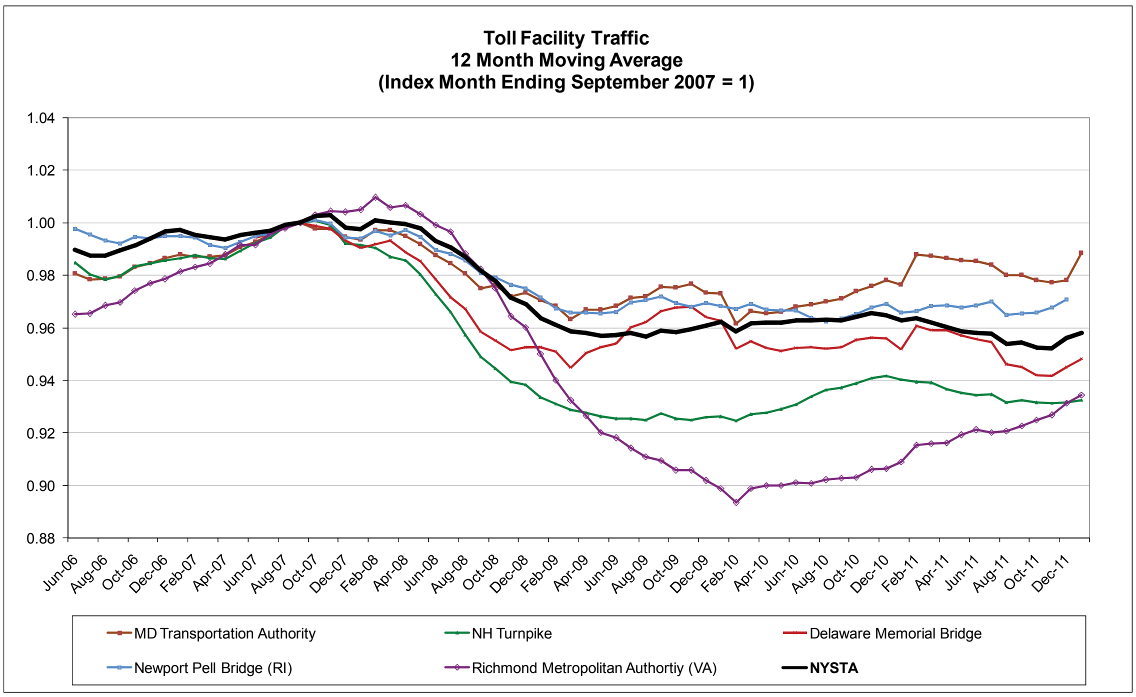
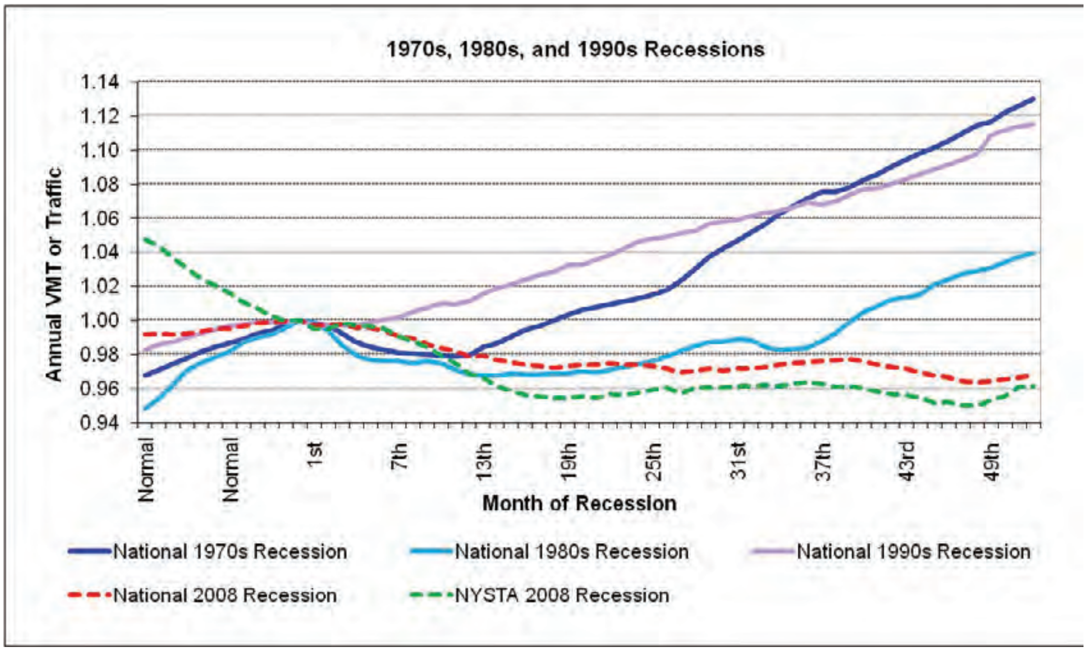


Figure III-6 is a plot of the actual traffic on the Thruway along with total vehicles miles travelled (VMT) at the national level, both of which were indexed to the first month of the three most recent significant national recessions. As shown, the current Thruway and national traffic trend most closely matches that of the 1980's national recession and suggests that there will be a longer and more gradual return to historical trend lines from this recent recession than during previous recessions.

Figure III-6: National Vehicle Miles Travelled (VMT) and the Thruway's Tolled Traffic - Indexed to Recessions



B. Current Toll Rates

The toll rates set in 2010 continue to be in effect today and the Authority's current toll rate structure is outlined in Table III-4. Toll collections for passenger and commercial vehicles from 2005 through 2011 are summarized in Table IV-6.

Table III-4: Current Thruway Toll Structure ($)

2010	Controlled (Cents/Mile)		Yonkers		Harriman		Spring Valley		New Rochelle		Tappan Zee		Grand Island	
	Cash	E-Z Pass	Cash	E-Z Pass	Cash	E-Z Pass	Cash	E-Z Pass[(1)]	Cash	E-Z Pass	Cash	E-Z Pass[(1)]	Cash	E-Z Pass
Commuter	-	*	-	0.55	-	0.55	-	-	-	1.10	-	3.00	-	0.28
Motor Cycle	-	0.0235	-	0.63	-	0.63	-	-	-	0.88	-	2.50	-	0.50
2L	0.0470	0.0447	1.25	1.19	1.25	1.19	-	-	1.75	1.66	5.00	4.75 / 4.75	1.00	0.95
3L	0.0728	0.0691	1.50	1.43	1.50	1.43	3.00	3.00 / 1.50	2.50	2.38	11.50	11.50 / 5.75	1.50	1.43
4L	0.0864	0.0821	1.75	1.66	1.75	1.66	4.50	4.50 / 2.25	3.00	2.85	13.75	13.75 / 6.88	1.75	1.66
2H	0.0933	0.0886	2.00	1.90	2.00	1.90	5.25	5.25 / 2.63	3.50	3.33	14.75	14.75 / 7.38	2.00	1.90
3H	0.1604	0.1524	2.25	2.14	2.75	2.61	8.25	8.25 / 4.13	4.25	4.04	20.75	20.75 / 10.38	2.25	2.14
4H	0.1768	0.1680	2.75	2.61	3.00	2.85	8.25	8.25 / 4.13	5.00	4.75	24.75	24.75 / 12.38	2.75	2.61
5H	0.2390	0.2271	4.25	4.04	4.25	4.04	13.50	13.50 / 6.75	8.00	7.60	32.75	32.75 / 16.38	4.25	4.04
6H	0.2963	0.2815	4.50	4.28	5.00	4.75	14.75	14.75 / 7.38	8.75	8.31	41.00	41.00 / 20.50	4.50	4.28
7H	0.3536	0.3359	5.00	4.75	5.75	5.46	16.50	16.50 / 8.25	9.75	9.26	49.25	49.25 / 24.63	5.00	4.75

[1)] Peak/Off Peak *E-ZPass* Rates

The Authority offers several specialized discount programs administered through the E-ZPass program. Among these are a series of commuter plans designed specifically for frequent users of the Thruway that use one or more of the barrier toll stations. Users can pre-pay a monthly minimum for each facility that they choose and then receive discounted travel for each trip taken in excess of the minimum charge. In addition to the barrier commuter discounts, the control system offers an annual permit that when purchased allows for the first 30 miles of each trip to be free of tolls.

Other passenger car specialized plans include a Tappan Zee Bridge car-pool commuter plan that further reduces the cost of travel for vehicles with three or more occupants, and residents of Grand Island are eligible for a special resident discount when crossing through either of the Grand Island toll barriers. The Authority also offers a green discount that is available to certain high mileage vehicles that both achieve MPG ratings greater than 45 MPG and meet certain emission standards. Motorcycles, motor homes and “5th wheel’ or “gooseneck” vehicles or vehicle combinations are also eligible for discounts. These programs are administered through the E-ZPass program and proof of residency or registration for the various plans and vehicle combinations must also be provided.

For commercial vehicles, there are currently two types of discount program offered. The S-Discount is for non-tandem commercial vehicles less than or equal to 48 feet in length and requires a Thruway E-ZPass issued transponder. The second discount program is a commercial volume discount that offers progressively higher discounts based on the monthly toll charges on an account basis. The discount caps at 20 percent for all tolls in excess of $3,000 in each month.

1. Comparison of Thruway Toll Rates to Other Regional Toll Facilities

Figure III-7 and Figure III-8 compare the cash toll rates and discounted electronic toll rates of several toll roads in the Northeast. Of note is the comparatively low per-mile passenger car toll rate of the Thruway’s controlled system when compared to other toll facilities, as shown in Figure III-7. The published 5-axle truck rate, as seen in Figure III-8, is also comparatively low to that of other regional facilities, and is effectively lower than the rate shown due to the commercial volume discount program.

Figure III-7: Peak Toll Rates Per-mile on Toll Roads in the Northeast, Passenger Cars

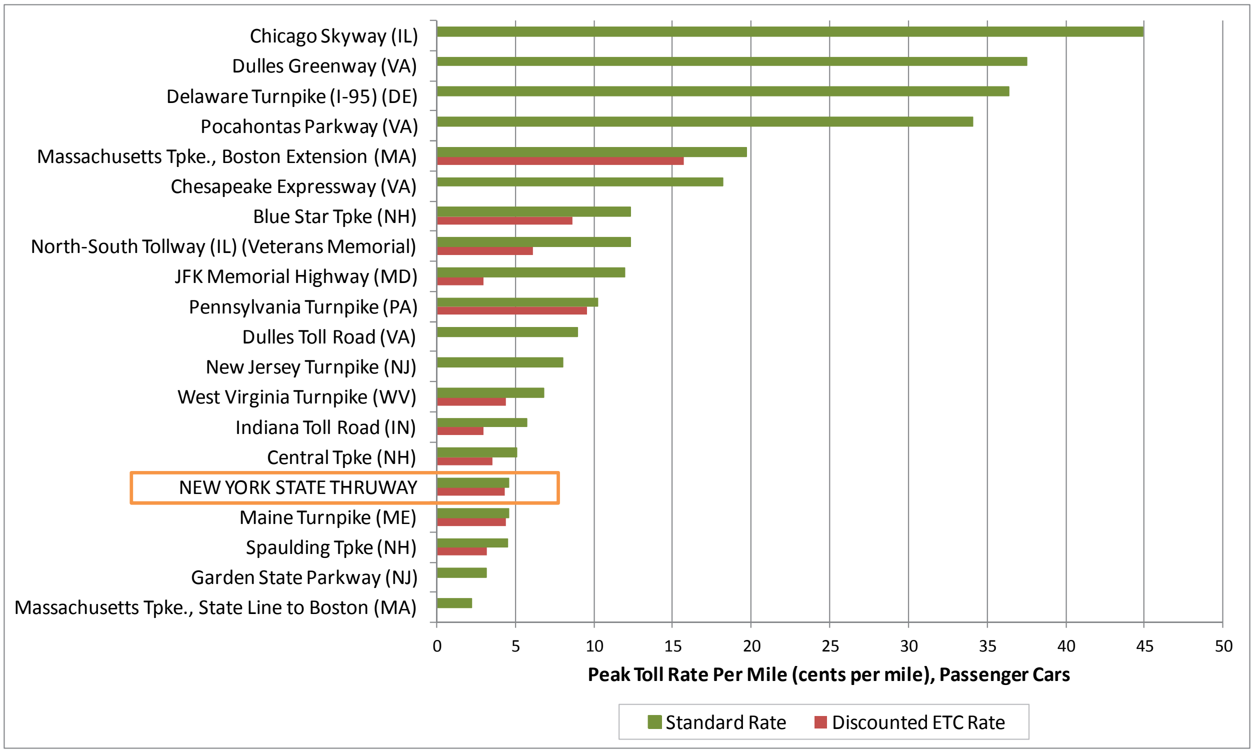


Figure III-8: Peak Toll Rates Per-mile on Toll Roads in the Northeast, 5-Axle Trucks

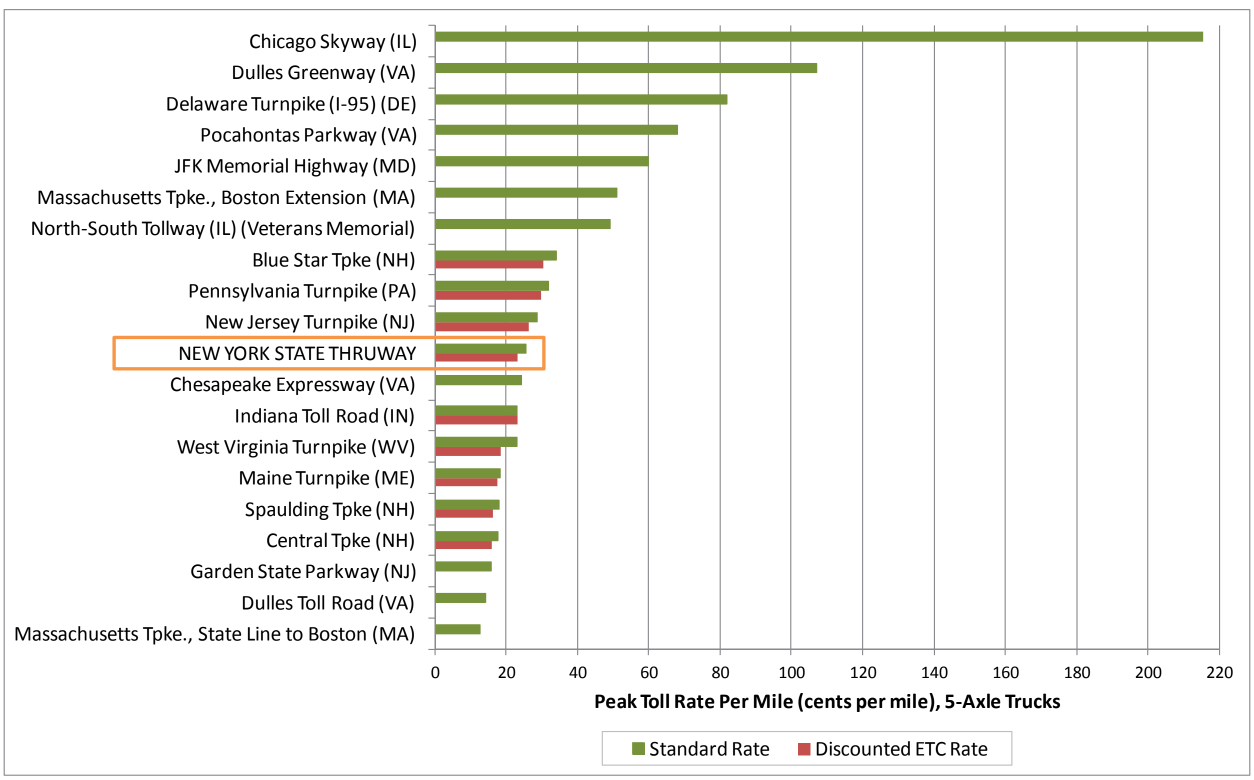


Figure III-9 and Figure III-10 compare cash toll rates and discounted electronic toll rates of several toll crossings in the Northeast. Of note is the Tappan Zee Bridge tolls are below that of the other Metro-New York crossings and comparable to other major crossings on the interstate highway system, as shown in Figure III-9. Similar to the controlled system, the published 5-axle truck rate is also comparable to that of other regional facilities. A majority of the commercial vehicles travel in off-peak periods and pay using E-ZPass that is one-half of the peak period and cash rate. In addition to the lower off-peak rates, many vehicles effectively lower the effective rate further through the additional volume discount program. These reductions in the effective rate make the Tappan Zee Bridge commercial toll rate significantly below that of other metro New York tolled crossings.

Figure III-9: Round Trip Peak Toll Rates on Major Toll Crossings in the Northeast, Passenger Cars

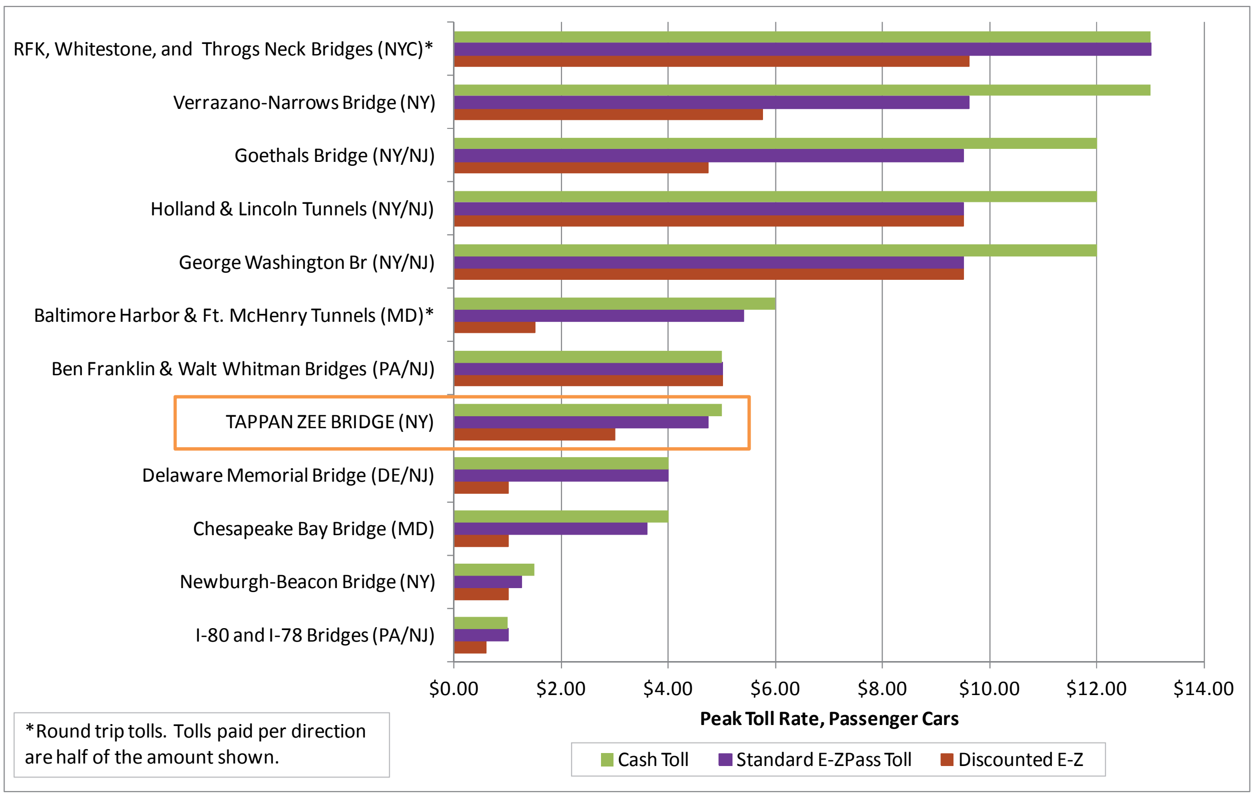
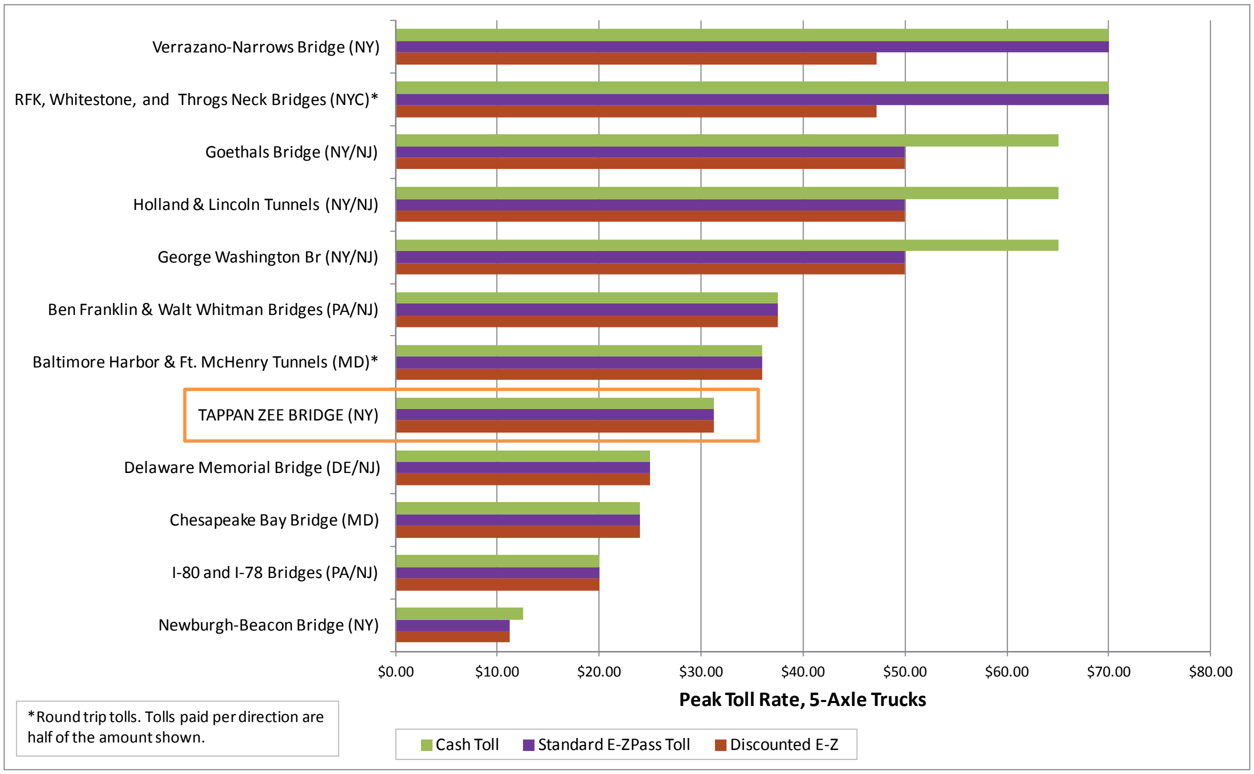


Figure III-10: Round Trip Peak Toll Rates on Major Toll Crossings in the Northeast, 5-Axle Trucks



C. Revenues

With the exception of a small amount of Federal aid and other funds, tolls collected on the controlled system and through toll barriers support an overwhelming majority of the Authority's budget. As a result, the Authority closely monitors traffic volumes and toll revenues for the various Thruway sections.

The Authority had originally planned to finance operating, maintenance and capital responsibilities from 2005 through 2011 through a series of two-staged toll rate adjustments approved in 2005. This was the first toll adjustment that was implemented in 17 years and was designed to only provide sufficient funding for the Authority's operating, capital and maintenance needs through the end of the 2005-2011 Capital Program.

The 2005 toll adjustment generally increased toll rates by 25 percent for passenger vehicles and 35 percent for commercial customers in 2005 and increased cash tolls for both passenger and commercial vehicles by 10 percent in 2008. In addition, the toll adjustment also implemented a new vehicle classification system (reducing the number of classifications from 43 to 9), created a new *E-ZPass* discount program, continued a graduated volume discount program for commercial customers and expanded the availability of commuter plans to bridges and barriers on the Thruway System.

In late 2007, rising fuel prices and the recession's impact on employment, industrial production, housing starts and other aspects of the economy significantly impacted passenger and commercial traffic patterns nationwide. As noted previously in Figure III-5, total traffic on the Thruway System and on other selected toll facilities began to decline significantly at that time, as travelers reduced the number and distance of their trips.

In response to the financial pressures brought on by fuel prices and the state of the national economy, the Authority implemented another series of staged, though smaller adjustments to toll rates in 2008. This adjustment was only designed to provide additional funding to assist the Authority in financing operational, maintenance and capital commitments made in the 2005-2011 period. The 2008 toll adjustment maintained a five percent *E-ZPass* discount for all patrons and added two five percent across-the-board increases, which took effect in 2009 and 2010. Table III-5 presents historical toll revenue for the period 2005-2011.

Table III-5: Summary of Gross Toll Revenues (Millions)

Year	Passenger	Commercial	Total Gross Toll Revenues
2005 (1)	$311.1	$200.1	$511.2
2006	333.7	220.7	554.4
2007	324.7	215.6	540.3
2008 (1)	347.1	215.6	562.7
2009 (1)	400.8	210.8	611.6
2010 (1)	413.1	228.1	641.2
2011	403.9	230.2	634.1
2005-2011 Total	**$2,534.4**	**$1,521.1**	**$4,055.5**

Note: Numbers may not add due to rounding.

(1) Toll Adjustments were implemented in 2005, 2008, 2009, and 2010.

IV. Historical Review of the Authority's Finances

The following section provides an overview of the Authority's operating, capital and debt service costs and revenue trends from 2005 through 2011. The section concludes with an overall view of the financial health of the Authority during this period.

A. Operating and Maintenance Expenses

The Authority's operating expenses include the non-capitalized costs for the maintenance of highway, building and canal facilities; equipment purchases; snow and ice removal; Thruway toll collection; policing; administrative costs and fringe benefits; Thruway traffic operations; and provisions for funding environmental and other liability reserves. Table IV-1 summarizes the Authority's operating and maintenance (O&M) expenses for the period 2005 through 2011, including the Cross-Westchester Expressway (I-287), I-84 and the Canal System for the period in which these facilities have been the responsibility of the Authority.

Table IV-1: Operating and Maintenance Expenses, Thruway System (millions)

Year	Thruway Operations	Reserves(1)	I-84(2)(4)	Canal System(2)	Total Operating Expenses
2005	$303.8	$3.5	$12.5	$38.2	$358.0
2006(3)	310.7	13.0	11.5	42.8	378.0
2007(3)(4)	332.2	6.8	10.3	45.9	395.2
2008(4)	334.8	2.5	-	45.2	382.5
2009	339.4	7.3	-	48.7	395.4
2010(5)	358.2	6.0	-	46.0	410.2
2011	365.4	4.6	-	51.3	421.3
2005-2011 Total	**$2,344.5**	**$43.7**	**$34.3**	**$318.1**	**$2,740.6**

Note: Numbers may not add due to rounding.
(1) The provisions for legal claims and indemnities and environmental remediation reserves.
(2) Canal and I-84 operating expenses are paid out of the Other Authority Projects Operating Fund and funds required are net of Federal aid reimbursements.
(3) Operating expenses in 2006 and 2007 were adversely impacted due to the liability of two legal claims and increases in health insurance and snow and ice removal costs.
(4) As of November 2007, expenditures for I-84 were fully reimbursable from NYSDOT. As noted above, since 2010, the Authority has no operational or funding responsibility related to I-84.
(5) In 2010, operating expenses include $13.3 million for the special early retirement surcharge of which $11.4 million was for the Thruway and $1.9 million in Canal operating expenses. Also in 2010, $5.6 million in Federal funds was received for Canal operations.

Despite the intense pressure that rising benefit, fuel and other commodity prices caused since 2007, the Authority was able to enhance the efficiency of its operations through a cost containment strategy that limited operational expense growth to at or below the rate of inflation, depending on what inflation measure is utilized. After excluding indemnity and reserve allocations and the impacts of Tropical

Storms Irene and Lee on Thruway and Canal operations and benefit costs, core operating expenses increased by an average of only 2.6 percent per year from 2007-2011. This rate of growth compares to an annual average increase of 3.7 percent in construction costs and 2.5 percent in consumer price inflation over the same time frame. In addition, as noted in Table IV-2, 2011 was the fifth consecutive year in which Thruway and Canal operating expenses were below budget estimates.

Table IV-2: Thruway &Canal Operating Expenses – Net of Reserves, Storm, Pension and Health Insurance Costs (in millions)

Year	Original Thruway & Canal Operations Budget	Actual Thruway & Canal Operating Budget (1)	Less:			Net Expenses	Annual Change	Annual % Change
			Reserves	Storm (Irene & Lee) Costs	Pension & Health Insurance			
2005	$344.0	$350.0	$3.5	$0.0	$73.6	$272.9		
2006	372.0	376.2	13.0	0.0	75.9	287.3	14.4	5.3%
2007	391.4	390.8	6.8	0.0	79.8	304.2	16.9	5.9%
2008	404.6	386.5	2.5	0.0	81.0	303.0	-1.2	-0.4%
2009	412.1	398.9	7.3	0.0	79.2	312.4	9.4	3.1%
2010	420.6	416.8	6.0	0.0	101.7	309.1	-3.3	-1.1%
2011	443.3	426.6	4.6	6.8	98.4	316.8	7.7	2.5%

Note: Numbers may not add due to rounding.

(1) Excludes I-84 costs that are no longer an Authority expense, as has been reimbursed since 2007 and eliminated in their entirety since 2010.

From 2005 through 2011, the Authority was able to limit the level of growth in Thruway and Canal operating costs primarily through staffing reductions and a stronger workforce management program. During this period, the Authority eliminated 314 positions, representing a workforce reduction of nearly 10 percent. In addition, the Authority reduced or eliminated expenditures for equipment and projects, cancelled scheduled salary increases and other employee benefits, relied more heavily upon part-time and seasonal workforces, reduced toll lane staffing hours, enhanced energy efficiency measures, reduced overtime and discretionary expenses and other actions.

As noted later in this report, the Authority will be significantly enhancing the efficiency of its operations through a new operational streamlining program, scheduled to begin in 2012. This new program will play an important role in the maintenance of future fiscal balance, involving structural reforms and other measures that will generate real reductions in Thruway operating expenses.

B. Capital Expenditures

Given the age of the Thruway and Canal Systems and the high percentage of their infrastructure that dates back to original construction, significant capital investments have been necessary to complement maintenance activities for the system to remain reliable and in a state of good repair. While the Authority's recently completed 2005-2011 Capital Program was primarily focused on maintaining infrastructure conditions, it did include some heavy reconstruction and capacity improvement activities.

The 2005-2011 Capital Program was intended to address several key objectives that were critical to Thruway and Canal customers. Those goals were reliability, increased customer service, improved safety and mobility and environmental stewardship. The program included projects that addressed the need for reconstruction and rehabilitation of roadway, bridges, facilities and support systems of the Thruway; congestion relief and mobility enhancements; equipment replacement needs; critical canal capital projects; and higher/highway speed *E-ZPass* lanes.

However, beginning in 2007, the fiscal distress resulting from declining traffic and high fuel and construction commodity prices required the Authority to re-examine the capital and equipment needs of the Thruway and Canal systems. As a result of this re-evaluation, a significant number of project scopes were reduced, projects were eliminated and others were delayed. These actions reduced the level of planned infrastructure and equipment investments in the 2005-2011 Capital Program by $300 million, reducing capital expenses from $2.6 billion to $2.3 billion during this period. Despite these actions, as noted in Figure VI-1 and Figure VI-2 later in this report, the Authority was able to maintain good overall highway and bridge conditions during this period.

Total capital expenditures and funding sources for the 2005-2011 Capital Program are shown in Table III-3 and Table IV-4.

Table IV-3: Capital Expenditures, Thruway Authority (millions)

Year	Highway and Bridge	Facilities, Travel Plaza and Equipment	Canal System and Economic Development Projects [1]	Total Capital Expenditures
2005	$97.1	$27.3	$21.0	$145.4
2006	179.3	50.9	14.4	244.6
2007	267.3	59.0	44.2	370.5
2008	288.7	36.2	30.3	355.2
2009	259.6	35.4	26.1	321.2
2010	311.0	39.9	26.8	377.7
2011	367.6	49.5	27.4	444.5
Total	**$1,770.6**	**$298.2**	**$190.2**	**$2,259.1**

Note: Numbers may not add due to rounding.

[1] As noted above, these costs are payable only after Thruway operating and maintenance and debt service costs.

Table IV-4: Funding Sources, Thruway Authority (millions)

Year	Funding Sources					
	Federal Aid	Other	Bond / Note Proceeds	Subtotal Exclusive of Thruway Revenues on Pay-As-You-Go Basis	Revenues Required from Tolls, etc.	Pay-As-You-Go %
2005	$43.1	$0.8	$60.4	$104.3	$41.1	58.5%
2006	22.7	7.4	154.8	184.9	59.7	36.7%
2007	30.9	1.2	198.3	230.4	140.1	46.5%
2008	17.6	1.3	299.5	318.4	36.8	15.7%
2009	10.0	2.7	258.4	271.1	50.1	19.6%
2010	8.7	4.9	305.8	319.4	58.3	19.0%
2011	0.0	6.4	366.0	372.4	72.1	17.6%
Total	**$133.0**	**$24.7**	**$1,643.2**	**$1,800.9**	**$458.2**	**27.3%**

Note: Numbers may not add due to rounding.

It is important to note from Table IV-4 that Federal aid allocated by the NYSDOT to the Authority declined significantly from 2005 through 2011. This decline is predominately the result of the expiration of an agreement with NYSDOT in 2005, which had previously authorized the allocation of Federal Interstate Maintenance Aid (I-M) and Transportation Enhancement Program (TEP) assistance to the Authority that supported its capital and operational needs. As noted, declining Federal aid and low revenue growth led to a reduction in the level of Pay-as-you-go financing for the 2005-2011 Capital Program.

C. Debt Service Expenses

As a result of reduced Pay-as-you-go financing from reduced revenues and Federal aid, the Authority had to rely on greater levels of debt to finance commitments made in the 2005-2011 Capital Program. As noted in Table III-5, the elevated reliance on bonds and the issuance of short-term notes to finance programmed capital improvements resulted in annual debt service payments increasing from $108.4 million in 2005 to over $181.8 million in 2011, even in a recent low interest rate environment.

Table IV-5: Debt Service, Thruway System (millions)

Year	Service on Outstanding Debt
2005	$108.4
2006	128.5
2007	135.8
2008	163.5
2009	176.9
2010	191.2
2011	181.8
2005-2011 Total	**$1,086.1**

Note: Numbers may not add due to rounding.

D. Revenues

The Authority is primarily funded by toll revenues (some 95 percent of its revenues comes from toll revenues). The Authority also collects a variety of non-toll revenues derived from payments received from concessionaires at the Thruway service areas restaurant and gasoline stations, sales of surplus property, revenues from special hauling permits, *E-ZPass* fees, fiber optic agreements, interest on various invested funds, and other miscellaneous sources. These revenues have varied considerably over the last fifteen years. The Authority's income from all other revenue sources was $31.4 million in 2011, including interest earnings. Interest earnings have dropped substantially due to several factors including the reduced level of funds available for investment and lower market interest rates. Historical collections of revenues are outlined in Table IV-6.

Table IV-6: Summary of Total Thruway System Revenues (Millions)

Year	Passenger	Commercial	Total Toll Revenue	Other Revenue	Total Revenue
2005(1)	$311.1	$200.1	$511.2	$36.4	$547.6
2006	333.7	220.7	554.4	39.6	594.0
2007	324.7	215.6	540.3	41.4	581.7
2008(1)	347.1	215.6	562.7	33.5	596.2
2009(1)	400.8	210.8	611.6	26.7	638.3
2010(1)	413.1	228.1	641.2	31.3	672.5
2011	403.9	230.2	634.1	31.4	665.5
2005-2011 Total	**$2,534.4**	**$1,521.1**	**$4,055.5**	**$240.3**	**$4,295.8**

Note: Numbers may not add due to rounding.

(1) Toll Adjustments were implemented in 2005, 2008, 2009, and 2010.

E. Historical Flow of Funds Analysis

Table IV-7 presents total revenue and expenses for 2005 through 2011 in a format that is consistent with the flow of funds required by the Authority's Bond Resolution. Debt Service Coverage Ratios are a principal financial metric in understanding an entity's financial health. The ratio is closely monitored by the credit rating agencies who utilize this ratio to determine an issuer's general financial condition, evaluate its long-term ability to pay outstanding debt obligations and establish a credit rating on the issuer's debt obligations. The Authority's Debt Service Coverage Ratio is defined in its Bond Resolution as Net Revenues (Total Revenues less Operating Expenses) over Debt Service. The Authority's Fiscal Management Guidelines, as adopted by the Board in 1997, require the Authority's Debt Service Coverage Ratio to be a minimum of 1.5 times and the Authority's Bond Resolution requires a minimum of 1.2 times.

As noted in this table, from 2005 through 2011 the Authority was able to maintain fiscal stability and a debt service coverage ratio that warranted its current favorable credit investment grade credit rating. This was accomplished by the aforementioned capital program reductions, operational cost containment efforts and toll rate adjustments. However, these actions were insufficient to fully maintain net revenues at a level that would result in good coverage and fiscal balance. As a result the Authority relied on the issuance of short term notes to bridge financing gaps in lieu of taking other actions. The combination of these measures allowed the Authority to maintain a balanced flow of funds and achieve budget surpluses that were used to enhance its working capital reserves.

Table IV-7: Revenues, Operating Expenses and Reserve Fund Requirements, 2005 – 2011 (in millions)

	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Total 2005-2011
Total Revenues	$ 547.3	$ 594.0	$ 581.6	$ 596.2	$ 638.3	$ 672.5	$ 665.5	$ 4,295.4
Less: CWE Debt Service & Reserve	0.3							0.3
Available Revenues	547.6	594.0	581.6	596.2	638.3	672.5	665.5	4,295.7
Less:								
Operating Expenses	305.3	310.7	332.2	334.8	339.3	358.2	365.5	2,346.1
Operating Reserves	2.0	13.0	6.8	2.5	7.3	6.0	4.6	42.1
Total	307.3	323.7	339.0	337.3	346.7	364.2	370.0	2,388.2
Net Revenues	240.3	270.3	242.6	258.9	291.7	308.3	295.5	1,907.5
Less: Debt Service	103.8	127.4	135.8	163.5	166.3	167.3	167.4	1,031.5
Net Revenues After Debt Service	136.5	142.9	106.8	95.4	125.4	141.0	128.1	876.0
Less: Retained for Operating Reserves	5.2	-5.0	-5.0	5.1	(1.8)	2.3	(4.3)	(3.6)
Net Revenues	141.7	137.9	101.8	100.5	123.5	143.2	123.0	872.4
Less:								
Reserve Maintenance Provisions (2)	60.9	69.8	20.7	30.7	34.5	31.0	10.0	257.6
Other Authority Projects (3)	50.7	54.3	53.7	45.2	48.7	46.0	51.3	349.9
General Reserve Fund	24.9	12.8	26.8	24.4	25.1	21.2	48.2	183.5
General Reserve Fund - CP1, CP 2 & BAN's	4.6		-	-	10.6	23.8	14.4	53.4
Balance After Reserve Maintenance Provisions, Other Authority Projects and General Reserve Fund	0.5	1.0	0.6	0.0	4.7	21.1	-0.1	28.0
Adjustments for Cash Basis	(0.6)	(1.0)	(0.6)	-	0.2	(0.1)	0.1	(1.9)
Net Balance Available for Working Capital	$0.0	$0.0	$0.0	$0.0	$5.0	$21.1	$0.0	$26.1
Debt Service Coverage Ratios	2.31	2.12	1.79	1.58	1.75	1.84	1.77	
Pay-As-You-Go Percentage	58.5%	36.7%	46.5%	15.7%	19.6%	19.0%	17.6%	

(1) Totals may not add due to rounding.

(2) Shows the Reserve Maintenance Fund provision will be funded from debt proceeds when sufficient revenues are not available.

(3) As of 10/31/2007, expenditures for I-84 are to be funded from NYSDOT.

V. Socio-Economic Conditions

The following sections discuss the current state and forecasted trends of the economy and other factors that will impact future traffic growth on the Thruway System.

A. Economics

Our national economic outlook calls for relatively flat economic growth with real GDP expected to increase by 2.1 percent for 2012 and 2.4 percent for 2013. These estimates represent the median of the selected economic forecasts developed by financial institutions and business associations in the short term, as reported in the Blue Chip Economic Indicators publication. Our forecast assumed “reasonable” increases in gasoline pricing, determined to be not unlike those in the recent past, up to and including $5.00 per gallon during the forecast period. Our forecasts recognize and take into account the current variations in gas pricing and the probability of high prices to the extent possible.

Additionally, the makeup of the motor vehicle fleet in the United States is transforming. In the first quarter of 2012, the average gas mileage rate of new vehicles was the highest ever. These higher-gas-mileage vehicles are replacing vehicles that may have had half the effective gas mileage, halving the effective price of gasoline to certain users. Because of this, we believe that a consistent increase in the price of gas will not result in major declines in traffic, as the consumer is already modifying their vehicle choice to mitigate these increases. However, a significant, quick spike in gas prices, as had occurred in 2008, would likely have a negative impact on traffic.

The Authority and the facilities it operates have certainly experienced the effects of economic cycles that have characterized the economy over the past few decades. Any forecast of toll traffic and revenues will, of necessity, recognize the significant variations that can and do occur in the national, regional and local economies and population changes within the Thruway corridors. The forecasting of traffic and toll revenues for time periods that coincide with major modifiations to the toll rate structure must take into account the changes in motorist behavior that occur in response to economic changes and changes in work environments due to technological advances not seen in the past. With this in mind, Jacobs performed a detailed analysis of the historical economic trends seen over the last few decades, particularly as they relate to the recessionary economic influences that occurred and how the Authority's facilities reacted to those trends. The following sections provide synopses of those findings from the larger report document being prepared for this work effort.

1. Long-Term Structural Trends

Prior to the most recent recession, there were also a number of longer-term structural changes in the U.S. and the international community which impeded national economic growth and employment creation. First, there have been significant productivity improvements through advances in information technology, computing power, transportation, and communications. Initially, these advances encouraged the transfer of manufacturing facilities and jobs to areas with lower wages and higher unemployment. This also shifted the economic growth engine from manufacturing (31 percent of GDP in 1970 versus 23 percent GDP in 2010) to services (32 percent of GDP in 1970 versus 47 percent of GDP in 2010). These trends intensified after the technology boom of the late 1990s and the subsequent bubble that took place during the early 2000's, which encouraged the rapid and widespread expansion of inexpensive communications technologies and further flattened factor costs and labor costs. Increasingly, this has led to the outsourcing of professional services from the US to overseas-based entities. It is expected that this structural trend will continue in the medium to long-term.

Second, there has been a restructuring of the international economy with traditional trading partners (Europe and Japan) generating a decreasing share of global GDP, with other emerging economies including Brazil, Russia, India and China ("the BRIC countries"), comprising a larger share of the global economy. For the U.S., this has resulted in greater competition not just in manufacturing, but also in professional services, which has reduced direct and indirect employment.

A third trend has been the aging of the U.S population. The median age has increased from 27.9 in 1970 to 37.2 in 2010. This trend has also taken hold in Europe and Japan and is expected to eventually impact China due to its one-child policy. Finally, there has been a rapid and significant expansion in consumer credit, which has reached unsustainable levels during the previous decade.

These factors tend to further dampen economic growth and employment over the short-term and result in a general slowing of underlying long-term growth trends.

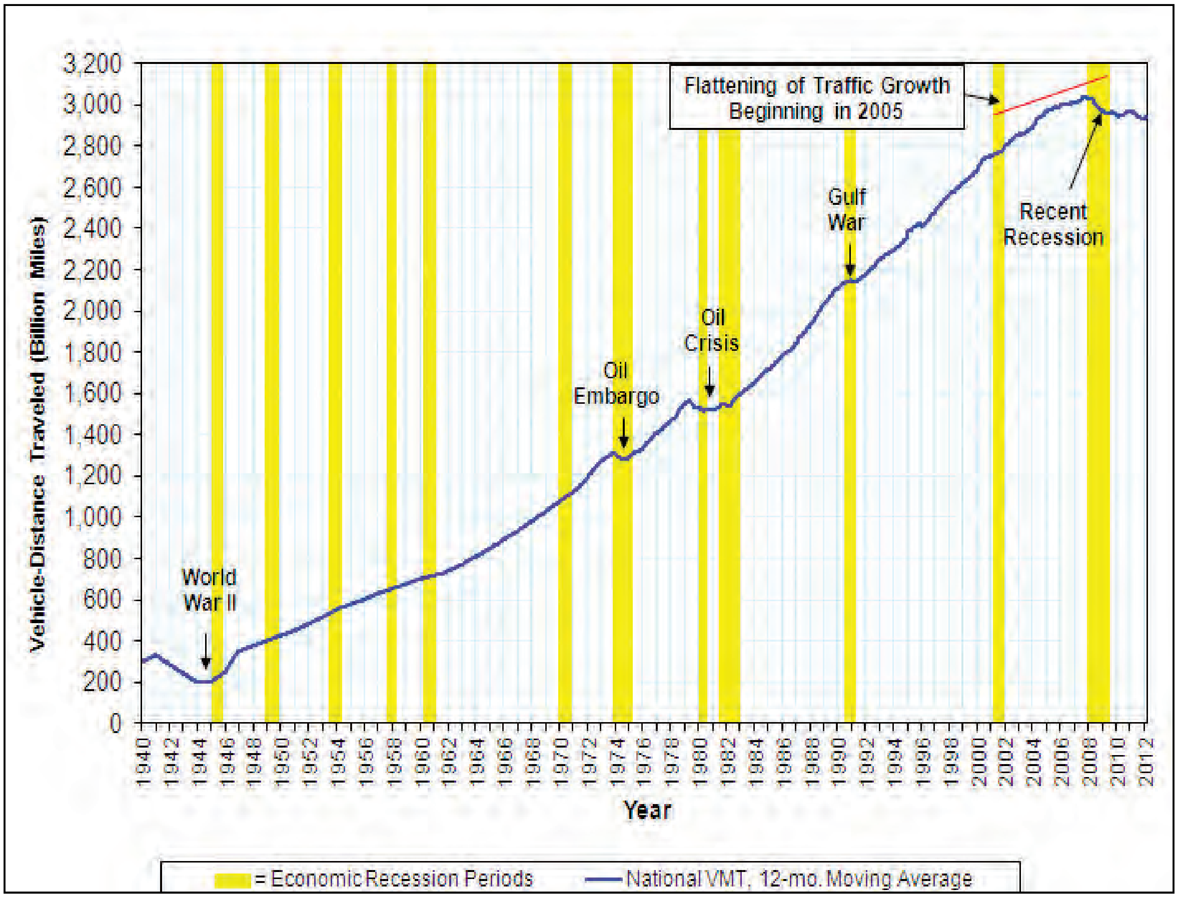
2. Short-Term Economic Forecast

Forecasts of changes in real GDP in 2012 prepared in April 2012 are roughly similar to or lower than the August 2011 forecasts with those levels being +2.3 and +2.1 percent, respectively. Although there has generally been better than expected increase in employment in recent months, analysts remain concerned about the strong possibility of a recession in Europe, the risk to gasoline prices due to political instability in the Middle East, high unemployment levels, and slower than expected growth in income. Analysts have steadily lowered the possibility of a second or "double-dip" recession within the next 2-3 years, which could be triggered due to severe recessionary conditions in Europe and/or increased tensions in the Middle East. Again, these forecasts suggest a more tempered view on near-term traffic growth and this is reflected in our forecast.

B. National Trends in Vehicle Miles Traveled (VMT)

The United States has experienced a slowing and subsequent decrease in vehicle miles traveled (VMT) on its highways over the past six years, as shown in Figure V-1. This reduction in VMT has resulted in a substantial decrease in revenues generated from fuel taxes and tolls, which are the major sources of funding for transportation projects in the US. There are several factors that have contributed to this phenomenon, including volatility in oil and gasoline prices, aging of the population, periodic decreases in output and employment, and changes in technology which render some commuter and discretionary trips unnecessary.

Figure V-1: Rolling Average Annual National Vehicle Distance Traveled, 1940 - 2012

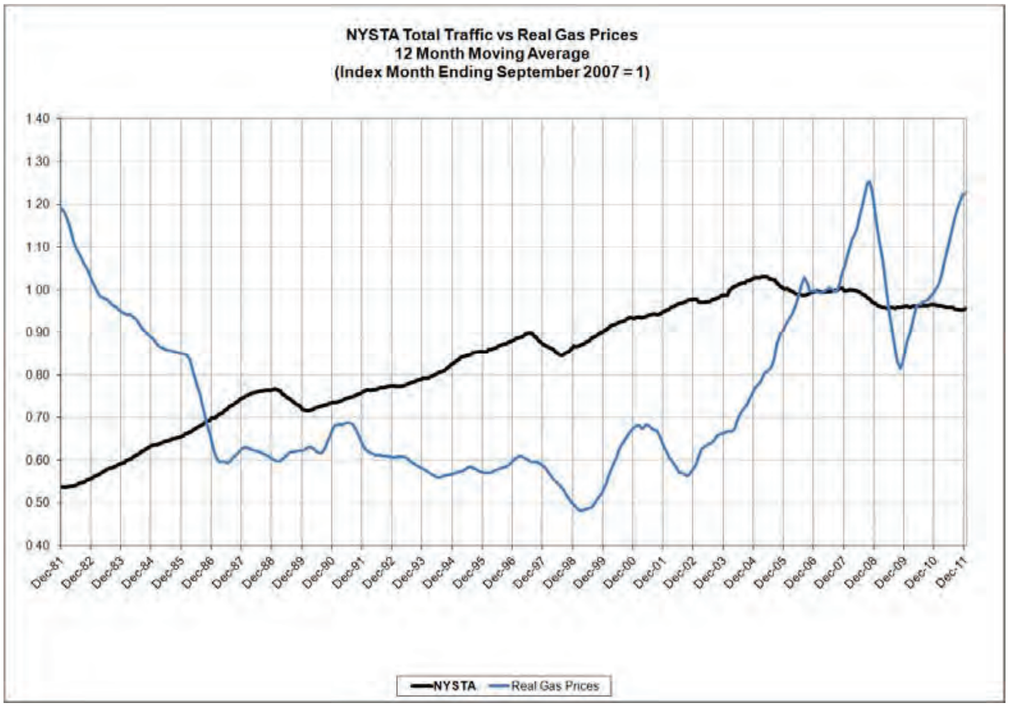


1. Fuel Costs

A number of factors may have caused the recent drop in VMT; the jump in gas prices is often cited as a key factor. Until the significant reduction in gasoline prices in late 2008, inflation-adjusted (real) gas prices had approached, then exceeded, the 1981 levels that were caused by the 1979 oil shock. This was followed by another spike that began in May of 2011.

Fuel costs continue to experience significant fluctuations in pricing because of perceived stresses on the oil supply which are continually inputted to the marketplace. Figure V-2 illustrates a comparison of tolled traffic on the Thruway versus with real national gasoline prices (i.e. gas prices adjusted for inflation), both of which were indexed to the September 2007 national recession. Historical Thruway traffic is based on the total number of toll paying trips on all facilities except for the Black Rock and City Line toll plazas, where tolls were removed in 2006. Thruway traffic tends to react to spikes in the price like that in 2008 more than in the gradual increase in price over time.

Figure V-2: Thruway Tolled Traffic vs. Real Gasoline Prices



2. Other Factors

Previous studies have shown that individuals tend to gradually drive less as they age, especially after the age of 40. Results from the 2009 National Household Travel Survey shows that with the aging of the population, the average VMT per person had been decreasing over the past decade. This factor, when added to the observed increased longevity of drivers in the U.S., is expected to have a long-term detrimental effect on VMT; traffic growth is not expected to return to the rates achieved in the 1980s and 1990s.

These demographic factors, combined with higher, more volatile gas prices and the reduced necessity of travel due to widespread internet access (which eliminates the need for discretionary trips such as shopping), imply that VMT growth in general will not return to the levels it had reached in the 1980s and 90s. However, at specific locations, there may be periods of higher growth due to local development or other economic activities.

VI. 2012-2015 Multi-Year Capital Program

In order to better understand the Authority's current and future financial condition, consideration must be given to the size, complexity and capital needs of its highway, bridge and canal infrastructure. The Authority's Thruway and Canal Systems are vast and aging and require considerable investments to remain reliable. This section summarizes the Authority's 2012-2015 Multi-Year Capital Program, the infrastructure investments and program changes that are to be made therein, and the impact that these investments will likely have on facility condition ratings.

A. Program Details

The 2012-2015 Multi-Year Capital Program will complete major, job-sustaining reconstruction projects that were let during the previous 2005-2011 Capital Program and include new highway, bridge and canal construction projects and equipment purchases. The program was originally planned at $1.8 billion, and excluded the new Tappan Zee Bridge Project described in the next section of this report. However, due to fiscal constraints brought on by continued high fuel and construction commodity prices and a sluggish economic recovery, many projects contained in the original plan have been delayed, reduced or eliminated. These actions resulted in the program being reduced by $300 million, to its current investment level of $1.5 billion. In essence, fiscal constraints required the Authority to pursue a more balanced approach to the program's project mix, focusing more on high priority and high impact investments to maintain the useful life of Thruway and Canal infrastructure rather than pursuing major reconstruction, rehabilitation and capacity improvements that were familiar in the 2005-2011 Capital Program.

New Thruway projects included in the 2012-2015 four-year program include:

- Grand Island Bridge Deck Replacements and Repairs (2012 and 2013 lettings);
- Exit 59 (Dunkirk) to Exit 60 (Westfield) Pavement Resurfacing (2013 letting);
- Exit 17 (Newburgh) to Exit 18 (New Paltz) Pavement Rehabilitation (2013 letting);
- Exit 33 (Verona) to Exit 34 (Canastota) Pavement Resurfacing (2014 letting);
- I-95, Exit 8B (New Rochelle) to Port Chester Pavement Restoration (2014 letting); and
- Exit 54 (West Seneca) to Lackawanna Barrier Pavement Resurfacing and Bridge Replacements (2015 letting).

Since the transfer of the Canal System to the Authority in the 1990s, the Authority has made significant maintenance and capital investments into the waterway's infrastructure. However, given the age of the Canal System, revitalization of infrastructure is necessary to meet the demands of recreational boaters, tour and rental boats and a resurgent commercial shipping sector. While the Authority undertakes an ambitious annual maintenance program, Canal structure conditions continue to deteriorate, with nearly 50 percent of critical Canal structures rated in the fair and poor categories. Complicating efforts to reduce this rate of deterioration, a substantial portion of the Canal's current floating plant equipment consists of a variety of vessels that need to be replaced, and in 2011 Tropical Storms Irene and Lee caused nearly $100 million in damages to many components of the Canal System. In April 2012, the Authority entered into a $60 million loan agreement with Citibank, N.A. to finance a portion of these emergency capital repairs and expects Federal Emergency Management Agency to reimburse a substantial portion of the loan.

Due to fiscal restraints, new Canal projects in the 2012-2015 Capital Program are limited and primarily focused on repairing storm damaged facilities. They include the following:

- Canal Dredging, Lock Repairs and Other Contracts – Tropical Storms Irene and Lee Recovery Projects (2012 lettings);
- Utica Taintor Gate and Dam Rehabilitation (2012 letting)
- Amsterdam Movable Dam Rehabilitation (2012 letting);
- Scotia Moveable Dam Rehabilitation (2014 letting); and
- Oswego Lock Rehabilitation (2015 letting).

It is also important to note that a considerable portion of the 2012-2015 Capital Program (some $400 million) is dedicated to financing several ongoing and large-scale Thruway reconstruction and rehabilitation improvement projects that were contained in the 2005-2011 Capital Program. Thruway projects currently underway that have a financial impact in 2012 and beyond include:

- Exit 39 (I-690) to Exit 40 (Weedsport) Pavement Reconstruction;
- Exit 23 (I-787) to Exit 24 (Northway) Pavement Reconstruction and Capacity Improvements;
- Exit 57 (Hamburg) to Exit 58 (Silver Creek) Pavement Reconstruction and Bridge Rehabilitations; and
- Phase 2 of the Tappan Zee Bridge Deck Replacement.

As the Authority progresses through the 2012-2015 Capital Program, it will rely on existing and enhanced asset management and capital program management systems to ensure that changes to the program maintain the proper project mix, to maximize investment value and impact as the economy and pricing environments change.

B. The New Tappan Zee Bridge Project

The Authority has moved toward undertaking a massive transportation project: the replacement of the Tappan Zee Bridge. This project is one of the Country's most extensive transportation enhancement projects ever envisioned and, in 2011 the Tappan Zee Bridge Project became one of fourteen infrastructure projects that President Obama tapped for expedited Federal environmental review, with construction estimated to begin in late 2012. Pursuant to new statutory authority for the Authority to undertake procurements on a design build contracting basis, in February 2012, four separate private joint ventures made up of large domestic and international firms were short-listed and have recently been invited to submit Design-Build bids under a recently released formal Request for Proposals.

The newly authorized design-build procurement process being followed allows the private sector to compete and offer innovative, cost-effective designs for this major transportation infrastructure replacement project. The design-build process further permits an expedited construction schedule which can take advantage of significant cost savings and provides for less risk if delays and cost overruns should occur during the process.

The Authority had previously focused on earlier concepts for the Tappan Zee Bridge project and included a significant public involvement process over the last decade. The re-launch of the process in October 2011 has resulted in numerous public presentations and meetings which have been heightened by the hearings on the Draft Environmental Impact Statement for the project. The Project is currently in the federal environmental process and no formal action regarding its financing or construction can occur until a decision is made under the NEPA process in late summer 2012.

The estimated Project cost is $5.4 billion in year-of-expenditure dollars. The Federal Highway Administration has conducted an independent review of the Authority's cost estimate to verify its reasonableness and to estimate a range of probability that represents the current stage of design for the project. That process estimated a range of $4.6 billion to $5.6 billion. Design and construction would begin in late 2012, subject to approval under the federal environmental process.

The Authority continues to guide the process forward. As noted earlier, a specific financing plan for this project will be developed in late 2012 when more information is available on the cost of the Project (i.e. when the design-build procurement process has been completed) and when there is more certainty on the level of Federal aid or financing assistance that will be received for this Project. As a result, Tappan Zee Bridge Project costs are not reflected in the financial analysis of this report.

C. Planned Capital Program Expenditures

Table VI-1 shows the total planned expenditures over the period 2012 to 2016 excluding the costs of the Tappan Zee Bridge project. Actual expenditures from 2011 are included as a reference point and the figures shaded in green make up the adopted 2012-2015 Capital Program.

Table VI-1: Projected Total Capital Program Expenditures (millions)

Year	Thruway Highway and Bridges Capital Expenditures	Equipment Replacement and Other Facility Capital Needs	Canal Capital Program	Total Capital Program Expenditures
2011 (A)	$367.6	$49.5	$27.4	$444.5
2012	285.4	47.1	51.4	384.0
2013	263.1	48.8	62.1	374.0
2014	282.5	43.7	50.8	377.0
2015	291.6	40.7	51.2	383.5
Capital Program Total	**$1,122.6**	**$180.3**	**$215.5**	**$1,518.5**
2016	380.8	39.2	54.4	474.3
Total 2012-2016	**$1,503.4**	**$219.5**	**$269.9**	**$1,992.8**

Note: Numbers may not add due to rounding.

D. The Impact of the 2012-2015 Capital Program on Conditions

As previously noted, the main goals of the Authority's capital and maintenance program is to preserve a high level of patron safety and service, maintain facilities in a state of good repair and ensure the overall reliability of the highway system. One measure of the effectiveness of these maintenance and capital programs is the condition ratings of highway and bridge facilities.

Figure VI-1 displays the historic average rating of Thruway pavement surface conditions since 1988 and the projected ratings as a result of the current Capital Program. During the life of the proposed capital program, it is projected that the pavement ratings for the Thruway facilities will remain in the "good" range, though at a level slightly below that of previous years. Similarly, the Authority maintains ratings of all of the Bridge Structures. The Authority is responsible for the maintenance and capital expenditures for 811 bridges, and by agreement with the state the inspection of 812, those 811 plus one additional. Figure VI-2 shows the bridge condition ratings since 1988. The current plan will maintain the average rating of all Bridges at an average rating of "good". However, it is important to note that the average bridge condition rating is closely approaching the "fair" category. Table VI-2 presents a summary of Bridge and Pavement ratings on the Thruway as of December 31, 2011. Roughly half of the bridges are in poor or fair condition and almost all pavement miles (shown as a two directional total miles) are in good or excellent condition. The Authority strictly complies with all State and Federal bridge inspection requirements and the assessments in this report reflect results of such inspections. It should be noted that the bridge "condition rating" is calculated by a specific formula containing separate components for each of the bridge elements. For a multi span structure, the lowest rated pier, the lowest rated deck, the lowest rated bearing, et cetera, are used to calculate the "condition rating". For example, if a bridge has eight bearing, seven of which are rated "good" and one of which is rated "fair", the rating of "fair" would be applied as the rating for bearings into the formula for the overall bridge condition.

Table VI-2: Current Bridge and Pavement Conditions

Condition	Number of Bridges	Pavement Miles
Excellent	35	340
Good	364	771
Fair	363	7
Poor	49	0
Total	811	1.118

Figure VI-1: Thruway Pavement Condition Ratings, 1988 – 2016

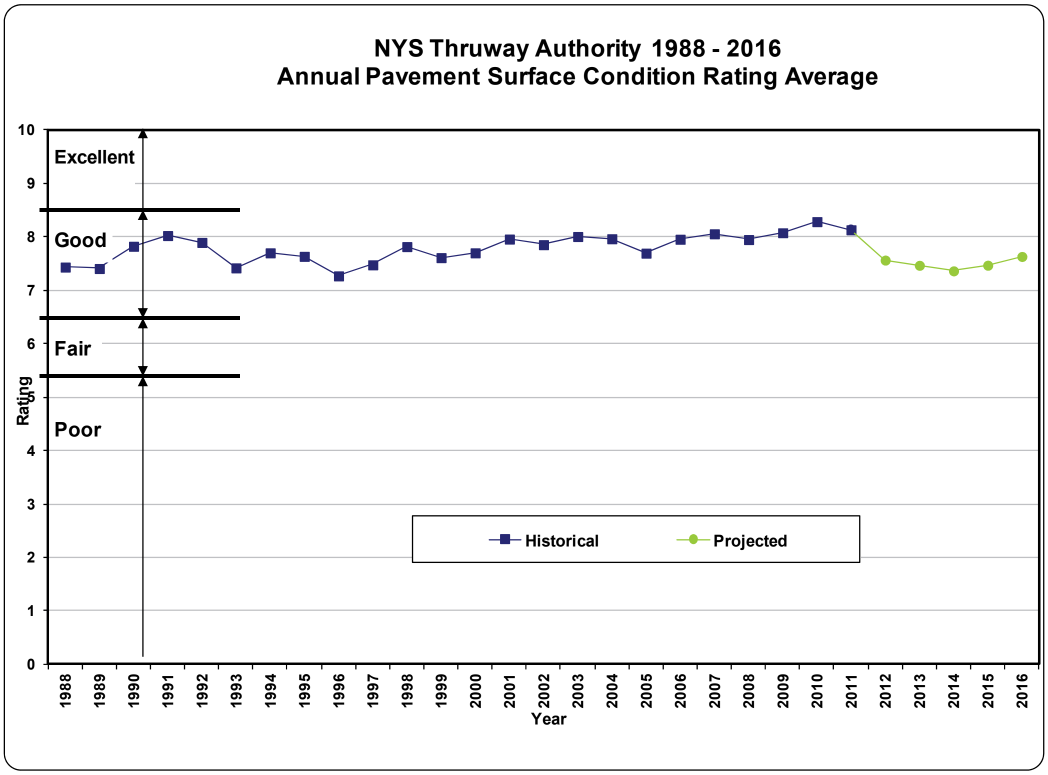
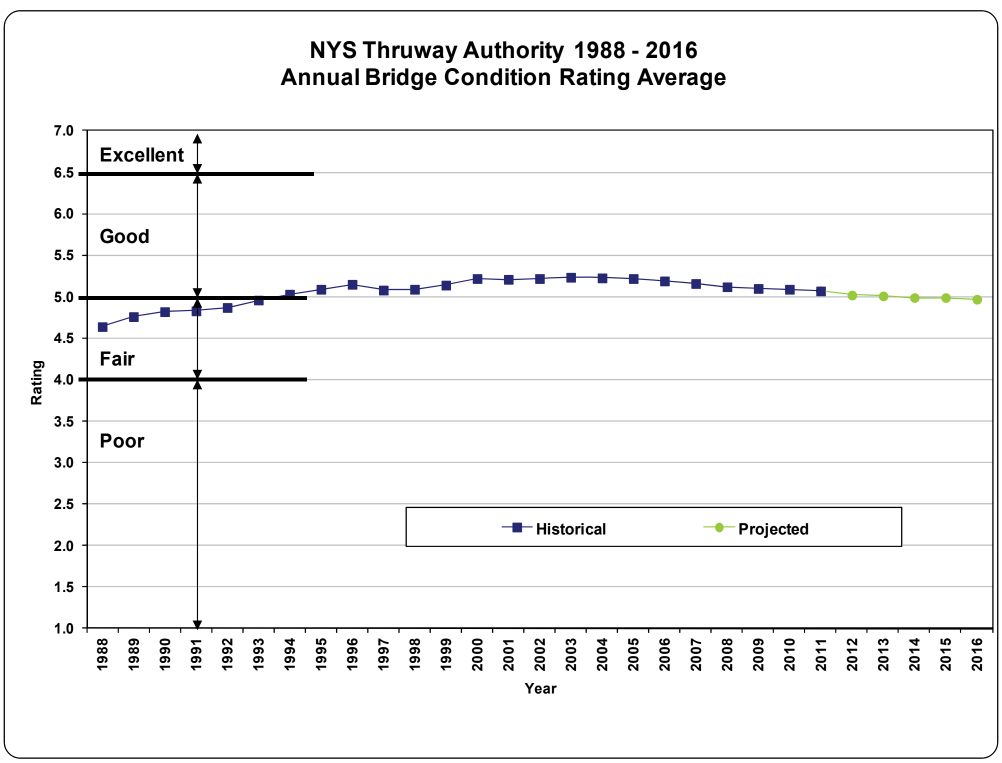


Figure VI-2: Thruway Bridge Condition Ratings, 1988 – 2016



VII. Toll Adjustments

This section discusses the proposed toll adjustment that was adopted by the Board on May 30, 2012. As proposed, the adjustment will compliment operational streamlining efforts and additional Federal aid commitments that will provide fiscal stability and healthy financial metrics until a longer-term financing plan, that includes the Tappan Zee Bridge Project, is developed later in 2012.

A. Proposed Increase to Commercial Tolls

The Board-adopted toll adjustment proposal advances a 45 percent increase on commercial toll rates as an additional means to meet the Authority's financial requirements through 2015. This proposed toll adjustment would exclude 2H commercial vehicle types. The proposed toll adjustment that was adopted by the Board is currently progressing through the regulatory process mandated by the State's Public Authorities Law Section 2804 that includes certain filings, public hearings, and a SEQRA review among other activities.

Figure VII-1 compares five-axle trucks' toll rates per mile on the Thruway ticket system to those charged on other toll roads in the Northeast. Figure VII-1 compares Tappan Zee Bridge five-axle truck tolls to round-trip tolls on other major river crossings in the Northeast. It is important to note that many of the other toll facilities analyzed are not as old nor do they experience the same heavy weather conditions as the Thruway. As seen from these figures, current commercial toll rates on both the ticket system and the Tappan Zee Bridge are comparatively low against those of other regional facilities, and are effectively lower than the rate shown due to the commercial volume discount program..

As noted, considering the proposed 45 percent increase, ticket system commercial tolls will still remain below the average for toll roads and the commercial toll rate in the Tappan Zee Bridge toll increase will remain below the rates currently charged at the MTA Bridges & Tunnels and Port Authority of NY and NJ crossings. It is important to keep in mind that large toll increases are either planned or are likely to occur at many of the other facilities shown in these figures. As a result, the proposed 45 percent commercial toll adjustment will maintain the Thruway's position as a relatively inexpensive toll facility.

Figure VII-1: NYSTA Ticket System Toll Rates Compared to Other Toll Roads in the Northeast, 5-Axle Trucks

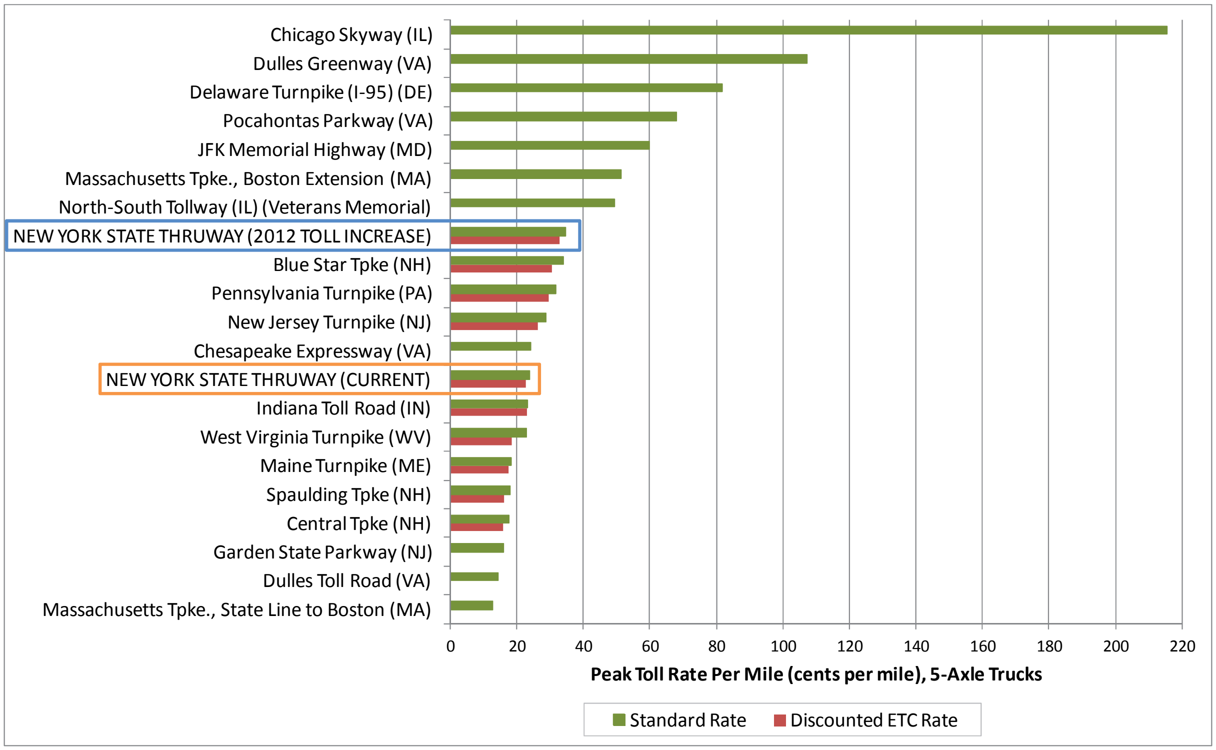
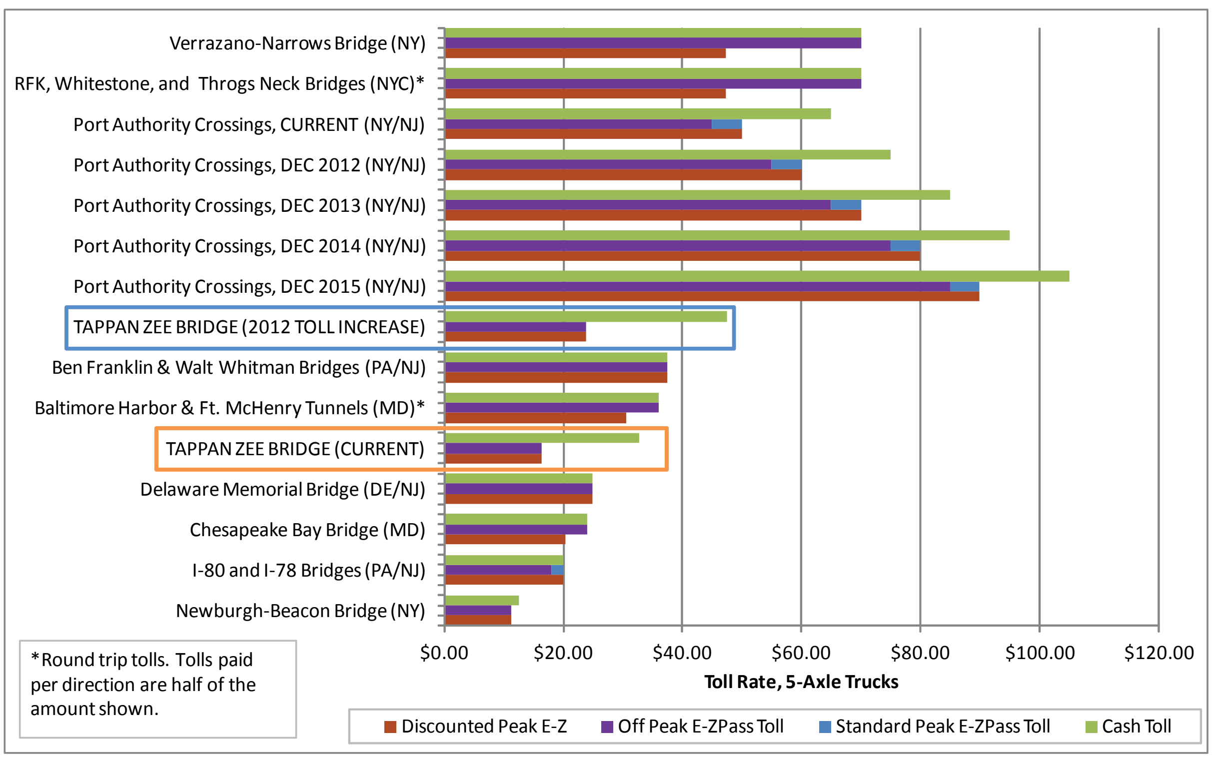


Figure VII-2: Tappan Zee Bridge Toll Rates Compared to Other Tolled Crossings in the Northeast, 5-Axle Trucks



It is important to note that previous toll increases indicate that Thruway traffic is relatively insensitive to increases in the toll rates. This is due in part to the fact that there are few effective competitive routes, that the physical condition of the Thruway is generally better than that of alternative routes, and that the Thruway's toll rates are comparable to or relatively lower than other tolled facilities in the Northeast. In addition, the safety and security related services, such as snow plowing and police patrols, are better on the Thruway than on alternative routes. Moreover, travel plazas along the length of the Thruway provide 24-hour fuel, rest stop, and food services without the need to exit the system. As a result, slight declines in traffic volumes are expected from any toll increase. The amount of diverted commercial vehicle traffic from the proposed 45 percent adjustment to certain commercial toll rates is not expected to be significant as a result of the proposed toll modifications. The decline in traffic from the toll change includes operators that choose an alternative route, combine trips or choose not to travel at all. Table VII-1 presents the proposed commercial toll schedule.

Table VII-1: Proposed Commercial Toll Rates, 2012

2012	Controlled		Yonkers		Harriman		Spring Valley		New Rochelle		Tappan Zee		Grand Island	
	Cash	E-Z Pass	Cash	E-Z Pass	Cash	E-Z Pass	Cash	E-Z Pass[(1)]	Cash	E-Z Pass	Cash	E-Z Pass[(1)]	Cash	E-Z Pass
2H	0.0933	0.0886	2	1.9	2	1.9	5.25	5.25 / 2.63	3.5	3.33	14.75	14.75 / 7.38	2	1.9
3H	0.2326	0.221	3.5	3.33	4	3.8	12	12.00/6.00	6.25	5.94	30.25	30.25/15.13	3.5	3.33
4H	0.2564	0.2436	4	3.8	4.5	4.28	12	12.00/6.00	7.25	6.89	36	36.00/18.00	4	3.8
5H	0.3466	0.3293	6.25	5.94	6.25	5.94	19.75	19.75/9.88	11.75	11.16	47.5	47.50/23.75	6.25	5.94
6H	0.4296	0.4081	6.75	6.41	7.25	6.89	21.5	21.50/10.75	12.75	12.11	59.5	59.50/29.75	6.75	6.41
7H	0.5127	0.4871	7.25	6.89	8.5	8.08	24	24.00/12.00	14.25	13.54	71.5	71.50/35.75	7.25	6.89
5S, 6S, 7S	-	0.3922	-	4.34	-	5.08	-	7.44/14.86	-	8.31	-	23.75/47.49	-	4.34

(1) Peak/Off Peak *E-ZPass* Rates

Table VII-2 provides a comparison of existing and proposed toll rates for sample trips along the Thruway Control System for Class 5H vehicles.

Table VII-2: Current and Proposed Toll Rates for Sample Class 5H Trips

Sample Trip	Payment Type	Class 5H Trip Toll			
		Current	Proposed	$ Change	% Change
Woodbury (15) to Newburgh (17)	Cash E-ZPass	$7.10 $6.75	$10.30 $9.79	$3.20 $3.04	45.1% 45.1%
Woodbury (15) to Albany (24)	Cash E-ZPass	$28.10 $26.70	$40.75 $38.71	$12.65 $12.02	45.0% 45.0%
Albany (23) to Schenectady (26)	Cash E-ZPass	$4.90 $4.66	$7.05 $6.69	$2.15 $2.04	43.9% 43.7%
Syracuse (36) to Rochester (45)	Cash E-ZPass	$16.30 $15.49	$23.60 $22.42	$7.30 $6.93	44.8% 44.8%
Geneva (42) to Rochester (45)	Cash E-ZPass	$5.75 $5.46	$8.30 $7.89	$2.55 $2.43	44.3% 44.5%
Leroy (47) to Williamsville (50)	Cash E-ZPass	$10.00 $9.50	$14.50 $13.78	$4.50 $4.28	45.0% 45.0%
Lackawanna (55) to Hamburg (57)	Cash E-ZPass	$1.65 $1.57	$2.35 $2.23	$0.70 $0.67	42.4% 42.4%
Massachusetts State Line (B3) to Williamsville (50)	Cash E-ZPass	$77.05 $73.20	$111.75 $106.16	$34.70 $32.96	45.0% 45.0%

VIII. Development of Toll Traffic and Revenue Forecasts

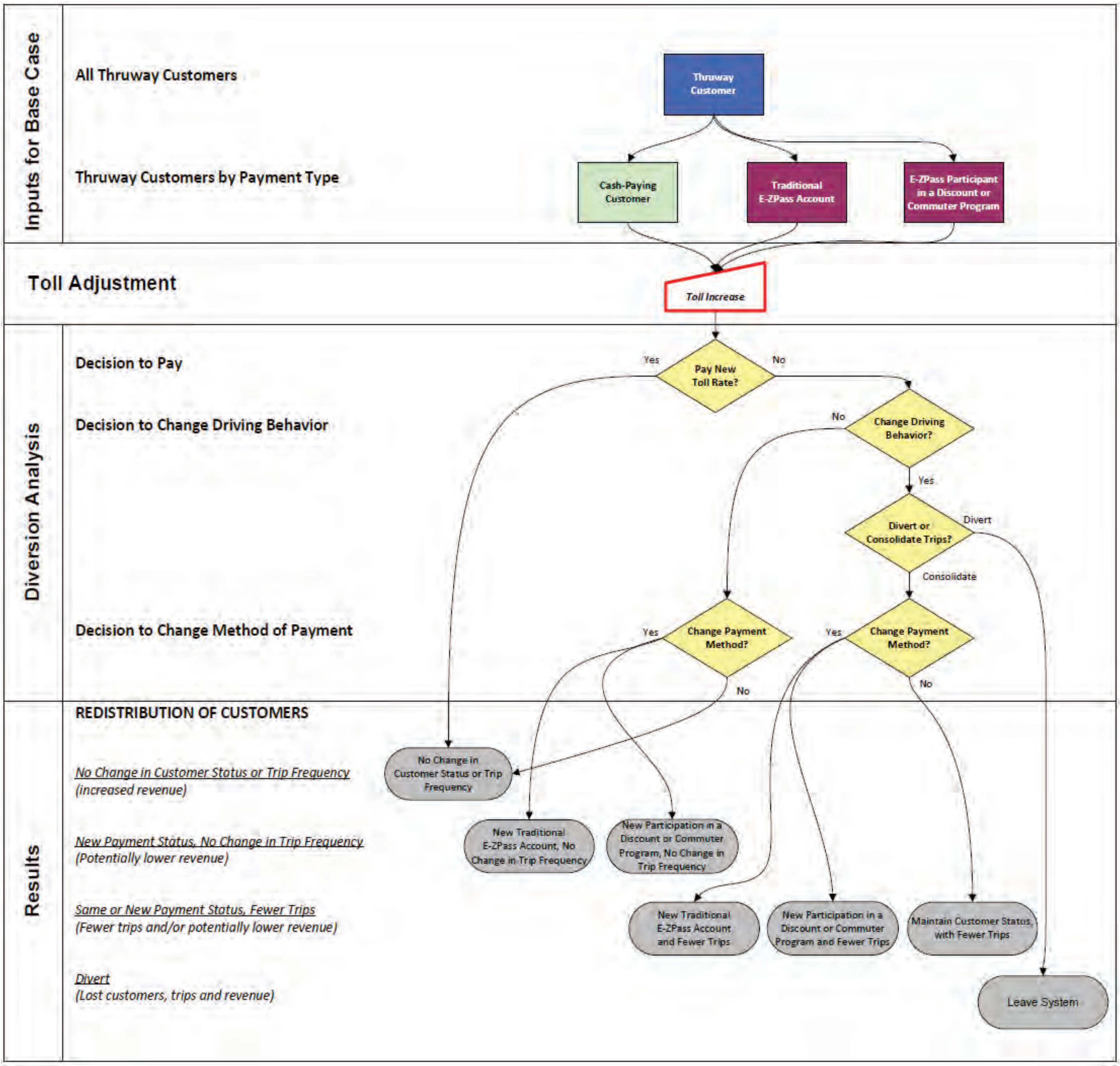
Toll Traffic and Revenue forecasts were developed with the aid of a computerized modeling platform created specifically by Jacobs for the Thruway. The base function of this model is to take current traffic volumes by general payment class (car, truck; cash, E-ZPass, and commuter) for each Thruway facility and adjust them for various factors such as underlying socio-economic/demographic growth in the project corridor, both historic and current, as well as overall inflationary pressures and applicable customer reactions to anticipated toll adjustments. These adjustments result in forecasted traffic volumes being developed for each year of the forecast period. Toll Revenues are then calculated based on these new adjusted traffic volumes by applying average toll rates to each payment class volume.

To develop traffic forecasts for a given toll increase scenario, customer reaction curves are applied to the base traffic forecast (after applying growth rates), to divert some amount of traffic during periods of toll increases which results in a lower traffic forecast than the base forecast. Figure VIII-1 presents a diagram detailing the general inputs that go into the toll rate analysis portion of the model, the driver decisions that are approximated by the analysis, and the resulting categories of drivers.

The toll increase modeling process executes the diversion analysis by approximating the driver decisions based on the assumed conditions for each payment and vehicle type. For instance, a cash-paying passenger car who travels occasionally may react differently to a toll increase than would a commuter who participates in the E-ZPass program, or a five-axle commercial vehicle who travels the facility as part of their usual cargo route.

The model estimates how many of the trips that were projected for the no-toll increase (base case) condition would modify their driving or payment behavior in reaction to a given toll increase, resulting in adjusted traffic volumes for the toll increase condition. These adjusted traffic volumes would be charged an adjusted toll rate per the toll increase, resulting in adjusted revenue forecasts from the base case.

Figure VIII-1: Driver Decision Path



A. Inputs to the Base Case

Inputs to the base case analysis include the historical traffic distribution of customers for the current toll condition. To develop base toll traffic projections for the Thruway for the five year period 2012-2016, historical traffic data through March 2012 were analyzed and trends in growth were considered for a variety of geographic regions and payment classes. Relevant socio-economic data were collected, including economic factor consensus forecasts and trends, which were used as an aid in Jacobs' assessment of when the Thruway traffic and toll revenue might recover from the recent economic recession. Traffic growth rates were estimated separately for cars and trucks, as historical trends have pointed to correlations with different economic factors between the two. Passenger car growth is influenced more by local factors than National economic factors, whereas trucks have been shown to correlate reasonably well with the corresponding growth in the Industrial Production Index (IPI).

B. Inputs to Diversion Analysis

The toll increase carries with it several sub-categories of inputs that affect how large of an impact it will induce, such as inflation and customer sensitivity to toll changes. The following sub-sections provide more detail on these inputs and assumptions:

- Customer Frequency of Travel: The frequency with which customers are traveling on the Thruway's facilities and paying tolls must also be considered when developing customer reaction curves. The sensitivity of a customer to a toll increase, large or small, is likely to depend on how often they use the facility, and how often they will have to pay the larger toll. In general, a vacationer who travels on the Thruway once per year is less likely to feel the impact of a toll increase than a commuter who drives the Thruway and pays the toll on a daily basis. General (high, medium, low) frequency assumptions by class and facility were developed based on the findings of prior Thruway system studies.

- Average Toll Rates: An analysis of traffic trends on the Thruway has shown that over time, the average length of a trip on the Thruway has been slowly decreasing. The impact of this decrease is that over time, the average toll rates on some of the Thruway's facilities are gradually falling. Trends in both average toll rate and average trip length were considered and, in some cases, average toll rates were adjusted for the forecast years to reflect these trends.

- Customer Reaction to Toll Adjustments: In the face of a toll increase, some customers opt to change their travel behavior. Jacobs developed customer reaction curves based on travel frequency, payment type, and experience from previous toll increases on the Thruway (and on similar projects elsewhere) to estimate the number of customers that might react and modify their travel behavior if a toll increase occurs. These curves are used to estimate the number of customers reacting to a given toll increase, based on the relative adjustment of the toll increase.

- Inflation: The development of customer reaction curves for each payment class and facility is also contingent upon inflation of the dollar versus the proposed toll increase. In the process of developing these curves, Jacobs made every effort to account for inflation and multiple toll increases by considering the cumulative effective toll increase in comparison to today's toll rates and today's weight of the dollar. To do this, it was necessary to assume future rates of inflation. For the purpose of this analysis, inflation was assumed to be two percent annually based on the Blue Chip Economic Indicators, for the duration of the forecasts.

C. Diversion Analysis

The following sub-sections provide a discussion of customer's reactions to toll adjustments, and the potential for diversion.

1. Discussion of Customers' Reactions to Toll Adjustments

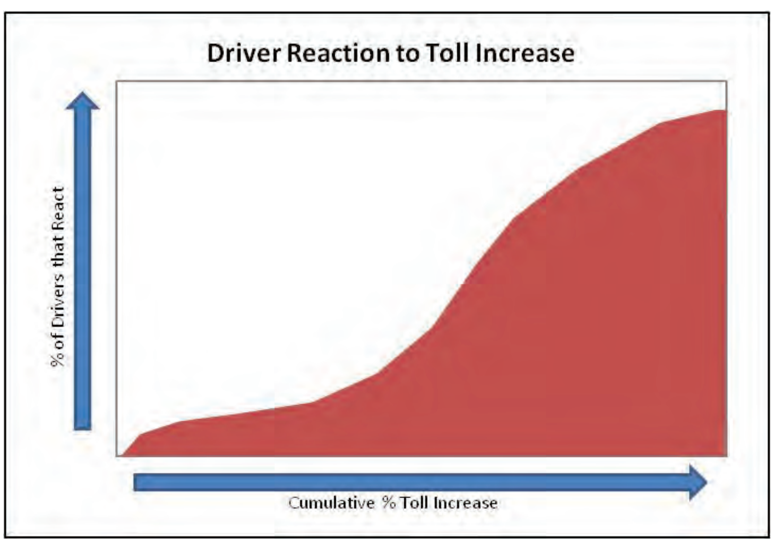
The toll traffic and revenue model developed for the Thruway by Jacobs evaluates for the impact of the assumed toll schedule on traffic volumes, and estimates the resulting revenue. Generally, increases in toll rates will cause tolled traffic volumes to decrease, either because motorists switch to alternate routes to avoid paying the higher toll or reduce their number of trips as a result of the price elasticity of travel demand.

Not all customers will react to a toll increase in the same way. Some customers may not change their behavior at all, while others might decide to use a different route, combine trips, or not make that trip at all anymore. Still other customers might decide to change how they pay for a trip (e.g., current cash-paying customers may open *E-ZPass* accounts) to lessen the impact to their wallet.

This effect has been observed at the Thruway and many other national toll facilities that also offer multiple payment methods and discount plans, often resulting in an overall lower diversion of traffic from the facility then may have been experienced in the past when tolls were increased and there was a single method of payment.

Jacobs developed toll reaction curves to estimate the total number of trips that would be impacted by a given toll increase, and to determine those trips that would remain on the toll facility and pay the new toll rate, those that would divert off of the toll facility, and those that would switch toll payment methods. Figure VIII-2 shows a representative illustration of how customers might react to toll increases of varying degrees.

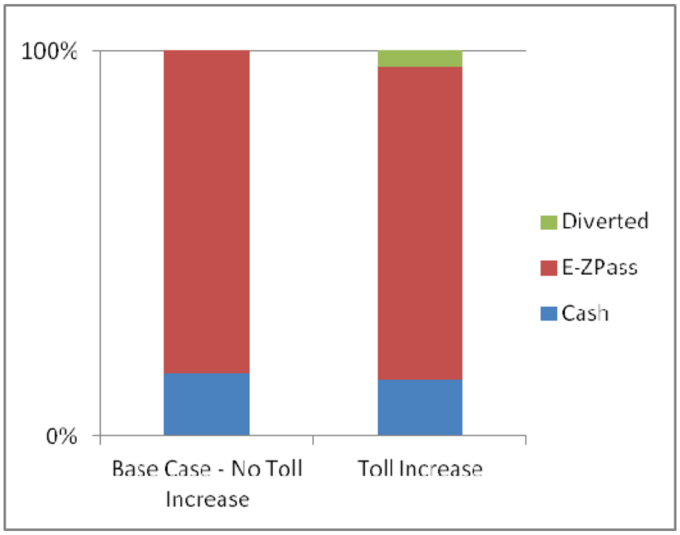
Figure VIII-2: Representative Driver Reaction to Toll Increase



2. Discussion of Potential for Shifts in Traffic due to Toll Adjustment

Figure VIII-3 shows a sample of how system wide commercial traffic may shift due to toll increase, either off the system or how customers would switch to another payment type with the toll increase.

Figure VIII-3: Sample Payment Type Distribution of Traffic, both with No Toll Increase and With Toll Increase



Drivers familiar with their travel route options are likely to weigh their travel time versus their trip cost when choosing how to get from point A to point B, or whether to make the trip at all. The proposed commercial vehicle toll increases on the Thruway System will cause a certain amount of traffic to leave the facilities. Of this traffic, many will travel on another route to their destination; however, a number of trips will also no longer be made. Often times, customers will initially test alternate routes, only to revert back to their original path after finding the alternate route less desirable.

Viable alternate routes for some of the Thruways facilities do exist today and are limited, as discussed previously in Section III.A.1. Previous studies have identified the major travel corridors for Thruway commercial traffic. Also, all diversions are not necessarily negative to the Authority. Though not considered in this analysis, for example, a trip to New England previously using the Tappan Zee Bridge that diverted to the George Washington Bridge would still need to pay a toll to the Authority either at Yonkers or New Rochelle to complete their trip.

We also considered other factors in our analysis of diversions of traffic from the facility. We assumed that tolls would also continue to increase at the other competing Hudson River crossings. Annual toll increases on those other Hudson River crossings have already been approved for 2012 through 2015 and are already in place for the George Washington Bridge. Considering the Bear Mountain and Newburgh Beacon Bridges, there has been a differential in tolls between those facilities and the Tappan Zee Bridge for many years. When considered as a whole, many of the motorists have already chosen not to use the Tappan Zee Bridge, so the potential of large percentages of traffic diverting from the Tappan Zee Bridge are mitigated by those that are remaining. For many of the trips, the travel time for one of the alternative routes will be significantly longer than by remaining on the Tappan Zee Bridge.

In addition to diversion from the Thruway, some motorists will also convert to different payment methods to incur a smaller increase. For example, the 2012 toll increase of 45 percent for commercial vehicles with three or more axles results in increases at the Tappan Zee Bridge of $14.75 for 5H cash and peak E-ZPass, and $7.37 for off-peak E-ZPass. Because the off-peak E-ZPass toll increase is comparatively low, it may spur some eligible customers (i.e., those with schedule flexibility) who currently travel during the peak period to change the time of day during which they travel. Similarly, because today's difference between cash and E-ZPass of $16.37 would increase to $23.75 after the increase, some current cash or peak period customers may be additionally motivated to make the change to off-peak E-ZPass.

D. Model Summary

The process of estimating traffic and revenue for a toll scenario builds upon a variety of factors, primarily consisting of existing traffic characteristics, toll assumptions, and driver sensitivity to toll changes. In summary, customers react to toll adjustment increases in various ways:

- some stay on the toll facility and pay the new higher toll rate,
- some choose to change their method of payment for one that has a lower toll rate, and
- some choose to leave the facility, either temporarily or permanently.

Based on the variety of toll scenarios Jacobs has analyzed in the development of the model and for the Thruway in the process of developing the proposed toll increase, it is apparent that the Thruway has sufficient additional capacity to raise tolls further to generate additional revenues as needed. This is further evidenced by the fact that the proposed toll increase will not impact passenger cars or two-axle trucks, as well as the fact that some of the larger revenue generating facilities, such as the Tappan Zee Bridge, are less sensitive to toll increases than the system as a whole.

IX. Future Authority Finances with Proposed Modifications to Current Toll Rates

The following section provides an overview of the Authority's operating, capital and debt service costs and revenue trends with the proposed toll increase.

A. Toll and Other Revenues

Table IX-2 presents the projected toll revenues based on the proposed 45 percent increase in commercial vehicle tolls. The forecast assumes that commercial traffic will be tempered in 2012 and 2013 as the proposed toll increase takes effect later in 2012, prompting some commercial customers to reduce their driving on the Thruway, either by using a different route, combining trips, or not making their trip. As noted earlier, diversion off the Authority system in response to toll changes has been historically low and temporary. Modest passenger and commercial traffic growth is projected after 2013 as the economy recovers from the recent recession, and travelers adjust to the change in toll rates. Traffic estimates, inclusive of the proposed commercial rate adjustment, are contained in Table IX-1. Figure IX-1 and Figure IX-2 show corresponding graphs of historical and projected traffic and revenue for passenger, commercial and total vehicles. It is estimated that commercial traffic volumes in 2013 (first year of full toll increase) will be lower than the non-toll increase (base case) scenario by approximately 4.4 percent on the Control System and 4.3 percent on the Barrier System. This works out to a diversion of only around one-half of one percent of overall traffic on the Thruway System.

Table IX-1: Estimated Traffic with Proposed Toll Schedule (millions)

Year	Passenger Cars		Commercial Vehicles		Total	Percent Change
	Control	Barrier	Control	Barrier		
2010 (1)	129.0	93.8	15.7	9.1	247.6	-
2011 (1)	126.6	93.5	15.8	9.3	245.1	-1.0%
2012 (2)	128.0	94.6	15.9	9.4	247.9	1.1%
2013	128.5	94.9	15.4	9.3	248.1	0.1%
2014	129.7	95.8	15.7	9.4	250.6	1.0%
2015	131.5	97.0	16.0	9.6	254.2	1.4%
2016	133.3	98.4	16.3	9.8	257.8	1.4%

Note: Numbers may not add due to rounding.

(1) Actual

2) Toll Increase September 30, 2012

Table IX-2: Estimated Annual Revenues with Proposed Toll Schedule (millions)

Year	Passenger Revenue	Commercial Revenue	Total Toll Revenue	Other Revenue[1]	Total Revenue
2012[2]	$409.4	$254.5	$663.9	$31.9	$695.8
2013	410.4	320.9	731.3	32.5	763.8
2014	413.8	326.1	739.9	33.9	773.7
2015	418.9	331.5	750.4	34.9	785.2
2016	424.2	336.6	760.7	35.9	796.7
Total 2012-2016	**$2,076.6**	**$1,569.6**	**$3,646.1**	**$169.1**	**$3,815.2**

Note: Numbers may not add due to rounding.

(1) Due to interest earnings on additional revenue

(2) Toll Increase September 30, 2012

Figure IX-1: Historical and Projected Toll Traffic with Proposed Toll Schedule, Thruway System, 1987 - 2016

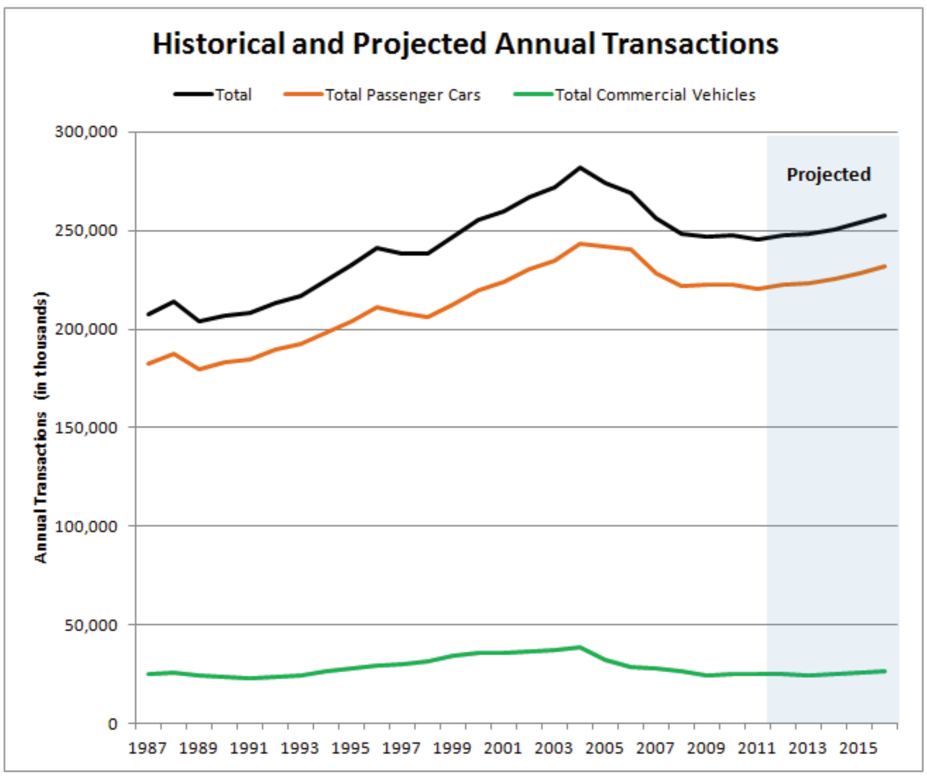
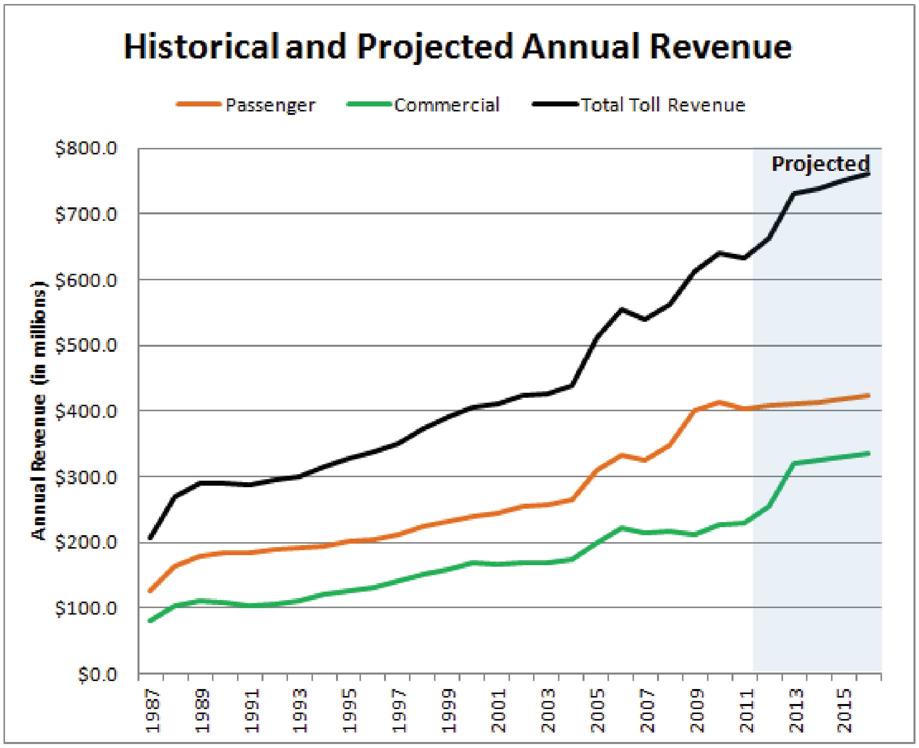


Figure IX-2: Historical and Projected Toll Revenue with Proposed Toll Schedule, Thruway System, 1987 - 2016



B. Funding Requirement and Sources

Table IX-3 shows estimated operating and maintenance expenses for the Thruway and Canal Systems assuming the impact of the Authority's new operational streamlining program. As noted earlier in this report, over the last five years the Authority has been able to limit core operating expense growth. However, the Authority is currently initiating a new operational streamlining program that is expected to significantly reduce future operating expenses in 2012 and beyond. Underscoring the significance of this program, as seen in Table IX-3, the Authority expects to hold operating costs at relatively the same level from 2011 through 2014, involving a reduction in operating costs by some $119.5 million over prior forecasts from 2012 through 2016.

The Authority's streamlining program will likely consist of further workforce reductions, a realignment of employee benefits reductions to comport with the State benefit plans, additional departmental consolidations and reorganizations, reductions in vehicle and equipment fleets, further reductions in overtime and the number of toll lanes that are staffed, bulk purchasing of goods and services with other entities to reduce pricing, and many other initiatives. Based on the recent actions taken by the Authority and the Authority Boards continued commitment to controlling operating costs, Jacobs finds these estimates of operating cost provided by the Authority to be reasonable and achievable.

Table IX-3: Projected Operating and Maintenance Expenses (millions)

Year	Thruway	Enhanced Operating Cuts	Total Thruway Operating Costs	Canal System	Enhanced Operating Cuts	Federal Aid for Capital Operations[1]	Total Operating and Maintenance Expenses
2011 (A)	$370.0	$0.0	$370.0	$51.3	$0.0	$0.0	$421.3
2012	375.3	0.0	375.3	55.7	0.0	2.5	428.5
2013	389.9	-21.0	368.9	53.2	-0.5	5.0	416.7
2014	401.5	-31.0	370.5	54.8	-1.0	5.0	419.4
2015	413.5	-31.0	382.5	56.5	-1.6	2.5	434.9
2016	425.7	-31.8	393.9	58.2	-1.6	0.0	450.5
Total 2012-2016	**$2,005.9**	**-$114.8**	**$1,891.1**	**$278.4**	**-$4.7**	**$15.0**	**$2,150.1**

Note: Numbers may not add due to rounding.
[1] Anticipated Federal aid reimbursement for Canal Operations

Table IX-4 shows the estimated projected expenses for the Authority, based on the proposed 45 percent commercial toll adjustment and the operational streamlining actions outlined earlier. Operating costs are adjusting for federal funds that are anticipated to be made available for 2012 – 2015 to reimburse Canal Operating and Canal Capital for $20 million and $80 million for eligible Thruway projects. These funds have not yet been officially authorized.

Table IX-4: Total Projected Annual Requirements with Proposed Toll Schedule (millions)

Year	Capital Program	Operating and Maintenance (1)	Debt Service	Total Requirements
2012	$384.0	$428.5	$202.8	$1,015.3
2013	374.0	416.7	245.2	1,035.9
2014	377.0	419.4	260.5	1,056.9
2015	383.5	434.9	278.7	1,097.1
2016	474.3	450.5	304.7	1,229.6
Total 2012-2016	**$1,992.8**	**$2,150.1**	**$1,291.9**	**$5,434.8**

Note: Numbers may not add due to rounding.
[1] This Is net of reimbursement of federal funds for Canal Operations

The Authority receives funding from various sources. These include Federal aid, proceeds from bonds and notes, income on investments, revenue from tolls and concessions, and other miscellaneous items. The estimated funding sources are set forth in Table IX-5. As noted in Table IX-5, the 45 percent toll adjustment will provide the revenues required to meet expenses and meet the requirements of the Bond Resolution.

Table IX-5: Projected Funding Sources with Proposed Toll Schedule (millions)

Year	Total Sources	Funding Sources				
		Federal Aid	Other	Debt Proceeds	Subtotal Exclusive of Thruway Revenues	Revenues Required from Tolls, etc.
2012	$1,015.3	$2.9	$37.5	$274.8	$315.2	$700.0
2013	1,035.9	16.0	41.9	214.2	272.1	763.8
2014	1,056.9	30.7	12.2	240.3	283.2	773.7
2015	1,097.1	30.0	12.4	269.5	311.9	785.2
2016	1,229.6	10.0	13.1	409.8	432.9	796.7
Total 2012-2016	**$5,434.8**	**$89.6**	**$117.1**	**$1,408.6**	**$1,615.3**	**$3,819.4**

Note: Numbers may not add due to rounding.

X. Summary of Findings

Table X-1 shows the projected Flow of Funds, as defined by the Authority's Bond Resolution, inclusive of a 45 percent commercial toll adjustment implemented on September 30, 2012. The Authority's Fiscal Management Guidelines, as adopted by the Board in 1997, require the Authority's Debt Service Coverage Ratio to be a minimum of 1.5 times and the Authority's Bond Resolution requires a minimum of 1.2 times.

As noted, this adjustment, coupled with operational streamlining, will allow debt service coverage to be 1.6x in 2012, 1.6x in 2013 and decreasing to 1.55x in 2014, 1.45x in 2015 and 1.32x in 2016. As a result, Jacobs believes that the revised toll rate structure will allow the Authority to build a strong foundation under which it can maintain its system in a state of good repair, fulfill its critical role in supporting the State's growing economy, preserve its strong financial credit rating and comply with bond holder covenants until a financing plan is developed to address the Tappan Zee Bridge Project and the Authority's long-term capital needs in late 2012.

Table X-1: Flow of Funds with the Proposed Toll Schedule

	ACTUAL	PROJECTED					
	2011	2012	2013	2014	2015	2016	Total (2012 to 2016)
Available Revenues	$665.5	$695.8	$763.8	$773.7	$785.2	$796.7	$3,815.2
Less:							
Operating Expenses	365.5	372.3	365.9	367.5	379.5	390.9	1,876.2
Operating Reserves	4.6	3.0	3.0	3.0	3.0	3.0	15.0
Total	370.0	375.3	368.9	370.5	382.5	393.9	1,891.2
Net Revenues	295.5	320.5	394.8	403.2	402.7	402.7	1,924.0
Less: Debt Service	167.4	200.8	244.6	259.9	278.0	304.1	1,287.5
Net Revenues After Debt Service	128.1	119.7	150.2	143.3	124.7	98.6	363.5
Less: Retained for Operating Reserves	(4.3)	4.2	-	-	-	-	4.2
Net Revenues	123.8	123.8	150.2	143.3	124.7	98.7	640.7
Less:							
Reserve Maintenance Provisions (2)	10.0	63.6	73.2	65.5	41.1	4.8	248.2
Other Authority Projects	51.3	53.2	47.7	48.8	52.4	56.6	258.7
General Reserve Fund	48.2	5.2	28.6	28.3	30.4	36.7	129.2
General Reserve Fund - BAN's/Line of Credit	14.4	1.9	0.6	0.6	0.6	0.6	4.3
Balance After Reserve Maintenance Provisions, Other Authority Projects and General Reserve Fund	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments for Cash Basis	0.1	-	-	-	-	-	-
Net Balance Available for Working Capital	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0

(1) Totals may not add due to rounding.
(2) Shows the Reserve Maintenance Fund provision will be funded from debt proceeds when sufficient revenues are not available.

	2011	2012	2013	2014	2015	2016
Debt Service Coverage	1.77	1.60	1.61	1.55	1.45	1.32
Pay go %	17.6%	28.4%	42.7%	36.3%	29.7%	13.6%

XI. Actions Potentially Affecting Thruway Revenues

Highway programs that may affect Thruway traffic and revenue in the near years are limited, as few facilities are currently planned or under construction. Any potential new competing routes that may be under consideration across the state are not currently funded and were therefore not considered. It is anticipated that if any new route were to be constructed it would be complimentary rather than competitive to the Thruway, serving as a feeder route.

As roadways have aged, major reconstruction of portions of the State's highway system has become an annual requirement and will continue in future years. We are not aware, however, of any major reconstruction that will significantly affect Thruway traffic either positively or negatively, through the period of the projections in this report.

Through a review of current and planned transportation projects in the state, the following transportation projects are noted as possibly influencing Thruway traffic volumes:

1. New Tappan Zee Bridge Project

This project is discussed within this document. Commencement of this project may affect Thruway traffic and revenue for periods of time depending on the specific construction phasing program implemented by the selected constructor. No consideration is made for changes in future volumes as the projected completion date is outside of the range of this forecast.

2. Buffalo Corridor Study

A Corridor Study is being conducted on I-90 between Interchanges 49 (Transit Road) and 53 (I-190) and on the Youngmann Memorial Highway (I-290) between (I-90) and Interchange 7 (Main Street). The purpose of this study is to develop a plan to address capacity, structural, safety, and operational needs for this section of the Interstate Highway System over the next 30 years.

3. Route 17 upgrade to I-86

This project has been on-going for several years and when completed it may increase traffic volumes at Interchange 16.

4. Empire Corridor High Speed Rail

This Project will examine and recommend ways of introducing higher passenger train speeds on the Empire Corridor and ways to improve reliability, travel times, service frequency, and passenger amenities, with the goal/objective of attracting additional passengers and being more competitive with other modes of intercity travel. One of the objectives of the project is to attracting riders from other modes of travel; highway and air travel. This improvement would result in diminimus changes to Thruway traffic

XII. Limits and Disclaimers

It is Jacobs' opinion that the traffic and toll revenue estimates provided herein represent reasonable and achievable levels of traffic and toll revenues that can be expected to accrue at the Authority's toll facilities over the forecast period and that they have been prepared in accordance with accepted industry-wide practice. However, as should be expected with any forecast, and given the uncertainties within the current economic climate, it is important to note the following assumptions which, in our opinion, are reasonable:

- This limited synopsis presents the highlighted results of Jacobs' consideration of the information available as of the date hereof and the application of our experience and professional judgment to that information. It is not a guarantee of any future events or trends.
- The traffic and toll revenue estimates will be subject to future economic and social conditions, demographic developments and regional transportation construction activities that cannot be predicted with certainty.
- The estimates contained in this document, while presented with numeric specificity, are based on a number of estimates and assumptions which, though considered reasonable to us, are inherently subject to economic and competitive uncertainties and contingencies, most of which are beyond the control of the Authority and cannot be predicted with certainty. In many instances, a broad range of alternative assumptions could be considered reasonable with the availability of alternative toll schedules, and any changes in the assumptions used could result in material differences in estimated outcomes.
- Jacobs' traffic and toll revenue estimations only represent our best judgment and we do not warrant or represent that the actual toll revenues will not vary from our estimates.
- The standards of operation and maintenance on all of the system will be maintained as planned within the business rules and practices.
- The general configuration and location of the Thruway system and its interchanges will remain as discussed in the report.
- Access to and from the system will remain as discussed in the report.
- No other competing highway projects, tolled or non-tolled are assumed to be constructed or significantly improved in the project corridor during the project period, except those identified within the report.
- Major highway improvements that are currently underway or fully funded will be completed as planned.
- The system will be well maintained, efficiently operated, and effectively signed to encourage maximum usage.
- No reduced growth initiatives or related controls that would significantly inhibit normal development patterns will be introduced during the estimate period.
- There will be no future serious protracted recession during the estimate period.
- There will be no protracted fuel shortage during the estimate period.
- No local, regional, or national emergency will arise that will abnormally restrict the use of motor vehicles.

- We do not express any opinion on the following items: socioeconomic and demographic forecasts, proposed land use development projects and potential improvements to the regional transportation network.

In Jacobs' opinion, the assumptions underlying the projections provide a reasonable basis for the toll revenue projections. However, any financial projection is subject to uncertainties. Inevitably, some assumptions used to develop the projections will not be realized, and unanticipated events and circumstances may occur. There are likely to be differences between the projections and actual results, and those differences may be material. Because of these uncertainties, Jacobs makes no guaranty or warranty with respect to the traffic and toll revenue projections in this Study.

XIII. Conclusion

The proposed toll schedule would increase, on average, commercial toll rates for all classes, except 2H, by 45 percent. We have estimated the effects of these proposed toll adjustments on traffic, both in terms of the potential loss off traffic and shifts of traffic. In our opinion, if implemented in full, the toll adjustments will result in small changes to traffic patterns and provide adequate revenues to fund, to a reasonable level, the Pay-as-you-go portion of the capital program, to pay for the necessary maintenance and operating expenses, to maintain the necessary levels of coverage on the revenue bond debt service, to meet the covenants of the of the General Revenue Bond Resolution and the requirements of the Authority's Fiscal Management Guidelines for the forecast period through the end of 2014. Specifically, we concur with the Authority that the proposed toll adjustments analyzed in this report will comply with the covenant set forth in Section 609(1)(b) of the General Revenue Bond Resolution for the duration of the Multi-Year Capital Program through 2015. It will also allow the Authority to comply with the operating and maintenance covenants of the Thruway set forth in Section 608 of the General Revenue Bond Resolution.

With the proposed toll adjustments, additional Federal aid, and planned operational streamlining, the Authority's Capital Program exclusive of the new Tappan Zee Bridge Project can be fully implemented, providing for the needed reconstruction and assuring the maintenance of the current condition of the highways and bridges. As a result, we believe the Authority will continue to be able to provide good service to its customers and will continue to fulfill its critical role in supporting the State's economy through the forecast period. It is anticipated that further actions may be taken to address the financing of the new Tappan Zee Bridge and may also be required during the final year of the 2012-2015 Multi-Year Capital program when the debt service coverage ratios fall below the Authority Board's adopted Fiscal Management Guidelines. We are of the opinion that sufficient toll revenues can be generated by the proposed toll increase to fund the programs that are detailed in this report.

As discussed earlier in Section V-B of the report, a financing plan will be developed by the end of 2012 for the estimated $5.4 billion New Tappan Zee Bridge Project. The financing plan will require additional toll revenues along with various alternative funding sources that may include: additional Revenue Bonds, TIFIA funding and a Pay-as-you-go component of the total project cost. The proposed modification includes no adjustments for passenger cars and two-axle commercial vehicles. The limited alternative routes and the relative differential in tolls to competing river crossings will continue to provide value to a majority of the Thruway users.

The Authority Board has publically expressed their intention to address the additional financing needs when the financing plan to address the Tappan Zee Bridge project is developed in late 2012. This report does not opine on that future financing plan and its compliance with the provisions of the General Bond Resolution, but rather anticipates a further review when the plan is developed. However, we are also of the opinion that the Thruway System has the ability to generate additional toll revenues through the implementation of additional toll modifications to support the additional capital needs of the Tappan Zee Bridge Project.

We would like to thank the Authority staff for all of their assistance in the preparation of this report.

Sincerely,

Richard J. Gobeille, P.E.

National Toll / Finance Unit Manager

Jacobs Civil Consultants, Inc.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)

Audited Financial Statements

December 31, 2011 and 2010

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)

Contents

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INDEPENDENT AUDITORS' REPORT

Members of the Board
New York State Thruway Authority:

We have audited the accompanying basic financial statements of the New York State Thruway Authority (the Authority), a component unit of the State of New York, as of and for the years ended December 31, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New York State Thruway Authority as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the schedule of funding progress on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 12, 2012

The following discussion and analysis of the New York State Thruway Authority's (Authority) financial performance provides an overview of the Authority's activities for the calendar years ended December 31, 2011 and 2010. Please read it in conjunction with the Authority's financial statements that follow this section. This discussion and analysis is intended to serve as an introduction to the Authority's financial statements which are comprised of the basic financial statements and the notes to the financial statements.

2011 Financial Highlights

- Toll revenue for the year was $634.1 million, a decrease of $7.1 million or 1.1% compared to 2010. Tolls were negatively impacted by higher gas prices in 2011, as well as road closures caused by Hurricane Irene and Tropical Storm Lee. Additional information regarding the financial impacts of Hurricane Irene and Tropical Storm Lee are presented in Note 11.
- Total operating expenses for the New York State Thruway, the Canal Corporation and other Authority projects for the year, excluding depreciation and amortization were $481.8 million, an increase of $17.9 million or 3.9% compared to 2010.
- Total net assets as of December 31, 2011 were approximately $1.89 billion, a decrease of $196.9 million or 9.4 % compared to December 31, 2010.
- Total capital assets (net of depreciation) as of December 31, 2011 were approximately $4.87 billion, an increase of $164.8 million or 3.5% compared to December 31, 2010.
- Canal infrastructure assets with a value of $9.3 million (net of depreciation) were destroyed or significantly damaged by Hurricane Irene and Tropical Storm Lee. These assets have been written down as an Extraordinary Item in 2011.

2010 Financial Highlights

- Toll revenue for the year was $641.2 million, an increase of $29.6 million or 4.8% compared to 2009. This increase is primarily due to toll adjustments implemented in 2010.
- Total operating expenses for the New York State Thruway, the Canal Corporation, Interstate 84 and other Authority projects for the year, excluding depreciation and amortization were $463.9 million, an increase of $1.1 million or 0.2% compared to 2009.
- Total net assets as of December 31, 2010 were approximately $2.09 billion, a decrease of $127.3 million or 5.7% compared to December 31, 2009.
- Total capital assets (net of depreciation) as of December 31, 2010 were approximately $4.71 billion, an increase of $150.2 million or 3.3% compared to December 31, 2009.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis, the basic financial statements, and the notes to the financial statements.

The financial statements provide summary information about the Authority's overall financial condition, including the Authority's net assets and related changes. The notes provide explanation and additional disclosures about the financial statements.

The Authority is considered a special-purpose government engaged in business-type activities and follows financial reporting for enterprise funds. The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

Financial Analysis of the Authority

Net Assets

The Authority's total net assets at December 31, 2011 (see Table A-1) were approximately \$1.89 billion, a 9.4% decrease compared to December 31, 2010. In 2011, total assets decreased 0.5% to \$5.61 billion and total liabilities increased 4.8% to \$3.71 billion. The Authority's total net assets at December 31, 2010 were approximately \$2.09 billion, a 5.7% decrease compared to December 31, 2009. Total assets decreased 2.0% to \$5.64 billion and total liabilities increased 0.3% to \$3.54 billion.

Table A-1

Net Assets

December 31, 2011, 2010 and 2009
(In millions of dollars)

	2011	2010	2009	Percentage Change 2011-2010
Unrestricted current assets	$ 292.0	298.3	249.4	(2.1)
Restricted current assets	414.4	599.7	911.6	(30.9)
Capital assets	4,870.1	4,705.3	4,555.1	3.5
Noncurrent assets	31.7	33.0	37.8	(3.9)
Total assets	$ 5,608.2	5,636.3	5,753.9	(0.5)
Current liabilities	1,235.4	1,058.6	345.5	16.7
Noncurrent liabilities	2,478.2	2,486.2	3,189.6	(0.3)
Total liabilities	3,713.6	3,544.8	3,535.1	4.8
Net assets:				
Invested in capital assets, net of related debt	1,810.2	1,935.6	2,039.2	(6.5)
Restricted for debt service	144.6	128.2	125.9	12.8
Restricted for reserve maintenance	28.7	65.4	69.5	(56.1)
Restricted for construction	29.0	26.4	24.4	9.8
Unrestricted	(117.9)	(64.1)	(40.2)	83.9
Total net assets	$ 1,894.6	2,091.5	2,218.8	(9.4)

Restricted current assets decreased $185.3 million or 30.9% and capital assets increased $164.8 million or 3.5% in 2011 compared to 2010. The decrease in restricted current assets and increase in capital assets is primarily due to the use of restricted General Revenue Bond Anticipation Note proceeds to fund a majority of the Authority's investment in infrastructure improvements based on its Multi-Year Capital Plan. More detailed information regarding capital assets and restricted current assets are presented in notes 4 and 5, respectively.

Current liabilities increased $176.8 million or 16.7% compared to 2010. This increase is primarily due to the issuance in July 2011 of General Revenue Bond Anticipation Notes, Series 2011A. These notes refunded the General Revenue Bond Anticipation Notes, Series 2009A and generated $200 million of net proceeds to fund the Authority's Multi-Year Capital Plan.

Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, rehabilitation, or improvement of those assets. Net assets invested in capital assets, net of related debt decreased $125.4 million or 6.5% compared to 2010. This decrease is primarily due to the continued use of debt proceeds to fund the majority of the Authority's Multi-Year Capital Plan.

Restricted for reserve maintenance decreased by $36.7 million or 56.1% compared to 2010. This decrease is due to the amount of expenditures funded with Reserve Maintenance Funds exceeding the amount of revenue provided to the fund by approximately $37 million.

Unrestricted net assets decreased by $53.8 million or 83.9% compared to 2010. This decrease is due primarily to the increase in non-current liabilities related to postemployment health care benefits.

Changes in Net Assets

Net assets decreased by $196.9 million in 2011 compared to 2010 (see Table A-2). The Authority's total operating revenues for 2011 were $667.5 million, a decrease of $6.8 million or 1.0% compared to 2010. Total operating expenses including depreciation and amortization were $759.6 million, an increase of $43.5 million or 6.1% compared to 2010. Net assets decreased by $127.3 million in 2010 compared to 2009. The Authority's total operating revenues for 2010 were $674.3 million, an increase of $33.7 million or 5.3% compared to 2009. Total operating expenses including depreciation and amortization were $716.1 million, an increase of $14.3 million or 2.0% compared to 2009.

Table A-2

Changes in Net Assets

Years ended December 31, 2011, 2010 and 2009
(In millions of dollars)

	2011	2010	2009	Percentage Change 2011-2010
Operating revenue:				
Tolls	$ 634.1	641.2	611.6	(1.1)
Concessions	12.5	12.7	12.6	(1.6)
Other	20.9	20.4	16.4	2.5
Total operating revenue	667.5	674.3	640.6	(1.0)
Operating expenses:				
Administrative	18.3	19.9	19.5	(8.0)
Engineering services	6.6	6.0	6.6	10.0
Maintenance	118.4	109.9	109.0	7.7
Finance and accounts	8.2	8.5	8.3	(3.5)
Operations	81.4	84.7	85.2	(3.9)
General charges	181.2	164.7	160.4	10.0
Canals	67.7	61.6	62.6	9.9
Interstate 84	-	8.6	11.2	-
Depreciation and amortization	277.8	252.2	239.0	10.2
Total operating expenses	759.6	716.1	701.8	6.1
Operating loss	(92.1)	(41.8)	(61.2)	120.3
Non-operating items:				
Interest expense	(103.2)	(110.4)	(98.7)	(6.5)
Non-operating revenue	2.0	23.6	18.6	(91.5)
Net non-operating items	(101.2)	(86.8)	(80.1)	16.6
Loss before capital contributions and other items	(193.3)	(128.6)	(141.3)	50.3
Capital contributions	5.7	14.7	12.0	(61.2)
Special item - retirement incentive	-	(13.4)	-	-
Extraordinary item - 2011 floods	(9.3)	-	-	-
Change in net assets	(196.9)	(127.3)	(129.3)	54.7
Total net assets, beginning of the year	2,091.5	2,218.8	2,348.1	(5.7)
Total net assets, end of the year	$ 1,894.6	2,091.5	2,218.8	(9.4)

Toll revenue decreased $7.1 million or 1.1% compared to 2010. Tolls were negatively impacted by higher gas prices in 2011, as well as, road closures caused by Hurricane Irene and Tropical Storm Lee.

Maintenance expenses increased by $8.5 million or 7.7% compared to 2010. This increase is due to repair costs related to Hurricane Irene, as well as higher personal service, fuel and automotive supply costs.

General charges increased by $16.5 million or 10% compared to 2010. This increase is primarily due to higher health insurance, pension and environmental remediation costs.

Canal expenses increased $6.1 million or 9.9% compared to 2010. This increase is due to repair costs related to Hurricane Irene and Tropical Storm Lee, as well as higher health insurance, worker's compensation, pension and fuel costs. These increases were partially offset by lower costs related to Canal trail projects.

Interstate 84 expenses decreased $8.6 million or 100% compared to 2010. This decrease is due to the transfer of maintenance and operating responsibilities for Interstate 84 from the Authority to the New York State Department of Transportation (DOT) in October 2010. Prior to the October 2010 transfer the Authority maintained and operated Interstate 84 under the terms of an agreement with DOT which called for DOT to fully reimburse the Authority's costs. This reimbursement is reflected as non-operating revenue on the statement of revenue, expenses and changes in net assets.

Depreciation and amortization increased $25.6 million or 10.2% compared to 2010. This increase is primarily due to the Authority's significant investment in bridge and highway improvement projects. Bridge improvement projects include substructure and superstructure repairs, replacement of bridge joints and bridge decks, installation of bridge fencing and bridge painting. Highway improvement projects include pavement rehabilitation, primarily in the form of resurfacing and milling. The Authority's significant investment in these types of projects, which have relatively short useful lives (ten to fifteen years), has resulted in an increase in depreciation expense.

Interest expense decreased $7.2 million or 6.5% compared to 2010. This decrease is primarily due to a lower interest rate on the General Revenue Bond Anticipation Notes, Series 2011A compared to the interest rate on the General Revenue Bond Anticipation Notes, Series 2009A. In July 2011, General Revenue Bond Anticipation Notes, Series 2011A were issued to refund the General Revenue Bond Anticipation Notes, Series 2009A and provide additional funds for the Authority's capital program.

Non-operating revenues decreased $21.6 million or 91.5% compared to 2010. As mentioned above, the agreement between the Authority and DOT regarding the maintenance and operations of Interstate 84 ended in October 2010. Therefore, the Authority's reimbursement from DOT for Interstate 84 expenses decreased by $8.9 million compared to 2010. In addition, in 2010 the Authority received a federal grant of $5.7 million to partially fund the operation of the Canal System and received federal grants totaling approximately $2.5 million to fund Canal trail projects. These grants were not received in 2011.

Capital contributions decreased $9 million or 61.2%. This decrease is due to a continued reduction in the amount of federal funds provided to the Authority for its Multi-Year Capital Program.

In 2010, the Authority offered a Retirement Incentive Program to employees who met certain eligibility requirements. Approximately 10% of the Authority's total workforce elected to retire from service under this program. The Authority is responsible for contributing a surcharge to the New York State and Local Employee's Retirement System for each employee who participated in the program. The surcharge of approximately $13.4 million is reflected as a special item on the statement of revenues, expense and changes in net assets.

In August and September of 2011, Hurricane Irene and Tropical Storm Lee caused significant damages to the Canal System. The vast majority of these damages occurred on the Erie Canal between Locks E-8 in Schenectady County and E-13 in Montgomery County. The net book value of Canal assets that were destroyed or significantly damaged by the storms have been written-off as a $9.3 million Extraordinary Item. Additional information regarding Hurricane Irene and Tropical Storm Lee is presented in note 11.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2011, the New York State Thruway Authority had invested approximately $8.88 billion in capital assets, including roads, bridges, canal structures, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets at December 31, 2011, totaled approximately $4.87 billion (see Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately $164.8 million or 3.5% compared to December 31, 2010.

As of December 31, 2010, the New York State Thruway Authority had invested approximately $8.52 billion in capital assets, including roads, bridges, canal structures, buildings, land and equipment. Net of accumulated depreciation, the Authority's capital assets at December 31, 2010, totaled approximately $4.71 billion (see Table A-3) representing a net increase (including additions, disposals and depreciation) of approximately $150.2 million or 3.3% compared to December 31, 2009.

Table A-3
Capital Assets
December 31, 2011, 2010 and 2009
(In millions of dollars)

	2011	2010	2009	Percentage Change 2011-2010
Land and land improvements	$ 818.8	810.6	808.5	1.0
Construction work in progress	477.7	694.4	577.5	(31.2)
Thruway System	6,909.9	6,357.8	6,143.2	8.7
Canal System	457.7	430.8	394.6	6.2
Equipment	216.6	221.7	224.5	(2.3)
Less accumulated depreciation	(4,010.6)	(3,810.0)	(3,593.2)	5.3
Total net capital assets	$ 4,870.1	4,705.3	4,555.1	3.5

In 2011, Construction work in progress decreased $216.7 million as the Authority completed several large projects. These projects are identified below as additions to the Thruway and Canal systems. Significant projects in progress as of December 31, 2011 include re-decking of a portion of the Tappan Zee Bridge, pavement rehabilitation and bridge painting near Angola, Tappan Zee Bridge Hudson River Crossing, Albany Corridor Reconstruction and several other pavement and bridge rehabilitation projects at various locations. The Thruway system capital asset value increased by $552.1 million compared to 2010. This increase was primarily due to the completion of a number of projects including partial re-decking and other improvements to the Tappan Zee Bridge, re-decking of the South Grand Island Bridge, the full-depth replacement of 15 miles of pavement near Syracuse and numerous multi-million dollar pavement and bridge rehabilitation projects at various locations. The Canal System asset value increased $26.9 million primarily due to the completion of a rehabilitation project on Lock E-6 in Waterford.

In 2010, Construction work in progress increased $116.9 million as the Authority continued to invest in infrastructure improvements based on its Multi-Year Capital Plan. Significant projects in progress as of December 31, 2010 include re-decking and other improvements to the Tappan Zee Bridge, re-decking of the South Grand Island Bridge, the Tappan Zee Bridge Hudson River Crossing, the full-depth replacement of 15 miles of pavement near Syracuse and several other pavement rehabilitation projects at various locations. The Thruway System capital asset value increased by $214.6 million compared to 2009. This increase was primarily due to the completion of a number of projects including reconstruction of the Woodbury Toll Plaza and several multi-million dollar pavement and bridge rehabilitation projects. The Canal System asset value increased $36.2 million primarily due to the completion of a rehabilitation project on moveable dams near Amsterdam and Canajoharie.

Debt Administration

Bond and note sales must be approved by the Authority's Board, members of which are appointed by the Governor with the advice and consent of the State Senate. They must comply with rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission. The terms and conditions of Authority bond and note sales must also be approved by the New York State Office of the State Comptroller.

Long-term debt includes general revenue bonds of varying rates and maturities issued primarily to fund a portion of the cost of the Authority's Multi-Year Capital Plan. General Revenue Bond Anticipation Notes have also been issued as an additional source of funds for the Authority's Multi-Year Capital Plan. At December 31, 2011, the Authority had approximately $2,282.3 million in general revenue bonds and $875.8 million in bond anticipation notes outstanding, a 4.3% increase from December 31, 2010 (see Table A-4). Of the $2,282.3 million in general revenue bonds outstanding, approximately $736.6 million are insured by Financial Security Assurance Inc. and rated Aa3 by Moody's and AA+ by Standard and Poor's (S&P). The remaining general revenue bonds are rated A1 by Moody's and A+ by S&P. The bond anticipation notes are rated MIG-1 and SP-1+ by Moody's and S&P respectively.

During 2011, the Authority issued General Revenue Bond Anticipation Notes, Series 2011A which generated proceeds of $882.3 million. These proceeds were used to refund General Revenue Bond Anticipation Notes, Series 2009A totaling $680.6 million and to fund a portion of the Multi-Year Capital Plan. These notes mature on July 12, 2012.

At December 31, 2010, the Authority had approximately $2,341.2 million in general revenue bonds and $687.0 million in bond anticipation notes outstanding, a decrease of $67.5 million or 2.2% from December 31, 2009.

Table A-4

Outstanding Debt

Year ended December 31, 2011
(In millions of dollars)

	Beginning Balance	Additions	Reductions	Ending Balance
General Revenue Bonds	$ 2,341.2	-	(58.9)	$ 2,282.3
Bond Anticipation Notes	687.0	882.3	(693.5)	875.8
Total bonds and notes	$ 3,028.2	882.3	(752.4)	$ 3,158.1

Year ended December 31, 2010
(In millions of dollars)

	Beginning Balance	Additions	Reductions	Ending Balance
General Revenue Bonds	$ 2,397.8	-	(56.6)	$ 2,341.2
Bond Anticipation Notes	697.9	-	(10.9)	687.0
Total bonds and notes	$ 3,095.7	-	(67.5)	$ 3,028.2

More detailed information about the Authority's debt is presented in note 6.

Future Events Impacting the Authority

Over the past 20 years the Authority has spent more than $700 million to maintain and repair the current Tappan Zee Bridge. The bridge, which was opened to traffic in 1955, has exceeded its useful life and it is estimated that an additional $1 billion will be required to maintain it for the next 10 years. In addition, the bridge was designed to carry 100,000 vehicles on a peak day, but traffic volume has grown to 138,000 vehicles per day.

For the past several years the Authority, in partnership with the New York State Department of Transportation and the Metropolitan Transportation Authority, have conducted alternative analysis, public outreach and environmental studies aimed at how to best address the transportation needs at the Tappan Zee Bridge Hudson River Crossing. Engineering and economic analysis has determined that replacement of the bridge is needed to correct structural deficiencies, address longstanding safety concerns and provide sufficient capacity to serve current usage safely and allow for future economic growth. In 2011, action was taken to expedite environmental reviews and to advance legislation that would allow the Authority to enter into a design-build contract for the new Tappan Zee Bridge. The Authority is currently planning to execute a contract and begin construction of a new bridge in the fall of 2012. It is anticipated that the new bridge will take five years to complete at an estimated cost of $5 billion.

Contacting the New York State Thruway Authority's Financial Management

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Authority's finances and to demonstrate its accountability for the money it receives. If you have questions about this report, or need additional information, contact the New York State Thruway Authority's Department of Finance and Accounts, P.O. Box 189, Albany, NY 12201-0189.

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Statements of Net Assets
December 31, 2011 and 2010

	2011	2010
	(In thousands)	
Assets:		
Current assets:		
Cash and cash equivalents	$ 190,011	$ 203,501
Investments	30,439	23,707
Accrued interest receivable	339	210
Accounts receivable, net	44,974	46,009
Material and other supplies	18,954	18,563
Prepaid insurance and deferred items	7,318	6,346
Restricted:		
Cash and cash equivalents	104,166	216,350
Investments	276,847	353,027
Accrued interest receivable	31	101
Accounts receivable, net	28,909	27,355
Other	4,406	2,865
Total current assets	706,394	898,034
Non-current assets:		
Capital assets, net of accumulated depreciation	4,870,136	4,705,312
Bond issuance costs, less accumulated amortization	31,682	32,975
Total non-current assets	4,901,818	4,738,287
Total assets	$ 5,608,212	$ 5,636,321
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	163,406	164,160
Accrued wages and employee benefits	8,611	21,390
Deferred revenue	59,820	57,526
Accrued interest payable	62,202	67,447
Current amount due on bonds, notes and other long-term liabilities	941,377	748,059
Total current liabilities	1,235,416	1,058,582
Non-current liabilities:		
Bonds and notes payable	2,220,895	2,282,328
Other long-term liabilities	257,285	203,930
Total non-current liabilities	2,478,180	2,486,258
Total liabilities	$ 3,713,596	$ 3,544,840
Net assets:		
Invested in capital assets, net of related debt	1,810,236	1,935,557
Restricted for:		
Debt service	144,594	128,219
Reserve maintenance	28,719	65,409
Construction	28,955	26,442
Unrestricted (deficiency)	(117,888)	(64,146)
Total net assets	$ 1,894,616	$ 2,091,481

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Statements of Revenue, Expenses and Changes in Net Assets
Years ended December 31, 2011 and 2010

	2011	2010
	(In thousands)	
Operating revenue:		
Tolls	$ 634,090	$ 641,216
Concessions	12,481	12,698
Other	20,944	20,395
Total operating revenue	667,515	674,309
Operating expenses:		
Administrative	18,283	19,941
Engineering services	6,583	5,959
Maintenance engineering:		
Thruway maintenance	85,560	80,699
Equipment maintenance	32,814	29,203
Finance and accounts	8,240	8,479
Operations:		
Traffic and services	7,968	7,584
State police	33,618	35,485
Toll collection	39,827	41,656
General charges	181,249	164,745
Canals	67,661	61,601
Interstate 84	14	8,616
Other Authority projects	-	1
Depreciation and amortization	277,799	252,172
Total operating expenses	759,616	716,141
Operating loss	(92,101)	(41,832)
Non-operating items:		
Interest revenue on investments	413	420
Interest expense	(103,152)	(110,379)
Federal and other aid	1,585	23,186
Net non-operating items	(101,154)	(86,773)
Loss before capital contributions and special item	(193,255)	(128,605)
Capital contributions	5,671	14,666
Special item - retirement incentive	-	(13,379)
Extraordinary item - 2011 floods	(9,281)	-
Change in net assets	(196,865)	(127,318)
Total net assets, beginning of the year	2,091,481	2,218,799
Total net assets, end of the year	$ 1,894,616	$ 2,091,481

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Statements of Cash Flows
Years ended December 31, 2011 and 2010

	2011	2010
	(In thousands)	
Cash flows from operating activities:		
Cash received from toll collections	$ 631,743	$ 658,129
Cash received from concession sales	12,676	12,494
Other operating cash receipts	17,511	18,421
Personal service payments	(170,199)	(172,979)
Fringe benefits payments	(104,618)	(88,564)
E-ZPass account management payments	(26,225)	(26,446)
Cash payments to vendors and contractors	(132,666)	(132,688)
Net cash provided by operating activities	228,222	268,367
Cash flows from non-capital financing activities:		
Federal aid and other reimbursements	2,720	25,529
Other items	-	(8,562)
Net cash provided by non-capital financing activities	2,720	16,967
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	882,272	-
Federal aid and other capital contributions	7,491	11,974
Acquisition/construction of capital assets	(443,878)	(369,531)
Principal paid on capital debt	(737,185)	(54,195)
Interest paid on capital debt	(135,969)	(134,790)
Proceeds from sale of capital assets	719	665
Net cash used in capital and related financing activities	(426,550)	(545,877)
Cash flows from investing activities:		
Purchase of investments	(621,041)	(750,975)
Proceeds from sale and maturities of investments	690,490	1,022,762
Interest and dividends on investments	485	2,618
Net cash provided by investing activities	69,934	274,405
Net increase (decrease) in cash and cash equivalents	(125,674)	13,862
Cash and cash equivalents, beginning of the year	419,851	405,989
Cash and cash equivalents, end of the year	$ 294,177	$ 419,851

(Continued)

See notes to financial statements.

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Statements of Cash Flows, Continued

	2011	2010
	(In thousands)	
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (92,101)	$ (41,832)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	277,799	252,172
Special expense - early retirement surcharge	-	(13,379)
Capitalized interest	172	273
Net changes in assets and liabilities:		
Receivables	(3,784)	(284)
Material and supplies	(391)	515
Other assets	(972)	(2,202)
Accounts payables and accrued expenses	57,062	55,603
Accrued wages and employee benefits	(11,857)	12,377
Deferred revenue	2,294	5,124
Net cash provided by operating activities	$ 228,222	$ 268,367
Reconciliation to statements of net assets:		
Cash and cash equivalents	190,011	203,501
Restricted cash and cash equivalents	104,166	216,350
Total cash and cash equivalents	$ 294,177	$ 419,851

See notes to financial statements.

(1) Financial Reporting Entity

The New York State Thruway Authority (the Authority) is a Public Benefit Corporation created by the New York State Legislature in 1950 to build, operate and maintain the Thruway System. The New York State Canal Corporation (the Canal Corporation), a subsidiary public corporation of the Authority, was created by the New York State Legislature in August 1992 to accept jurisdiction and control over the New York State Canal System from New York State (the State). The Boards of both the Authority and the Canal Corporation each consist of seven members, appointed by the Governor, with the consent of the New York State Senate.

The Authority is responsible for a 570-mile system of highways crossing New York State, the longest toll highway system in the United States. The Authority's 426-mile Thruway mainline connects New York City and Buffalo, the State's two largest cities. Other Thruway sections provide for connections with Connecticut, Massachusetts, Pennsylvania, New Jersey, and to highways that lead to the Midwest and Canada. In accordance with legislation passed by the State Legislature, the Cross-Westchester Expressway (CWE) and I-84 were added to the Thruway in 1991 and 1992, respectively. Under the 1991 legislation, the Authority is prohibited from imposing any tolls or other charges for the use of the CWE or I-84. The 1992 legislation, which transferred responsibility for maintenance of the Canal System to a subsidiary corporation of the Authority, also authorized and directed the Authority to assist in the financing of certain transportation related projects and facilities under the category of "Other Authority Projects." In October 2006, in accordance with the 1991 legislation, the Authority provided the State with one year's notice of its intent to return the operations of I-84 to the State. Additional legislation in 2007 authorized the Authority and the State's Department of Transportation (NYSDOT) to annually enter into agreements under which the Authority continued to maintain and operate I-84 through October 10, 2010 at NYSDOT's expense. As of October 11, 2010, I-84 operations and maintenance was transferred back to NYSDOT. Similarly, the Authority entered into an agreement with the Division of State Police (DSP) to maintain Troop T services on I-84 with the costs to be funded by DSP, which continued until the transfer back on October 11, 2010.

The accounts and activities of the Canal Corporation and the "Other Authority Projects" are included in the financial statements of the Authority. Revenues of the Canal System are to be credited to the New York State Canal Development Fund (the Fund), created by the 1992 legislation, and held by the State where they are available, subject to appropriation, only for purposes of the Canal System as directed by the Canal Recreationway Commission. The State may, from time to time, also authorize the Authority by statute to undertake additional financing activities to finance primarily non-Authority transportation projects in the State. The Authority is responsible for administering these special bond programs as discussed in note 7.

The accompanying financial statements include the accounts and transactions of the New York State Thruway Authority, the New York State Canal Corporation and the Canal Development Fund, henceforth referred to as the "Authority."

(1) Financial Reporting Entity, Continued

The Authority is a legally and fiscally separate and distinct organization solely responsible for its finances and the credit of the State of New York is not pledged to the operation of the Authority. The Authority is empowered to issue revenue bonds backed solely from Authority revenues. However, under the criteria specified in Government Accounting Standards Board Statement (GASB) No. 14, the Authority is considered a component unit of the State of New York, because the Governor appoints all members of the Authority's Governing Board.

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of GASB Statement No. 20 - "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the Authority has elected to apply all Financial Accounting Standards Board statements and interpretations issued before November, 1989, unless these standards and interpretations conflict with or contradict GASB pronouncements. The more significant accounting policies are described below:

(a) Basis of Accounting

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

The principal revenues of the Authority are toll revenues received from patrons. The Authority also recognizes as operating revenue the rental fees received from concessionaires from operating leases on concession property, special hauling fees charged to overweight or oversize vehicles and certain revenue collected from the lease of property. Operating expenses for the Authority include maintenance costs, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

The New York State Office of the State Comptroller requires that the Authority report in accordance with generally accepted accounting principles as it is a component unit of the State. The Authority's bond resolution, however, requires that certain funds and accounts be established and maintained. The Authority consolidates these funds and accounts for the purpose of providing an enterprise fund presentation in its basic financial statements.

(2) Summary of Significant Accounting Policies, Continued

(b) Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid deposits with an original maturity of three months or less when purchased. These deposits are fully collateralized or covered by federal deposit insurance.

Investments include financial instruments with an original maturity of more than three months and are recorded at amortized cost. These investments are not included in cash and cash equivalents in the Statements of Cash Flows.

The Authority manages its investments pursuant to the respective bond resolutions, Public Authorities Law and the Authority's Investment Policy approved annually by the Authority's Board. Permitted investments are defined as obligations in which the State Comptroller may invest pursuant to Section 98(a) of the State Finance Law, including obligations of the United States and its Federal agencies, collateralized time deposits, commercial paper, bankers' acceptances and repurchase agreements.

The Authority's investment policy has established criteria that mitigate certain credit risks and interest rate risks. The policy has established investment concentration limits for each of the Authority's investment portfolios. The policy also requires that deposits and investments be held by a third-party custodian who may not otherwise be a counter-party to the transactions, and that securities are held in the name of the Authority.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy to address this risk requires the custodian or depository bank to provide collateral in an amount equal to or greater than the amount on deposit, with a third-party custodian in the Authority's name.

Interest rate risk is also addressed in the Authority's policy which requires the purchase of securities with the intention of holding them to maturity and does not limit the term of any investment. It is the Authority's practice to invest funds to the date of the anticipated need of the funds. Consequently, the Authority's investments have maturities of 12 months or less.

(c) Accounts Receivable

Accounts receivable consist primarily of receivables from commercial transportation companies and Federal and State governments under various Federal and State grant programs. All commercial accounts receivable are guaranteed by surety bonds and/or cash deposits. The allowance for doubtful receivables amounted to $8,750,000 and $1,650,000 at December 31, 2011 and 2010, respectively.

(d) Materials and Supplies

Materials and supplies are principally valued at weighted average cost. The cost of such items is recognized as an expense when used.

(2) Summary of Significant Accounting Policies, Continued

(e) Deferred Revenue

Deferred revenue consists of prepaid deposits made by private and commercial customers into E-ZPass accounts held by the Authority and 2012 and 2011 annual permit revenues collected in 2011 and 2010, respectively.

(f) Restricted Assets

Certain proceeds of the Thruway revenue bonds and notes are restricted by applicable bond covenants for construction or set aside as reserves to ensure repayment of the Authority's bonds. Certain other assets are accumulated and restricted in accordance with the bond resolutions for the purpose of paying interest and principal debt payments that are due on a semi-annual and annual basis, respectively, and for the purpose of maintaining reserve funds at required levels. Payments from restricted funds are governed by the bond resolutions and, as such, expenses which do not meet these standards are paid from unrestricted funds.

(g) Toll Revenues

Toll revenues are stated net of volume and other discounts approximating $22.7 million and $22.8 million in 2011 and 2010. In January, 2010, the Authority implemented a 5% toll increase which impacted revenues.

(h) Pensions

Substantially all Authority employees, as well as the State Police assigned to the Thruway System, are members of cost sharing multiple-employer public employee retirement systems. Expenses are based on billings which are paid currently.

(i) Other Postemployment Benefits

In accordance with GASB Statement No. 45, the Authority recognizes in its financial statements, the financial impact of postemployment benefits, principally employer funded health care costs. The impact on the Authority's financial position and results of operations is more fully disclosed under note 9.

(j) Compensated Absences

Vacation leave accumulates for all full-time employees of the Authority, ranging from 13 to 25 days per year, and any unused amounts up to 30 days are considered vested and paid upon retirement or termination. Authority employees also accumulate sick leave at the rate of 10 to 13 days per year and personal leave credits at the rate of 3 to 5 days per year. Employees may use the accumulated sick and personal leave credits according to the established policy; however, generally no cash is paid for these accumulated credits at the time of retirement or termination. The liability for vested compensated absences has been computed to approximate $11,246,000 and $10,323,000 at December 31, 2011 and 2010, respectively, and is classified as a long-term liability.

(2) Summary of Significant Accounting Policies, Continued

(k) Bond and Note Discounts/Premiums, Deferred Losses on Advance and Current Refundings and Issuance Costs

Bond and note discounts/premiums and deferred losses on advance and current refundings are presented as components of bonds payable and bond issuance costs are presented as a component of non-current assets on the statements of net assets. The discounts/premiums and issuance costs are amortized over the life of the bonds and notes on a method that approximates the effective interest method. Deferred losses on advance and current refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Net amortization related to bond and note discounts/premiums and deferred losses on advance and current refundings were approximately $15,233,000 and $13,257,000 for 2011 and 2010, respectively, and were included as an offset of interest expense. Depreciation and amortization expense includes amortization of bond and note issuance costs and surety bond costs totaling approximately $2,942,000 and $2,721,000 in 2011 and 2010, respectively.

(l) Capital Contributions

Capital contributions consist primarily of federal, state and other grants that are provided to fund specific capital projects within the Authority's Multi-Year Capital Plan.

(m) Arbitrage

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and an arbitrage rebate liability on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The Authority's policy is to annually record a liability representing the estimated amount owed. The Authority actively manages its invested bond proceeds to minimize any arbitrage liability. The Authority had no cumulative arbitrage rebate liability for the years ended December 31, 2011 and 2010.

(n) Income Taxes

The Authority is a public benefit corporation of the State of New York. As such, income earned in the exercise of its essential government functions is exempt from state and federal income taxes.

(o) Use of Estimates

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

(3) Cash and Investments

The Authority's cash and investments as of December 31, 2011 and 2010 were as follows (in thousands):

	2011 Carrying value	2011 Fair value	2010 Carrying value
Cash and cash equivalents:			
Unrestricted:			
Cash:			
Demand deposits	$ 94,517	$ 94,517	$ 45,101
Toll change funds	124	124	123
Total unrestricted cash	94,641	94,641	45,224
Cash equivalents:			
Government discount notes	-	-	6,877
Repurchase agreements	33,310	33,976	11,389
Commercial paper	62,060	62,048	140,011
Total unrestricted cash equivalents	95,370	96,024	158,277
Total unrestricted cash and cash equivalents	$ 190,011	$ 190,665	$ 203,501
Restricted:			
Cash:			
Demand deposits	$ 9,565	$ 9,565	$ 3,136
Other deposits	3,037	3,037	2,978
Total restricted cash	12,602	12,602	6,114
Cash equivalents:			
Government discount notes	-	-	155,812
Repurchase agreements	-	-	7,571
Commercial paper	91,564	91,551	46,853
Total restricted cash equivalents	91,564	91,551	210,236
Total restricted cash and cash equivalents	$ 104,166	$ 104,153	$ 216,350

(3) Cash and Investments, Continued

	2011 Carrying value	2011 Fair value	2010 Carrying value
Cash and cash equivalents, continued:			
Investments:			
Unrestricted:			
Government discount notes	$ 3,090	$ 3,089	$ 11,993
Commercial Paper	10,380	10,383	-
Time deposits	16,969	16,969	11,714
Total unrestricted investments	30,439	30,441	23,707
Restricted:			
Government discount notes	146,469	146,457	316,130
Government agency notes	54,664	54,651	36,897
Commercial Paper	75,714	75,738	-
Total restricted investments	$ 276,847	$ 276,846	$ 353,027

At December 31, 2011 and 2010, the fair value of the Authority's cash and investments approximated the carrying value. Fair value is based on readily available market values.

The Authority requires collateral, in the form of federal government obligations or agency instruments guaranteed by the federal government, for all investments in repurchase agreements. The Authority also requires delivery to its trustee (or agent) all securities purchased and collateral for repurchase agreements, regardless of the seller institution. All Authority investment securities are classified as securities acquired by a financial institution for the Authority and held by the financial institution's trust department in the Authority's name. Bank balances, which are comprised of demand and other deposits, approximated $107,119,000 and $51,215,000 as of December 31, 2011 and 2010, respectively, and are fully insured or collateralized. Amounts are collateralized with securities transferred to and held by the Authority's trustee in the Authority's name.

As of December 31, 2011, the Authority had the following concentrations of investments:

Security	Credit Exposure (Rating)	% of Total Investments
Agency Obligations:		
Federal National Mortgage Association	AAA/Aaa	15.6%
Federal Home Loan Banks	Aaa	4.6%
Federal Home Loan Mortgage Corporation	AAA/Aaa	15.0%
Federal Agricultural Mortgage Corporation	nr	6.1%

(3) Cash and Investments, Continued

Security	Credit Exposure (Rating)	% of Total Investments
Commercial Paper:		
Bank of Nova Scotia	A-1+/P-1	15.4%
General Electric Capital Corporation	A-1+/P-1	9.9%
General Electric Capital Services Corporation	A-1+/P-1	8.3%
Louis Dreyfuss Corporation	P-1	7.7%
Nordea North America	P-1	5.7%
Rabobank USA Financial Corporation	A-1+/P-1	1.5%

(4) Capital Assets

The Authority's capital assets principally include the Thruway System, Canal System and equipment. The Thruway System includes infrastructure assets consisting of bridges, highways, buildings, toll equipment, and intelligent transportation systems. The Canal System includes canal structures and buildings. Equipment includes vehicles, machinery, software systems, and E-ZPass tags.

All capital assets are stated at cost. Capital assets are defined as assets with initial, individual costs exceeding capitalization thresholds of $5,000 to $50,000. Depreciation is computed on the straight-line method over the following estimated useful lives:

Category	Useful life	Capitalization Threshold
Bridges	45 years	$ 50,000
Bridge Improvements	15 years	50,000
Highways	30 years	50,000
Highway Improvements	10 years	50,000
Buildings	30 years	20,000
Fiber Optic System	17 years	50,000
Canal Structures	50-100 years	50,000
Canal Improvements	15-30 years	50,000
Equipment	2-12 years	5,000 - 20,000

(4) Capital Assets, Continued

The following schedule summarizes the capital assets of the Authority and related changes from December 31, 2010 to December 31, 2011 (in thousands):

	December 31, 2010 Balance	Additions	Reductions	December 31, 2011 Balance
Capital assets, not being depreciated:				
Land and land improvements	$ 810,563	8,271	(7)	$ 818,827
Construction in progress	694,451	286,386	(503,097)	477,740
Total capital assets, not being depreciated	1,505,014	294,657	(503,104)	1,296,567
Capital assets, being depreciated:				
Thruway System	6,357,795	592,832	(40,775)	6,909,852
Canal System	430,767	30,917	(4,033)	457,651
Equipment	221,709	29,352	(34,419)	216,642
Total capital assets, being depreciated	7,010,271	653,101	(79,227)	7,584,145
Less accumulated depreciation for:				
Thruway System	(3,623,380)	(247,486)	40,777	(3,830,089)
Canal System	(53,805)	(5,692)	121	(59,376)
Equipment	(132,788)	(21,679)	33,356	(121,111)
Total accumulated depreciation	(3,809,973)	(274,857)	74,254	(4,010,576)
Net value of capital assets, being depreciated	3,200,298	378,244	(4,973)	3,573,569
Net value of all capital assets	$ 4,705,312	672,901	(508,077)	$ 4,870,136

Depreciation expense related to capital assets was $274,857,000 and $249,450,000 for the years ended December 31, 2011 and 2010, respectively.

(5) Restricted Assets

Restricted assets are established pursuant to bond resolutions and other agreements. The related balances at December 31, 2011 and 2010 are as follows:

Senior Debt Service Fund: Established to receive funds from Authority revenues to make periodic payments of interest and principal. The amounts held in this restricted fund at December 31, 2011 and 2010 were $113,355,000 and $98,195,000, respectively.

(5) Restricted Assets, Continued

Senior Debt Service Reserve Fund: Established to retain funds equal to the maximum amount of aggregate debt service for any twelve month period on all outstanding bonds secured by the Senior Debt Service Reserve Fund. As of December 31, 2011, portions of the Series F, Series G and Series H General Revenue Bonds are outstanding. The amounts held in this restricted fund at December 31, 2011 and 2010 were $85,507,000 and $85,546,000, respectively.

Construction Fund: Established to hold moneys paid into it from the sale of bonds and notes to pay for costs of the "Facilities" and "Other Authority Projects" as defined in the bond resolutions. Any remaining money upon completion or abandonment of such projects shall be transferred to other funds in accordance with the terms outlined in the bond resolutions. The amounts held in this restricted fund at December 31, 2011 and 2010 were $183,105,000 and $347,462,000, respectively.

Reserve Maintenance Fund: Established to hold funds required to be deposited each year into the Reserve Maintenance Fund. Funds held in the Reserve Maintenance Fund can be disbursed for specific costs relating to the "Facilities," as defined in the bond resolution and certain highway and railroad grade crossings. The amounts held in this restricted fund at December 31, 2011 and 2010 were $29,355,000 and $65,516,000, respectively.

Commercial Charge Surety Account: Established to receive cash surety deposits from Commercial Charge Account customers which are to be used only if the customer does not meet their obligations under their Commercial Charge Account Credit Agreement. The amount held in the account at December 31, 2011 and 2010 was $3,037,000 and $2,978,000, respectively.

(6) Long Term Liabilities

The Authority's bond indebtedness and other long-term liabilities as of December 31, 2011 and 2010 are comprised of the following obligations (in thousands):

	Date of Issuance	December 31, 2010 Balance	Additions	Reductions	December 31, 2011 Balance	Due Within One Year
General Revenue Bonds:						
2005 Series F	3/05	$ 568,345	-	(24,700)	543,645	25,850
2005 Series G	9/05	737,120	-	(485)	736,635	505
2007 Series H	10/07	968,415	-	(31,390)	937,025	32,730
Unamortized bond discounts/ premiums		96,851	-	(4,345)	92,506	4,345
Deferred loss on refundings		(29,480)	-	1,997	(27,483)	(1,997)
General revenue bonds, net of unamortized discounts/premiums and deferred losses		2,341,251	-	(58,923)	2,282,328	61,433
Bond Anticipation Notes:						
Series 2009A	7/09	680,610	-	(680,610)	-	-
Series 2011A	7/11	-	868,045	-	868,045	868,045
Unamortized Series 2009A premium		6,364	-	(6,364)	-	-
Unamortized Series 2011A premium		-	14,227	(6,521)	7,706	7,706
Total bond anticipation notes and unamortized premium		686,974	882,272	(693,495)	875,751	875,751
Total bonds and notes, net of unamortized discounts/premiums and deferred losses		$ 3,028,225	882,272	(752,418)	3,158,079	937,184
Other Long-Term Liabilities:						
Claims liability		226	1,630	(150)	1,706	1,706
Postemployment benefit obligation		193,603	75,122	(23,806)	244,919	-
Compensated absences		10,323	923	-	11,246	-
Environmental remediation obligation		1,940	4,480	(2,813)	3,607	2,487
Total other long-term liabilities		$ 206,092	82,155	(26,769)	261,478	4,193
Total classified as current						941,377

(6) Long Term Liabilities, Continued

The debt service requirements for the Authority's bonds, net of unamortized discounts/premiums and deferred loss on advanced and current refunding, as of December 31, 2011 are as follows (in thousands):

Due	Principal	Interest	Total
2012	$ 59,085	$ 107,181	$ 166,266
2013	61,795	104,306	166,101
2014	64,835	101,301	166,136
2015	67,805	98,358	166,163
2016	70,720	95,239	165,959
2017 - 2021	406,685	421,612	828,297
2022 - 2026	517,420	307,748	825,168
2027 - 2031	659,975	161,789	821,764
2032 - 2036	274,490	31,149	305,639
2037	34,495	862	35,357
Unamortized discounts/premiums	92,506	-	92,506
Deferred loss on refundings	(27,483)	-	(27,483)
	$2,282,328	$1,429,545	$3,711,873

General Revenue Bonds - Series F: During March 2005, the Authority issued $624,570,000 in General Revenue Bonds - Series F which provided funds to: (1) refund $444,205,000 in outstanding Series B, D, and E Bonds (for a net present value savings of $18,587,000); (2) refund $150,000,000 in outstanding General Revenue Bond Anticipation Notes - Series CP-1; (3) provide funds for the Authority's Capital Plan; (4) make a deposit to the Senior Debt Service Reserve Fund; and (5) pay bond issuance costs.

The General Revenue Bonds Series F are comprised of both serial and term bonds, with varying rates and maturities. Amounts outstanding at December 31, 2011 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.50% to 5.25%	2012 - 2026	$ 476,990
Term Bonds	4.5%	2030	2,915
Term Bonds	5.0%	2030	63,740
			$ 543,645

(6) Long Term Liabilities, Continued

Principal payments under the Series F Serial Bonds began in January 2006. The Series F Term Bonds require sinking fund installments, beginning in the year 2027, through the year 2030, of amounts ranging from $725,000 to $31,105,000 annually. The Series F Bonds are callable at the option of the Authority, in whole or in part, beginning January 1, 2015 at par plus accrued interest.

General Revenue Bonds - Series G: During September 2005, the Authority issued $738,925,000 in General Revenue Bonds - Series G which provided funds to: (1) retire $525,000,000 in General Revenue Bond Anticipation Notes - Series CP-2 and 2004A; (2) fund a portion of the Authority's Multi-Year Capital Plan; (3) make a deposit to the Senior Debt Service Reserve Fund; and (4) pay bond issuance costs.

The Series G Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2011 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	3.50 to 5.25%	2012 - 2029	$ 323,535
Term Bonds	4.75%	2030	80,000
Term Bonds	5.0%	2030	88,770
Term Bonds	5.0%	2032	244,330
			$ 736,635

Principal payments under the Series G Serial Bonds began in January 2007. The Series G Term Bonds require sinking fund installments, in 2028 and in 2030 through the year 2032, in amounts ranging from $30,000,000 to $125,145,000 annually. The Series G Bonds are callable at the option of the Authority, in whole or in part, beginning July 1, 2015 at par, plus accrued interest.

(6) Long Term Liabilities, Continued

General Revenue Bonds - Series H: During October 2007, the Authority issued $1,008,910,000 in General Revenue Bonds - Series H which provided funds to: (1) refund $450,045,000 in then outstanding Series E Bonds (for a net present value savings of $18,429,000); (2) fund a portion of the Authority's Multi-year Capital Plan; (3) make a deposit to the Reserve Maintenance Fund; (4) make a deposit to the Senior Debt Service Reserve Fund; and (5) pay bond issuance costs.

The Series H Bonds are comprised of both Serial Bonds and Term Bonds, with varying rates and maturities. The amounts outstanding at December 31, 2011 are as follows:

Type	Rates	Maturity	Amount (in thousands)
Serial Bonds	4.0% to 5.0%	2012 - 2030	$ 727,445
Term Bonds	5.0%	2032	52,765
Term Bonds	5.0%	2037	156,815
			$ 937,025

Principal payments under the Series H Serial Bonds began in January 2009. The Series H Term Bonds require sinking fund installments, beginning in the year 2031, through the year 2037, of amounts ranging from $25,740,000 to $34,495,000 annually. The Series H Bonds are callable at the option of the Authority, in whole or in part, beginning January 1, 2018 at par plus accrued interest.

General Revenue Bonds - Revenue Pledge and Security: The 2005 (Series F), 2005 (Series G) and 2007 (Series H) General Revenue Bonds are all direct obligations of the Authority, secured by a pledge of tolls and other revenue as established under the Bond Resolution. In accordance with the Bond Resolution, a Senior Debt Service Reserve Fund was established to be funded with cash and/or surety in an amount equal to the maximum aggregate debt service for any 12 month period. At both December 31, 2011 and 2010, the Senior Debt Service Reserve Fund, which may be used should amounts in the Senior Debt Service Fund be insufficient to pay debt service payments, was fully funded.

General Revenue Bond Anticipation Notes: During July 2011, the Authority issued $868,045,000 in General Revenue Bond Anticipation Notes - Series 2011A to provide funds to: (1) retire $680,610,000 in General Revenue Bond Anticipation Notes - Series 2009A; (2) fund a portion of the Authority's Multi-Year Capital Plan; and (3) pay bond anticipation notes issuance costs. The General Revenue Bond Anticipation Notes - Series 2011A mature on July 12, 2012 and pay an interest rate of 2.0%.

(7) Special Bond Programs

The Authority's special bond programs, and the related projects and activities, are entirely separate from the Authority's financing, operation, and maintenance of the Thruway System. As such, these special bond programs are not reflected in the accompanying financial statements. The special bond programs require varying debt service payments which are funded under contractual agreements with the State of New York. The obligation of the State to make such payments is subject to, and dependent upon, annual appropriations by the State Legislature. These bond programs, however, result in no cost to the Authority and provide for no lien on Authority revenues or assets. The following are descriptions of the Authority's special bond programs:

Local Highway and Bridge Service Contract Special Bond Program - The Legislature of the State of New York empowered the Authority to issue Local Highway and Bridge Service Contract Bonds, also known as the Consolidated Local Street and Highway Improvement Program (often referred to as the CHIPS Program) to provide funds to reimburse municipalities and other project sponsors throughout the State for qualifying local highway, bridge and multi-modal capital project expenditures under established State programs. There were no new series of Local Highway and Bridge Service Contract Bonds issued in 2011. The Authority receives funds from New York State for debt service on these bonds and to fund related administrative costs. Bonds outstanding under this program were $1,075,775,000 and $1,255,200,000 at December 31, 2011 and 2010, respectively.

Highway and Bridge Trust Fund Bond Program - The Legislature of the State of New York empowered the Authority to issue Highway and Bridge Trust Fund Bonds to reimburse the State for expenditures made by the State's Department of Transportation in connection with the State's Multi-Year Highway and Bridge Capital Program. In June 2011, the Authority issued $445,000,000 of Highway and Bridge Trust Fund Bonds to fund State Department of Transportation expenditures and to refund $43,725,000 in previously issued bonds for a net present value savings of $1,660,750 for the State. The Authority receives funds from New York State for debt service on these bonds and related administrative costs. Bonds outstanding under this program were $7,122,775,000 and $7,267,105,000 at December 31, 2011 and 2010, respectively.

State Personal Income Tax Revenue Bonds (Transportation) - The Legislature of the State of New York empowered the Authority to issue Personal Income Tax (PIT) Revenue Bonds to provide funds to municipalities and other project sponsors throughout the State for qualifying local highway, bridge and multi-modal capital project expenditures under established State programs. In September 2011, the Authority issued $351,895,000 of State Personal Income Tax Revenue Bonds to fund qualifying projects. The Authority receives funds from New York State for debt service on the bonds and related administrative costs. Bonds outstanding under this program were $2,872,245,000 and $2,630,455,000 at December 31, 2011 and 2010, respectively.

(8) Retirement Benefits

The Authority provides its retirees certain retirement benefits made available to participating employers by the New York State Retirement and Social Security Laws, including Chapters 1046 and 1047 of the Laws of 1973.

The Authority participates in the New York State and Local Employees' Retirement System (ERS) for Authority employees and the Police and Fire Retirement Systems (PFRS) for New York State Police assigned to the Authority. Both ERS and PFRS are cost-sharing multiple-employer retirement systems that provide retirement benefits as well as death and disability benefits. These benefits are provided in accordance with the New York State Retirement and Social Security Law (NYSRSSL), which also governs obligations of employers and employees to contribute. The benefits to employees are guaranteed under the State constitution. The Authority's election to participate in the State plans is irrevocable.

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of ERS and PFRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of ERS and PFRS and for the custody and control of their funds. ERS and PFRS issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244-0001.

ERS and PFRS Tiers I through IV are noncontributory except for employees with less than 10 years of service who contribute 3% of their salary and Tier V employees who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates, expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers.

The rates billed by the Comptroller for ERS during the year ended December 31, 2011 ranged from 12.7% to 21.5% and during the year ended December 31, 2010 ranged from 9.1% to 15.3%. The PFRS is paid as part of a fringe benefit rate billed to the Authority for the State Police. The PFRS benefit rates billed were 12.03% for April through December 2011, 12.78% for April 2010 through March 31, 2011, and 8.82% for January through March 2010.

The approximate required contributions for the current year and two preceding years were as follows (in thousands):

	ERS	PFRS
2011	$ 37,698	$ 3,912
2010	19,940	4,054
2009	13,135	3,409

The Authority's contributions in 2011 and 2010 were equal to 100% of the contributions required for the period.

(8) Retirement Benefits, Continued

In 2010, the Authority offered a Retirement Incentive Program to employees who met certain eligibility requirements. Approximately 10% of the Authority's total workforce elected to retire from service under this program. The Authority is responsible for contributing a surcharge to the ERS for each employee who participated in the program. The surcharge of approximately $13.4 million is reflected as a special item on the statement of revenues, expense and changes in net assets in 2010 and was paid in 2011.

(9) Other Postemployment Benefits

The Authority reports its Other Postemployment Benefits in compliance with GASB Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." Statement No. 45 requires governmental entities, including the Authority, to recognize in its financial statements the financial impact of postemployment benefits, principally employer funded health care and death benefits which the Authority provides for retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Authority.

The following table summarizes the Authority's valuation of Other Postemployment Benefit (OPEB) costs and obligations at December 31, 2011 and 2010 (in thousands):

	2011			2010
	Thruway Authority	Canal Corporation	Total	Total
Present value of future benefit payments	$ 1,133,618	$ 216,771	$ 1,350,389	$ 1,326,825
Unfunded accrued liability	862,841	158,500	1,021,341	1,026,418
Annual required contribution (30 year amortization)	63,907	12,791	76,698	73,528
Annual OPEB cost	62,610	12,512	75,122	72,916
Valuation payroll	133,021	23,792	156,813	171,242
Annual OPEB expense (as % of payroll)	47.1%	52.6%	47.9%	42.6%
Expected benefit payment	20,558	3,248	23,806	22,592

Actuarial valuations, the most recent of which was completed as of December 31, 2011, involve estimates and assumptions about the probability of events far into the future and are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. These calculations are designed to reduce short term volatility in actuarial accrued liabilities. Projected benefits are based on the types of benefits provided at the time of each valuation and on the cost sharing provisions then in effect.

(9) Other Postemployment Benefits, Continued

The Authority participates, pursuant to the provisions of Section 163(4) of the New York State Civil Service Law, in the New York State Health Insurance Program (NYSHIP), an Agent Multiple-Employer plan. NYSHIP is administered through the Department of Civil Service and the Authority pays the cost of administration.

NYSHIP does not currently issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. The Authority's specific obligation to pay OPEB costs is dependent on the employee's date of hire and labor agreement. Certain retiree costs, described below, are first applied against the value of the retiree's existing sick leave bank balance. A plan summary follows:

(a) Plan Types
Medical - New York State Health Insurance Program which includes participation in various insurance plans and HMO's and which also includes drug coverage. Details may be found in the Summary Program Description of the New York State Health Insurance Program Booklet.

Medicare Part B Reimbursement - The Thruway Authority and Canal Corporation reimburse the retiree and his/her Medicare eligible spouse for the Medicare Part B premium.

(b) Eligibility
At least 55 years old with 5 years of service if date of hire is before April 1, 1975 or 10 years of service if date of hire is after April 1, 1975.

(c) Benefit/Cost Sharing
The Authority contributes 80% - 100% of costs for retirees and 75% - 80% for a retiree's spouse.

(d) Spouse Benefit - Yes

(e) Surviving Spouse Benefit - Coverage continues

(f) Survivor Benefit - $3,000 payable to retiree's designated beneficiary.

(g) Funding Policy
The obligations of the plan members, employers and other entities, are established by action of the Authority pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The Authority currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

(9) Other Postemployment Benefits, Continued

The following summary schedule presents the Annual OPEB Cost and Net OPEB Obligation for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Normal cost	$ 28,629	25,691	25,065
Amortization of unfunded actuarial accrued liability	45,679	45,443	42,362
Interest	2,390	2,394	2,293
Annual required contribution (ARC)	76,698	73,528	69,720
Interest on net OPEB obligation	7,415	5,731	3,762
Adjustment to ARC	(8,991)	(6,343)	(4,059)
Annual OPEB cost	75,122	72,916	69,423
Contribution/expected benefit payment	(23,806)	(22,592)	(20,201)
Increase in net OPEB obligation	51,316	50,324	49,222
Net OPEB obligation at beginning of year	193,603	143,279	94,057
Net OPEB obligation at end of year	$ 244,919	193,603	143,279

The annual OPEB costs are recorded in the Authority's 2011 and 2010 statements of revenue, expenses, and changes in net assets in the amount of $75,122,000 and $72,916,000, respectively. The Thruway Authority OPEB costs are recorded as a component of general charges and the Canal Corporation OPEB costs are recorded as a component of Canals. The net OPEB obligation is recorded in the Authority's statements of net assets as a component of other long-term liabilities in the amount of $244,919,000 and $193,603,000, at December 31, 2011 and 2010, respectively.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 through 2011 are as follows (in thousands):

	Annual OPEB cost			Cost contributed			Net OPEB obligation		
Year Ending	Thruway	Canal Corporation	Total	Thruway	Canal Corporation	Total	Thruway	Canal Corporation	Total
12/31/09	$ 58,259	$ 11,164	$ 69,423	30.3%	22.6%	29.1%	$ 117,867	$ 25,412	$ 143,279
12/31/10	61,164	11,752	72,916	32.2%	24.9%	31.0%	159,365	34,238	193,603
12/31/11	62,610	12,512	75,122	32.8%	26.0%	31.7%	201,417	43,502	244,919

(9) Other Postemployment Benefits, Continued

The following are the actuarial methods and assumptions used in calculating the obligations related to the Authority postemployment benefit plan:

Funding interest rate	3.83%
2011 trend rate (Med/Rx)	10%
Ultimate Medical/Rx cost trend rate	5%
Year ultimate trend rate reached	2018
Annual payroll growth rate	2.50%
Actuarial cost method	Attained age
Remaining amortization period at December 31, 2011	25 years
Amortization method	30 year level percentage of payroll

(10) Contingencies and Commitments

(a) Claims and Litigation

The Authority is a party to various legal proceedings, including negligence suits, some of which involve death or serious injury. Many of these actions arise in the normal course of the Authority's operations. The Authority records accruals for claims liability to the extent that management concludes their occurrence is probable and the related damages are estimatable. If the range of the liability is probable and estimatable, the Authority accrues the amount most likely to be paid.

Changes in the Authority's claims liability amounts in years 2009 through 2011 were as follows (in thousands):

	Beginning of Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	End of Year Liability
2009	$ 11,789	1,070	(11,239)	$ 1,620
2010	1,620	(99)	(1,295)	226
2011	226	1,630	(150)	1,706

In addition, there are claims where liability is not probable, but is possible and estimatable. The range of loss on these claims approximated $6.8 million to $9.5 million at December 31, 2011.

(10) Contingencies and Commitments, Continued

(a) Claims and Litigation, Continued

Certain other claims cannot be estimated as they involve complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages cannot be determined.

(b) Insurance

Loss of revenues is insured through a use and occupancy policy that covers any interruption in excess of 15 days. Property damage to bridges is insured through various policies from major insurance companies equal to the maximum probable loss from a single occurrence (with deductibles ranging from \$2.5 million to \$5.0 million). In addition, the Authority purchases insurance for workers' compensation benefits and various liability exposures.

The Authority is self-insured for property damage to substantially all buildings and vehicles. The Authority is also self insured for third party liability, including automobile liability. There are two funded reserves for these exposures, a \$2.5 million insurance fund available to fund certain deductibles and a reserve for public liability claims, which currently totals \$9.9 million.

Insurance for the Authority's service area facilities is provided by the concessionaires. The liability related to construction projects, tandem trailer operations, authorized garage operations and similar risk is transferred through contractual indemnification and compliance with Authority insurance requirements.

(c) Construction Commitments

At December 31, 2011, the amounts of remaining unexpended commitments for projects undertaken and the detail by type of contract are as follows:

Project	Commitments (in thousands)
Highway, bridge and facility, construction and design	$ 416,000
Personal service and miscellaneous	180,700
Canal	39,400
Total	$ 636,100

(10) Contingencies and Commitments, Continued

(d) Environmental Remediation

The Authority has adopted GASB Statement No. 49 - "Accounting and Financial Reporting for Pollution Remediation Obligations." Statement No. 49 requires governmental entities, including the Authority, to disclose the nature and estimated cost for environmental remediation obligations. At December 31, 2011, the Authority recorded in its financial statements a cost estimate for environmental remediation of a number of sites on Thruway Authority and Canal Corporation property. These sites have been identified by the New York State Department of Environmental Conservation as locations where operational uses have contributed to various forms of environmental pollution. The estimated costs were developed by Authority engineers and remedial contractors based on the nature of remediation needed and comparable clean-up costs at similar sites and updated for payments made and changes to estimated costs as of December 31, 2011. Estimating environmental remediation obligations requires that a number of assumptions be made. Therefore, it is possible that project cost changes due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies and other factors could result in revisions to these estimates. Work has been completed at a few locations and progress payments at others have been made in 2011.

At December 31, 2011, the Authority has estimated its environmental remediation obligations, net of expected recoveries from other responsible parties, as follows (in thousands):

	Beginning of year liability	Current year Estimate changes	Current year Payments made	End of year liability
2010	$ 7,331	(1,604)	(3,787)	$ 1,940
2011	1,940	4,480	(2,813)	3,607

(e) Lease Revenue

The Authority has entered into various non-cancelable contracts with concessionaires to provide patron services on the Thruway System. These contracts provide the Authority with concession revenue, including minimum rentals and contingent revenues based on sales volume. The Authority also leases land, used for antennas and fiber optic cable, under various non-cancelable contracts. Concession contract terms generally range from 16 to 25 years, inclusive of renewal options. Radio tower contract terms generally range from 5 to 10 years, with renewal options up to 10 years, and fiber optic contract terms range from 17 to 20 years.

(10) Contingencies and Commitments, Continued

(e) Lease Revenue, Continued

The following schedule summarizes the future minimum rental revenues to be earned as of December 31, 2011:

Year	Future Minimum Lease Revenue (in thousands)
2012	$ 13,000
2013	13,800
2014	13,500
2015	13,600
2016	13,900
Thereafter	37,000
Total	$ 104,800

(11) Extraordinary Item – 2011 Floods

In August and September of 2011, Hurricane Irene and Tropical Storm Lee caused significant damages to the Canal System. This included structural damage to moveable dams, scouring around approach walls, destroyed buildings, massive ground erosion, as well as electrical, dock and other miscellaneous damages. The vast majority of these damages occurred on the Erie Canal between Locks E-8 in Schenectady County and E-13 in Montgomery County. Governmental Accounting Standards Board Statement 42 (GASB 42) defines the accounting and reporting rules related to the impairment of capital assets. In accordance with GASB 42, we identified the Canal assets that were destroyed or significantly damaged by the storms and have written down their net book value by approximately $9.3 million as an extraordinary item. The estimated cost to repair storm damage on the Canal System is $100 million, and through December 31, 2011, we have spent approximately $5.8 million.

These storms also caused damages to the Thruway System, however, no Thruway assets were damaged to the extent of requiring a write down. The estimated costs to repair storm damage on the Thruway System is $10 million and through December 31, 2011, approximately $3.5 million has been spent.

The Authority is pursuing reimbursement of eligible repair costs through the U.S. Department of Homeland Security and the U.S. Department of Transportation.

NEW YORK STATE THRUWAY AUTHORITY
(A Component Unit of the State of New York)
Required Supplementary Information

Schedule of Funding Progress
Other Postemployment Benefits
(In millions of dollars)

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage covered payroll ((b-a)/c)
December 31, 2011	$ -	$ 1,021	$ 1,021	0.0%	$ 157	650.3%
December 31, 2009	-	982	982	0.0%	167	588.0%
December 31, 2007	-	985	985	0.0%	160	615.6%

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board
New York State Thruway Authority:

We have audited the financial statements of the New York State Thruway Authority (the Authority) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Members of the Board of the New York State Thruway Authority, management of the Authority, United States Department of Transportation and the New York State Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 12, 2012

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INDEPENDENT ACCOUNTANTS' REPORT ON INVESTMENT COMPLIANCE

Members of the Board
New York State Thruway Authority:

We have examined the New York State Thruway Authority's (the Authority) compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended December 31, 2011. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2011.

In accordance with Government Auditing Standards, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Authority's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Authority complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Members of the Board of the New York State Thruway Authority, management of the Authority, the New York State Legislature, the New York State Office of the State Comptroller, the New York State Senate, the New York State Division of the Budget, and the New York State Authorities Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 12, 2012

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following is a general summary of certain provisions of the Bond Resolution[1]. This summary is not to be considered a full statement of the terms of the Bond Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Copies of the Bond Resolution are available at the office of the Authority.

Definitions

The following are definitions in summary form of certain terms contained in the Bond Resolution and used in this Official Statement:

"Accrued Debt Service" means, as of any date of calculation, the amount of Debt Service that has accrued with respect to any Series of Bonds, calculating the Debt Service that has accrued with respect to each Series of Bonds as an amount equal to the sum of (1) the interest on the Bonds of such Series that has accrued and is unpaid and that will have accrued by the end of the then current calendar month, including, to the extent not otherwise provided in a Supplemental Resolution, all net amounts due and payable by the Authority and all net amounts to accrue to the end of the then current calendar month pursuant to a Qualified Swap, Qualified Reverse Swap or Parity Reimbursement Obligation; and (2) that portion of the Principal Installments for such Series next due which would be accrued (if deemed to accrue in the manner set forth in the definition of "Debt Service") to the end of such calendar month; provided that the definition of Accrued Debt Service for any Series of Variable Interest Rate Bonds shall be set forth in the applicable Supplemental Resolution.

"Act" means the New York State Thruway Authority Act, Title 9 of Article 2 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as it may be amended from time to time.

"Additional Bonds" means additional Series of Bonds authenticated and delivered on original issuance pursuant to the Bond Resolution.

"Additional Project" shall mean any Other Authority Project designated as an Additional Project by the Authority and in respect of which there has been submitted to the Trustee the documents required by the Bond Resolution and any New Interchange or New Extension; and once designated as an Additional Project, any subsequent Facility Capital Improvements related thereto. See "Additional Projects" hereinafter.

"Additional Project Revenues" means Revenues derived from Additional Projects. "Additional Project Revenues" shall not include the proceeds of any gifts, grants or other income to the Authority from the government of the United States or the State, any public instrumentality of the State or any other individual or entity, to the extent the Authority is precluded by law, the grant or other operative contract or instrument from applying such amounts to the general corporate purposes of the Authority.

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[1] Omitted from this summary is mention of most of the provisions of the Bond Resolution respecting the Authority's "Guaranteed Bonds" (the last maturity of which was paid in 1995), "Prior General Revenue Bonds" (the outstanding balance of which was refunded in 1992 by the first issue of Bonds under the Bond Resolution) and the Restaurant Concession Bonds (the final maturity of which was January 1, 2006 and which are no longer Outstanding).

"Aggregate Debt Service" means, for any period and as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds then Outstanding.

"Authority Engineer's Certificate" means, in the sole discretion of the Authority, (i) an Independent Consultant's Certificate (delivered by an Independent Consultant that is a licensed professional engineer) or (ii) a certificate or an opinion signed by a licensed professional engineer employed by the Authority, having knowledge and expertise with respect to the subject matter of such certificate or opinion, and selected by the Authority to deliver such certificate or opinion.

"Authorized Newspaper" means The Bond Buyer or any newspaper customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York, designated by the Authority.

"Authorized Officer" means any member of the Authority Board, its Treasurer, any Assistant Treasurer, its Secretary, any Assistant Secretary, its Executive Director, its Director of Thruway Finance and any other person authorized by a resolution or the by-laws of the Authority to perform the act or execute the document in question.

"Bond" or "Bonds" means any bond or bonds payable from amounts in the Senior Debt Service Fund or, to the extent provided in a Supplemental Resolution, any other indebtedness of the Authority payable from amounts in the Senior Debt Service Fund, which indebtedness may include, but is not limited to, any additional payment obligations in connection with a Qualified Swap, a Qualified Reverse Swap, a Parity Reimbursement Obligation or a capital lease undertaken in connection with the issuance of certificates of participation; provided, however, that such terms shall not include any Bond Anticipation Notes, Junior Indebtedness or Subordinated Indebtedness.

"Bondholder," "Holder" or "Holder of Bonds," or any similar term, means any person who shall be the registered owner of any Outstanding Bond or Bonds.

"Business Day" means a day of the year which is not a Saturday, Sunday or legal holiday in the State and not a day on which the Authority, State offices, the Trustee, Paying Agent or provider of a Credit Facility or Reserve Credit Facility are authorized or obligated to close.

"Certificate of Determination" means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds in accordance with the delegation of power to do so under a Supplemental Resolution.

"Code" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Bond Resolution, including the Bonds or the use of Bond proceeds.

"Cost or Costs of Issuance" means the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense may include, but are not limited to, Authority expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Reserve Credit Facilities, Qualified Swaps, Qualified Reverse Swaps and other similar financial arrangements, costs and expenses of refunding such Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Authority.

"Credit Facility" means any letter of credit, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument which is issued by a financial, insurance or other institution and which provides security or liquidity in respect of the Bonds of any Series (and with respect to a policy of bond insurance, guarantees the payment of principal of and interest on the Bonds), not including any Reserve Credit Facility.

"Date of Completion" means (i) in the case of the construction of any vehicular bridge or road, the date on which such bridge or road is opened to vehicular traffic (as evidenced by an Authority Engineer's Certificate), and (ii) in any other case, the date on which the acquisition, construction, improvement, reconstruction or rehabilitation of a Facility is completed (as evidenced by an Authority Engineer's Certificate).

"Debt Service" for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on the Bonds of such Series, including, to the extent not otherwise provided in a Supplemental Resolution, all net amounts due and payable by the Authority and all net amounts to accrue to the end of such period pursuant to a Qualified Swap, Qualified Reverse Swap or Parity Reimbursement Obligation, and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment payment date for such Series (or, if there shall be no such preceding Principal Installment payment date, from a date one year prior to the due date of the first Principal Installment of the Bonds of such Series); provided, however, that in calculating Aggregate Debt Service for purposes of the calculation of "Net Revenue Requirement" in connection with the test for the issuance of Additional Bonds and Refunding Bonds, the rate covenant and the test for an Other Authority Project to become an Authority Project, Debt Service on Outstanding Bonds for which the Authority has entered into a Qualified Swap shall be calculated assuming that the interest rate on such Bonds shall equal the stated fixed rate on the Qualified Swap. Such interest and Principal Installments shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, provided, however, that there shall be excluded from "Debt Service" (1) interest on Bonds to the extent that Escrowed Interest is available to pay such interest, (2) Principal Installments on Bonds to the extent that Escrowed Principal is available to pay such Principal Installments, and (3) interest funded from Bond proceeds to the extent that such amounts are held by the Trustee in the Senior Debt Service Fund for such purpose. *See* "Additional Bonds", "Tolls, Fees and Charges" and "Additional Projects".

"Defeased Municipal Obligations" means pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's and meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the Authority, the Trustee or the Paying Agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

(b) the municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

"Estimated Aggregate Debt Service" means, for any period and as of any particular date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds then Outstanding; provided, however, that in computing such Estimated Aggregate Debt Service, any particular Variable Interest Rate Bonds shall be deemed to bear at all times, to the maturity date thereof, the Estimated Average Interest Rate applicable thereto.

"Estimated Average Interest Rate" means as to any Variable Interest Rate Bonds the interest rate that would have been borne by such Bonds if such Bonds had been sold as fixed interest rate Bonds of the Authority (i) without the benefit of any credit enhancement and (ii) with the same final maturity or maturities (without giving effect to puts or tenders) as the Variable Interest Rate Bonds actually sold, as estimated by the Authority on the date of sale of such Bonds.

"Facilities" means the Original Project and any Additional Project (but not including an Other Authority Project that does not constitute an Additional Project).

"Facility Capital Improvements" means, as applicable to the Original Project or any Additional Project, as may be determined by the Authority Board to be necessary or appropriate, any construction, reconstruction, rehabilitation, widening (including construction of any parallel spans or thoroughfares to any existing Facility bridge or tunnel) or relocation thereof, any extraordinary repairs, modifications or improvements thereto or with respect to any portion thereof, or any incidental expansion thereof or incidental extension thereto, or with respect to any portion thereof, including:

(i) incidental connecting tunnels, bridges, overpasses and underpasses, as well as existing interchanges, new interchanges determined by the Authority Board to be necessary or appropriate for the proper operation of the applicable Facility in order to relieve congestion, to promote the efficient operation thereof, or to enhance the safe operation thereof; and

(ii) administration, storage and other buildings, toll facilities and equipment, entrance plazas, service areas and stations, barriers, machinery, equipment and other facilities relating to the construction, reconstruction, operation or maintenance of any Facility, acquisition of rights-of-way or other interests in real property necessary or appropriate for any of the activities described above in this definition.

"Fund" means any one of the funds created and established pursuant to the Bond Resolution.

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

"Independent Consultant" means an independent licensed professional engineer or firm of independent licensed professional engineers of recognized national standing (who may be an engineer or firm of engineers retained by the Authority for other purposes) selected by the Authority; provided, however, that in connection with an Additional Project, the Authority may, in a Supplemental Resolution, if it determines that the field of engineering is not the most appropriate professional discipline (in terms of knowledge and expertise in connection with such Additional Project) to deliver any Independent Consultant's Certificates required by the terms of the Bond Resolution, select members of another professional discipline, including but not limited to accounting, as appropriate, as an Independent Consultant in connection with such Additional Project; provided further that any members of such discipline thereafter selected by the Authority shall be independent and shall be of recognized national standing in such discipline.

"Independent Consultant's Certificate" means a certificate or an opinion signed and delivered by an Independent Consultant pursuant to the terms of the Bond Resolution.

"Interest Payment Date" means, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

"Investment Obligations" means, to the extent the same are at the time legal for investment of funds of the Authority under the Act or under other applicable law:

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

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

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

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

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

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

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

(h) any repurchase agreement for Government Obligations by the Authority or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protective Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if "primary reporting dealers" cease to be determined by the Federal Reserve Bank, such other comparable standard as the Authority shall implement pursuant to a Supplemental Resolution; provided, however, that the Government Obligations must be transferred to the Authority or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(i) commercial paper rated in the highest Rating Category by S&P and Moody's, and

(j) any other obligations from time to time permitted pursuant to the Act or other applicable law, provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds hereunder and the Bonds are then rated by Moody's or S&P, such obligation shall be rated in one of the two highest Rating Categories of each such rating agency or, if such obligation is not then rated by either rating agency, an obligation of comparable credit quality of the same issuer is rated in one of the two highest Rating Categories of such rating agency.

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

"Junior Indebtedness" means any evidence of indebtedness of the Authority payable out of the Junior Indebtedness Fund.

"Maximum Annual Debt Service" means, as of any date of calculation, an amount equal to the greatest amount of Aggregate Debt Service for the current or any future 12-month period. For purposes of this definition, interest with respect to any Variable Interest Rate Bonds shall be calculated using the Maximum Interest Rate with respect to such Bonds.

"Maximum Interest Rate" means, with respect to any particular Variable Interest Rate Bonds, a numerical rate of interest, which shall be set forth in the Supplemental Resolution authorizing such Bonds, that shall be the maximum rate of interest such Bonds may at any time bear; provided, however, that (a) should the Authority obtain insurance or other coverage which provides that any increase in the variable interest rate on any Variable Interest Rate Bonds above a threshold rate will be reimbursed or paid by the insurer or provider of such other coverage, such threshold rate will be deemed to be the Maximum Interest Rate and (b) with respect to fixed interest rate Bonds deemed to be Variable Interest Rate Bonds because of a Qualified Reverse Swap entered in connection therewith, the Maximum Interest Rate shall be (i) the fixed interest rate of such Bonds for so long as the aggregate Outstanding principal amount of all such fixed interest rate Bonds deemed to be Variable Interest Rate Bonds is less than or equal to 5% of the aggregate principal amount of all Bonds Outstanding, and (ii) otherwise shall be the maximum interest rate of such Qualified Reverse Swap. With respect to the immediately preceding clause (a), the insurer or provider of such other coverage providing such insurance policy or other coverage shall be an insurer or bank whose insurance policies or other coverage are rated in the highest Rating Category by S&P and Moody's.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporations shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

“Net Revenue Requirement” means, with respect to any period of time, an amount equal to the greater of (i) the sum of (A) Aggregate Debt Service, (B) amounts required to make deposits to the Senior Debt Service Reserve Fund, if any, (C) amounts required to make Reserve Maintenance Payments, and (D) amounts required to be deposited in the Junior Indebtedness Fund pursuant to the Supplemental Resolution or other Bond Resolution or agreement authorizing outstanding Junior Indebtedness or (ii) 1.20 times the sum of the Aggregate Debt Service for such period; provided, however, that “Aggregate Debt Service” for purposes of calculating the Net Revenue Requirement may be reduced by an amount equal to investment income on the Senior Debt Service Fund and on the Senior Debt Service Reserve Fund to the extent such investment income is required to be retained in or transferred to the Senior Debt Service Fund, as appropriate, pursuant to a Supplemental Resolution, such amount to be calculated at the rate per annum equal to the lesser of (A) the then current yield on five year obligations of the United States Treasury and (B) the actual income to be earned as estimated by an Authorized Officer.

“Net Revenues” for any period means the amount of the excess of the Revenues over the Operating Expenses during such period; provided, however, that in calculating such amount there shall be excluded from “Revenues” any amounts that (i) are subject to appropriation by the Congress of the United States, the Legislature of the State or any other legislative body of a governmental entity or (ii) are not reasonably expected by the Authority to recur annually in predictable amounts until the scheduled retirement at maturity or pursuant to Sinking Fund Installments of all Bonds Outstanding or then proposed to be Outstanding.

“New Extension” means an additional tolled roadway or an extension to or expansion of any Facility constituting a tolled roadway (including in either case tunnels and bridges), in each case which fully satisfies the requirements of the Bond Resolution and upon such satisfaction is designated by the Authority as an Additional Project; provided that such Additional Project shall be (i) within the jurisdiction and control of the Authority and (ii) undertaken for transportation or transportation-related purposes (including related necessary or appropriate economic development activities). *See* “Proposed New Interchanges and New Extensions”.

“New Interchange” means an interchange on any Facility constituting a tolled roadway which fully satisfies the requirements of the Bond Resolution and upon such satisfaction is designated by the Authority as an Additional Project; provided that such Additional Project shall be (i) within the jurisdiction and control of the Authority and (ii) undertaken for transportation or transportation-related purposes (including related necessary or appropriate economic development activities). See “Proposed New Interchanges and New Extensions”.

“Operating Expenses” means the expenses incurred for operation, maintenance and repair, ordinary replacement and ordinary reconstruction of any Facility or any part thereof and shall include, without limiting the generality of the foregoing, administrative expenses, premiums and reserves for insurance and self-insurance, fees or premiums for a Credit Facility, Reserve Credit Facility, Qualified Swap or Qualified Reverse Swap, legal and engineering expenses, payments into pension, retirement, health and hospitalization funds, and any other expenses associated with the rehabilitation and reconstruction of a municipal highway, under which passes any portion of the Original Project, and required to be paid by the Authority by Subdivision 4 of Section 359 of the Act, as in effect on August 25, 1992, all to the extent properly and directly attributable to the operation of the Original Project, and rental payments in connection with operating leases entered in the ordinary course of business, all to the extent properly and directly attributable to any Facility, and the expenses and compensation of the Fiduciaries required to be paid under the Bond Resolution; but does not include (i) any costs or expenses for new construction or for major reconstruction or (ii) any provision for interest, depreciation, amortization or similar charges.

"Original Project" means all New York State Thruway sections and connections constituting roads or bridges, authorized by the Act as in effect on, and open to traffic on the original date of adoption of the Bond Resolution, except the portion of I-84 in the State, together with any Facility Capital Improvements related thereto.

"Other Authority Project" means one or more facilities and other real and personal property, or any interest therein, which the Authority may now or hereafter be authorized to acquire, design, construct, maintain, operate, finance, improve, reconstruct, rehabilitate or otherwise undertake for transportation or transportation-related purposes (including related necessary or appropriate economic development activities). Each Other Authority Project shall be within the jurisdiction and control of the Authority and shall be designated as an Other Authority Project by a Supplemental Resolution adopted pursuant to the Bond Resolution, and if not so designated shall not become an Other Authority Project. Notwithstanding the foregoing, the following projects, to the extent authorized by law, shall in any event be deemed Other Authority Projects regardless of whether the Authority has jurisdiction and control of such projects and whether designated by a Supplemental Resolution: (1) the Inner Harbor project and the Intermodal Transportation Center in Syracuse; (2) the Horizons Waterfront project in Buffalo; (3) the Stewart International Airport Access project in Orange County and intended to provide direct access to Stewart International Airport from Interstate Route 84 in the vicinity of the airport; (4) the New York State Canal system; (5) the Thruway Exit 26 project in Schenectady County; and (6) the Tappan Zee Bridge Ferry Service project between Rockland County and Manhattan.

"Other Authority Project Cost" shall have the meaning set forth for such term in the definition of "Project Cost."

"Outstanding," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Bond Resolution except:

(i) Any Bond cancelled or delivered for cancellation at or prior to such date;

(ii) Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Bond Resolution; or

(iii) Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Bond Resolution.

provided, however, that, unless required pursuant to a Supplemental Resolution, a Qualified Swap, Qualified Reverse Swap or Parity Reimbursement Obligation shall not, by itself, increase the Outstanding principal amount of Bonds.

"Principal" or "principal" means (1) with respect to any capital appreciation bond, the accreted amount thereof (the difference between the stated amount to be paid at maturity and the accreted amount being deemed unearned interest), provided, however, when used in connection with (a) the authorization and issuance of Bonds and (b) the order of priority of payments of Bonds after an Event of Default, "Principal" or "principal" means the original principal amount of a capital appreciation bond (the difference between the accreted amount and the original principal amount being deemed interest), and provided further, however, that when used in connection with determining whether the Bondholders of the requisite principal amount of Outstanding Bonds have given any required consent, notice, waiver, request, demand, authorization, direction or notice, "Principal" or "principal" means the accreted amount, (2) with respect to any capital appreciation and current interest bond, the appreciated value thereof, and (3) with respect to any current interest bond, the principal amount of such bond payable at maturity.

"Principal Installment" means, as of any date of calculation and with respect to any Series, (a) the Principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts, in each case as specified in the Supplemental Resolution authorizing such Series, reduced by the Principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Bond Resolution of Sinking Fund Installments payable before such future date, plus the unsatisfied balance of any Sinking Fund Installment due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Installments in a principal amount equal to such unsatisfied balance, and (b) with respect to any amounts due under any Parity Reimbursement Obligation, the Principal amount of such amounts due under any Parity Reimbursement Obligation.

"Project Cost" with respect to any Facility, shall mean (i) the costs incurred or to be incurred by the Authority in connection with or incidental to the acquisition, design, construction, improvement, reconstruction or rehabilitation of such Facility, including legal, administrative, engineering, planning, design, studies, insurance costs and financing costs of such Facility (except to the extent such costs are funded from the proceeds of any indebtedness of the Authority, the payment of which is included as a Project Cost under clause (iii) below), (ii) amounts, if any, required by the Bond Resolution to be paid into any Fund or account upon the issuance of any Series, (iii) payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on Bond Anticipation Notes, (iv) costs of equipment and supplies and initial working capital and reserves required by the Authority for the commencement of operation of such Facility, (v) costs of acquisition by the Authority of real or personal property or any interest therein, including land required for relocation and relocation costs and land required for environmental mitigation, (vi) any other costs properly attributable to the acquisition, design, construction, improvement, reconstruction or rehabilitation of such Facility, including costs of any Facility Capital Improvements, and (vii) interest on Bonds during the estimated period of construction and for a reasonable period thereafter. As distinguished from Project Costs, any such costs incurred in connection with an Other Authority Project that has not been designated an Additional Project are referred to as "Other Authority Project Costs."

"Qualified Reverse Swap" means, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) that is entered into by the Authority in connection with Bonds bearing interest at a fixed rate of interest in the expectation of lowering the Authority's costs of incurring such indebtedness, (ii) that is entered into by the Authority for a term of more than five years, (iii) the net effect of which, together with the interest rate borne by such Bonds, is a variable rate of interest to the Authority during the term of such arrangement, and (iv) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Reverse Swap with respect to such Bonds.

"Qualified Swap" means, to the extent from time to time permitted pursuant to law, with respect to Bonds, any financial arrangement (i) that is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that the Authority shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal either to the principal amount of such Bonds of such Series or a notional principal amount relating to such Series, and that such entity shall pay to the Authority an amount based on the interest accruing on such actual or notional 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 Bonds) or that one shall pay to the other any net amount due under such arrangement or such other similar arrangement, the net effect of such arrangement and the interest rate borne by such Bonds is at all times a fixed interest rate to the Authority; (iii) which provides for a commencement date and a termination date identical to the term or remaining term of such Bonds, taking into account any conversion of Bonds from a variable interest rate to a fixed interest rate as a termination date; and (iv) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Swap with respect to such Bonds.

"Qualified Swap Provider" means, with respect to a Series of Bonds, an entity whose senior long term obligations, other senior long term obligations or claims paying ability or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated either (i) at least as high as A3 by Moody's, and A− by S&P, or the equivalent thereof by any successor thereto for so long as such rating agency is then maintaining a rating on the Bonds Outstanding, but in no event lower than any Rating Category designated by each such rating agency for the Bonds Outstanding subject to such Qualified Swap, or (ii) any such lower Rating Categories which each such rating agency then maintaining a rating on the Bonds Outstanding indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Bonds Outstanding subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

"Rating Categories" means one of the generic rating categories of either Moody's or S&P without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Rebate Amount" means, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

"Rebate Fund" means the Fund designated as the Rebate Fund established in the Bond Resolution.

"Record Date" means with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds or a Certificate of Determination relating thereto provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date.

"Redemption Date" means the date upon which Bonds are to be called for redemption pursuant to the Bond Resolution.

"Redemption Price" means, with respect to any Bonds, the Principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

"Refunding Bonds" means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to the Bond Resolution, on original issuance to refund Bonds or Junior Indebtedness or any Subordinated Indebtedness that was issued to finance or refinance Project Costs or Other Authority Project Costs, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Bond Resolution.

"Regulations" means the Income Tax Regulations promulgated by the Department of the Treasury from time to time.

"Reserve Credit Facility" means (a) any irrevocable, unconditional letter of credit issued by a bank or savings and loan association whose long-term uncollateralized debt obligations are rated in one of the two highest rating categories by each nationally recognized rating agency then rating any Series of Bonds, or if no Series of Bonds is then rated, by any nationally recognized rating agency, and (b) any insurance policy providing substantially equivalent liquidity as an irrevocable, unconditional letter of credit, and which is issued by a municipal bond or other insurance company, obligations insured by which are rated in one of the two highest rating categories by each nationally recognized rating agency then rating any Series of Bonds, or if no Series of Bonds is then rated, by a nationally recognized rating agency, and which is used, to the extent permitted under applicable law, including the Act, to fund all or a portion of the Senior Debt Service Reserve Fund Requirement.

"Reserve Maintenance Payments" means an amount described as such for a particular Authority fiscal year in the Authority Budget, which for each fiscal year of the Authority shall be an amount no less than the greater of (i) $30,000,000 or (ii) the amount specified in an Independent Consultant's Certificate for such Authority fiscal year (the amount so specified in each Authority Budget being the "Minimum Amount"); provided further that Reserve Maintenance Payments may not exceed an amount or amounts from time to time established by the Authority pursuant to a Supplemental Resolution (the "Maximum Amount"); provided further that any such Maximum Amount shall not be less than the Minimum Amount. For purposes of the tests set forth in the Bond Resolution for an Other Authority Project or for a New Interchange or a New Extension to become an Authority Project, for any period beyond the term of an Authority Budget, "Reserve Maintenance Payments" shall be based upon estimates provided in an Independent Consultant's Certificate. *See* "Additional Projects" and "Proposed New Interchanges and New Extensions"

"Revenues" means (i) all tolls, revenues, fees, charges, rent and other income and receipts derived from the operation, jurisdiction and control of the Facilities, (ii) the proceeds of any use and occupancy insurance relating to the Facilities and of any other insurance which insures against loss of Revenues, and (iii) investment income received on any moneys or securities held under the Bond Resolution other than investment income on amounts held in the Rebate Fund, Junior Indebtedness Fund or any other Fund to the extent the investment income from such Fund or any account thereof is not transferred to the Revenue Fund pursuant to the Bond Resolution. "Revenues" shall not include the proceeds of any gifts, grants or other income to the Authority from the government of the United States or the State, any public instrumentality of the State or any other individual or entity, to the extent the Authority is precluded by law, the grant or other operative contract or instrument from applying such amounts to Operating Expenses and Debt Service.

"S&P" means Standard & Poor's Ratings Services, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

"Senior Debt Service Reserve Fund Requirement" means, as of any date of calculation, an amount equal to the maximum amount of Aggregate Debt Service for any 12-month period (exclusive of accrued interest, if any) on all Outstanding Bonds secured by the Senior Debt Service Reserve Fund; provided that (i) with respect to Variable Interest Rate Bonds, interest on such Bonds shall be calculated at the Estimated Average Interest Rate until conversion to a fixed rate of interest at which time such requirement shall be recalculated in accordance with actual Debt Service thereafter due and payable for any ensuing 12-month period with respect to such Bonds and (ii) for the purposes of determining the amount required to be on deposit and thereafter maintained in the Senior Debt Service Reserve Fund with respect to any Series of Bonds the interest on which is excludable from gross income for federal income tax purposes, to the extent required to maintain the federal tax status of interest on such Bonds, the Senior Debt Service Reserve Fund Requirement shall at no time exceed the sum of the Senior Debt Service Reserve Fund Requirement immediately prior to the issuance of such Series and an amount equal to ten per centum (10%) of the proceeds (as such term is used in Section 148(d) of the Code) from the sale of such Series.

"Series" means all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds upon transfer of registration or exchange, partial redemption and amendment of the Bond Resolution regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Sinking Fund Installment" means, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Authority on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of such Bond.

"State" means the State of New York.

"Subordinated Indebtedness" means any evidence of indebtedness of the Authority payable out of amounts available in the General Reserve Fund.

"Supplemental Resolution" shall mean any Bond Resolution supplemental to or amendatory of the Bond Resolution, adopted by the Authority and becoming effective in accordance with the Bond Resolution.

"Term Bonds" means with respect to Bonds of a Series, the Bonds so designated in an applicable Supplemental Resolution or the applicable Certificate of Determination and payable from Sinking Fund Installments.

"Test Period" means a period of time consisting of the greater of (i) the next succeeding five Authority fiscal years and (ii) the period extending from the next succeeding Authority fiscal year through the second Authority fiscal year following the estimated Date of Completion of any Facility not then completed.

"Trustee" means a trustee appointed by the Authority pursuant to the Bond Resolution, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Bond Resolution.

"Variable Interest Rate Bonds" means Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate; provided, however, that Bonds bearing a variable rate of interest shall not be deemed Variable Interest Rate Bonds if (a) the Authority has entered into a Qualified Swap with respect to such Bonds (but only for so long as such Qualified Swap meets all requirements of a "Qualified Swap") or (b) each of the following conditions is met: (i) such Bonds are issued concurrently in equal principal amounts with other Bonds bearing a variable rate of interest, (ii) such Bonds and such other Bonds are required to remain Outstanding in equal principal amounts at all times, and (iii) the net effect of such equal principal amounts and variable interest rates is at all times a fixed interest rate to the Authority; provided further that, except for purposes of establishing the amount of the Senior Debt Service Reserve Fund Requirement, (1) Bonds bearing a fixed rate of interest shall be deemed Variable Interest Rate Bonds to the extent that the Authority has entered into a Qualified Reverse Swap and (2) the derivative rate of such arrangement shall be deemed to be the variable interest rate of such Bonds.

Bond Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Bond Resolution by those who shall hold the same from time to time, the Bond

Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the Bonds; and the pledge made in the Bond Resolution and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by the Bond Resolution.

The Pledge Effected by the Bond Resolution

The Bonds shall be direct and general obligations of the Authority, and the full faith and credit of the Authority are pledged for the payment of such principal, Redemption Price, interest, and Sinking Fund Installments.

There are pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds, in accordance with their terms and the provisions of the Bond Resolution, subject only to the provisions of the Bond Resolution permitting the application thereof (and to the subordination provisions set forth in the Bond Resolution) for the purposes and on the terms and conditions set forth in the Bond Resolution, (i) the proceeds of the sale of the Bonds, (ii) the Revenues and (iii) all Funds and accounts established by the Bond Resolution (except the Rebate Fund, the Junior Indebtedness Fund and, with respect to any Series of Bonds not secured by the Senior Debt Service Reserve Fund, the Senior Debt Service Reserve Fund), including the investments, if any, thereof. The pledge and lien created by the Bond Resolution for the Bonds is superior in all respects to any pledge or lien created for Junior Indebtedness or Subordinated Indebtedness.

General Provisions for Issuance of Bonds

The Bonds of each Series shall be executed by the Authority, authenticated by the Trustee and delivered to or upon the order of the Authority upon receipt by the Trustee, among other things, of a Counsel's Opinion to the effect that (i) the Authority has the right and power under the Act to adopt the Bond Resolution, and the Bond Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Bond Resolution is required, (ii) the Bond Resolution creates the valid pledge to the payment of the Bonds of the proceeds of sale of Bonds, the Revenues, the Funds and accounts established by the Bond Resolution (other than the Rebate Fund, the Junior Indebtedness Fund and, to the extent any Series of Bonds is not secured by the Senior Debt Service Reserve Fund, the Senior Debt Service Reserve Fund), and investment income on pledged Funds and accounts, subject to the provisions of the Bond Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Bond Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid, binding, direct and general obligations of the Authority payable as provided in, and enforceable in accordance with their terms and the terms of, the Bond Resolution and entitled to the benefits of the Act and the Bond Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act, as amended to the date of such Counsel's Opinion, and in accordance with the Bond Resolution; provided, however, that such Counsel's Opinion may be qualified to the extent that the enforceability thereof may be limited by bankruptcy, insolvency and similar laws affecting rights and remedies of creditors.

Additional Bonds

One or more Series of Additional Bonds may be authorized and delivered upon original issuance for the purpose of (i) paying the Project Costs (other than Project Costs provided for in clause (iii)), (ii) paying Other Authority Project Costs, to the extent permitted by subparagraph (B) below, and (iii) paying or providing for the payment of Project Costs of improvement, reconstruction or rehabilitation of one or more Facilities for the purpose of preventing a loss of Net Revenues derived from such Facilities, provided that such loss of Net Revenues would be the result of an emergency or some unusual or extraordinary occurrence and that proceeds of Additional Bonds would not be used for such purpose to the extent that insurance proceeds relating to such occurrence were then available.

(A) The Bonds of any such Series issued for purposes specified in the foregoing clauses (i) and (ii) above shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the other documents and moneys required by the Bond Resolution) of:

1. A certificate of an Authorized Officer setting forth (i) the Net Revenues for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the authentication and delivery of the Bonds of such Series, provided that if any adjustment of rates shall have been placed in effect during such 12-month period, such Net Revenues shall reflect the Revenues which an Independent Consultant's Certificate estimates in the certificate delivered pursuant to paragraph 3 below would have resulted had such rate adjustment been in effect for the entire 12-month period, and (ii) the Net Revenue Requirement for such 12 calendar months, which certificate shall demonstrate that such Net Revenues equal or exceed such Net Revenue Requirement;

2. A certificate of an Authorized Officer familiar with such matters and an Independent Consultant's Certificate, in each case stating whether, to the best of such party's knowledge, any federal, State or other agency is then projecting or planning the construction, improvement or acquisition of any highway or other facility which, in the opinion of such person or firm, may be materially competitive with any part of the Facilities, and the estimated date of completion of such highway or other facility;

3. An Independent Consultant's Certificate setting forth, for the then current Authority fiscal year and each of the Authority fiscal years in the Test Period, estimates of Revenues giving effect to (i) the placing in service of any Facility not yet placed in service and on the assumption that any competitive highway or other facility referred to in its certificate delivered pursuant to paragraph 2 above will be completed on the date therein estimated and will thereafter be in operation during the period covered by such estimates, (ii) any adjustment of rates which shall have been placed in effect subsequent to the beginning of the current Authority fiscal year, as if such toll, fee or charge adjustment had been in effect from the beginning of such Authority fiscal year until the effective date of any subsequent adjustment presumed necessary, and (iii) any adjustment of rates which, in the opinion of the Independent Consultant, would be practicable and necessary to comply with the provisions of the toll, fee and charge covenant in the Bond Resolution, as if such adjustment were to be in effect from its effective date to the effective date of any other such adjustment;

4. An Independent Consultant's Certificate setting forth (i) for the years and taking into account the assumptions specified for the Independent Consultant's Certificate pursuant to paragraph 3 above, estimates of the Operating Expenses giving effect to the placing in service of any Facility taken into account in paragraph 3 above, (ii) the estimated total Project Cost, and (iii) the estimated date of placing in service of any Facility taken into account in such paragraph 3; and

5. A certificate of an Authorized Officer setting forth (i) the estimated Net Revenues (based on the certificates delivered pursuant to paragraphs 3 and 4 above) for the current Authority fiscal year and each of the years in the Test Period giving effect to the placing in service of any Facility not yet placed in service and (ii) the opinion that such estimated Net Revenues for the current Authority fiscal year and each of the Authority fiscal years in the Test Period equal or exceed the estimated Net Revenue Requirement (based on the certificate delivered pursuant to paragraph 1 above and assuming the Maximum Interest Rate on any Variable Interest Rate Bonds) for each such year and that estimated Net Revenues in the last full Authority fiscal year of the Test Period equal or exceed Maximum Annual Debt

Service on all Bonds Outstanding immediately after the authentication and delivery of the Bonds being issued.

(B) Any Series of Additional Bonds to be issued for the purpose of financing or refinancing Other Authority Project Costs shall be issued only if, in addition to satisfying the conditions of subparagraph (A) above, the Maximum Annual Debt Service on all Outstanding Bonds issued for the purpose of financing or refinancing Other Authority Project Costs (after the issuance of such Series of Additional Bonds) shall be less than 20% of the amount of Net Revenues calculated pursuant to clause (A)(1)(i) above; provided that there shall not be counted in the calculation of such Maximum Annual Debt Service any Bonds initially issued to finance or refinance an Other Authority Project (1) if such Bonds are no longer Outstanding, (2) if such Other Authority Project has since been designated an "Additional Project" in accordance with provisions of the Bond Resolution, or (3) to the extent that the proceeds of such Bonds were used to finance Project Costs rather than Other Authority Project Costs, in accordance with the terms of the Bond Resolution.

(C) Any Series of Additional Bonds to be issued for the purpose described in clause (iii) of the first paragraph under this heading, shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the other documents and moneys required by the Bond Resolution) of an Independent Consultant's Certificate setting forth (i) in reasonable detail the improvement, reconstruction or rehabilitation for which such payment is to be made, (ii) the estimated Project Cost of such improvement, reconstruction or rehabilitation, (iii) the amounts reasonably expected to be available therefor from insurance proceeds, and (iv) that such improvement, reconstruction or rehabilitation is necessary to prevent a loss of Net Revenues derived therefrom, that such loss would result from an emergency or some unusual or extraordinary occurrence that has occurred and that insurance proceeds relating to such occurrence are not then available in amounts sufficient to improve, reconstruct or rehabilitate such Facility or Facilities to prevent such loss of Net Revenues.

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds, a portion of a Series of Outstanding Bonds, a portion of a maturity of a Series of Outstanding Bonds or any Junior Indebtedness or Subordinated Indebtedness that was issued to finance or refinance Project Costs or Other Authority Project Costs. The Authority Board by resolution of its members may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the Bond Resolution and of the Supplemental Resolution authorizing such Series of Refunding Bonds. Refunding Bonds of any Series issued to refund Outstanding Bonds shall be authenticated by the Trustee only upon satisfaction of the requirements of subparagraph (A) set forth under the heading "Additional Bonds" above or upon the receipt by the Trustee of, among other items, a certificate of an Authorized Officer (a) setting forth the Aggregate Debt Service (assuming with respect to any Variable Interest Rate Bonds a Maximum Interest Rate) for the then current and each future Authority fiscal year to and including the Authority fiscal year in which the latest maturity of any Bonds of any Series then Outstanding matures (i) with respect to the Bonds of all Series Outstanding immediately prior to the date of authentication and delivery of such Refunding Bonds, and (ii) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (b) demonstrating that the Aggregate Debt Service (assuming with respect to any Variable Interest Rate Bonds a Maximum Interest Rate) set forth for each Authority fiscal year pursuant to (ii) above is no greater than that set forth for such Authority fiscal year pursuant to (i) above.

Provisions Regarding Bonds Secured by a Credit Facility

The Authority may include such provisions in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Authority deems appropriate.

In addition, such Supplemental Resolution or applicable Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the issuer of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the issuer of a Credit Facility.

In connection therewith the Authority may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

The Authority may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation shall be created, for purposes of the Bond Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation (a "Parity Reimbursement Obligation") may be secured by a pledge of, and a lien on, Revenues on a parity with the lien created by the Bond Resolution. Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

Bond Anticipation Notes

Whenever the Authority shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Authority Board may by resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only (i) from the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) from the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) from any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) from the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Bond Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Bond Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued.

Redemption of Bonds

In the case of any redemption of Bonds of a Series at the election of the Authority, or on a mandatory basis, such Bonds may be redeemed at the option of the Authority, or on a mandatory basis, as provided in the Supplemental Resolution authorizing such Bonds or the Certificate of Determination. In addition, pursuant to the Act, the State may, upon furnishing sufficient funds therefor, require the Authority to redeem, prior to maturity, as a whole, any Series of Bonds on any interest payment date not less than fifteen years after the date of issuance of such Bonds at one hundred four per centum of their face value and accrued interest or at such lower redemption price as may be provided in the Bonds in case of the redemption thereof as a whole on the redemption date.

Funds and Revenues

The Bond Resolution establishes the following Funds, to be held as set forth below:

1. Revenue Fund, to be held by the Authority;

2. Operating Fund, to be held by the Authority;

3. Senior Debt Service Fund, to be held by the Trustee;

4. Senior Debt Service Reserve Fund, to be held by the Trustee;

5. Reserve Maintenance Fund, to be held by the Authority;

6. Junior Indebtedness Fund, to be held as determined in the applicable Supplemental Resolution, indenture or other agreement;

7. Facilities Capital Improvement Fund, to be held by the Authority;

8. Other Authority Projects Operating Fund, to be held by the Authority;

9. General Reserve Fund, to be held by the Authority;

10. Rebate Fund, to be held by the Authority; and

11. Construction Fund, to be held by the Authority.

Revenue Fund

The Authority shall pay into the Revenue Fund all Revenues as received, and on or before the last Business Day of each month, the Authority shall, out of the moneys in the Revenue Fund, pay into the Operating Fund all amounts required for reasonable and necessary Operating Expenses and reserves for Operating Expenses and working capital. The Authority shall, out of the moneys remaining in the Revenue Fund after the deposit to the Operating Fund on or before the last Business Day of each month allocate, transfer and apply the balance in the Revenue Fund as of the last day of the preceding month, to the extent sufficient therefor, as follows, but as to each transfer mentioned, only within the limitation indicated below and only after maximum payment within such limitation to the purposes and into the Funds in the following tabulation:

1. To the Trustee for deposit in the Senior Debt Service Fund, if and to the extent required so that the balance in the Senior Debt Service Fund shall be at least equal to Accrued Debt Service for all

Bonds Outstanding as of the last day of such month, after taking into account any other amounts available for payment of Debt Service, including any amounts representing investment earnings retained in the Senior Debt Service Fund or transferred from the Senior Debt Service Reserve Fund;

2. To the Trustee for deposit in the Senior Debt Service Reserve Fund, if and to the extent required so that the balance in said Fund shall equal the Senior Debt Service Reserve Requirement for all Bonds secured by such Fund and Outstanding on said date;

3. To the Reserve Maintenance Fund, amounts such that (a) on or before the first day of the seventh month of the Authority's fiscal year there shall have been deposited an amount equal to or greater than one-half of the amount, and (b) on or before the last day of the Authority's fiscal year there shall have been deposited an amount equal to or greater than the full amount, in each case provided in the Authority Budget for the applicable fiscal year for Reserve Maintenance Payments, plus accrued deficits, if any, with respect to prior required allocations to such Fund;

4. To the Junior Indebtedness Fund, if and to the extent required so that the balance in said Fund shall equal the amounts required to be deposited therein by the Supplemental Resolution or other indenture or agreement authorizing the issuance of Junior Indebtedness outstanding on said date;

5. To the Facilities Capital Improvement Fund, in the amounts and at the times determined to be necessary or appropriate by the Authority Board, to fund Project Costs or to set up reserves to fund such costs;

6. To the Other Authority Projects Operating Fund, in the amounts and at the times determined to be necessary or appropriate by the Authority Board, to fund operating expenses relating to Other Authority Projects or to set up reserves to fund such expenses; and

7. To the General Reserve Fund, to the extent of any remaining balance of such moneys withdrawn from the Revenue Fund.

Operating Fund

Amounts in the Operating Fund shall be paid out from time to time by the Authority for reasonable and necessary Operating Expenses, free and clear of the lien and pledge created by the Bond Resolution.

The Authority shall at all times retain in the Operating Fund reasonable and necessary amounts for working capital and reserves for Operating Expenses including expenses which do not recur annually; provided that the total amount of such working capital and reserves set aside during any year shall not exceed 25% of the amount shown for Operating Expenses for such year in the applicable Authority Budget.

Whenever the Operating Fund exceeds the amount reasonable and necessary for Operating Expenses including reserves and working capital, the Authority shall apply the excess to the purposes and in the Funds established under the Bond Resolution in the same manner as payments from the Revenue Fund.

Investment income on amounts in the Operating Fund shall be deposited into the Revenue Fund.

Senior Debt Service Fund

The Trustee shall on or before each Interest Payment Date or Redemption Date, as the case may be, withdraw from the Senior Debt Service Fund and pay:

(A) The interest due on all Outstanding Bonds on such Interest Payment Date;

(B) The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;

(C) The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date; and

(D) The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Bond Resolution.

The amounts paid out shall be irrevocably pledged to and applied to such payments.

In the event that on any Interest Payment Date, the amount in the Senior Debt Service Fund shall be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds, for the payment of the principal of Outstanding Bonds or for the payment of Sinking Fund Installments of the Outstanding Bonds of any Series due and payable on such Interest Payment Date, the Authority, in the following order of priority, shall withdraw from the unencumbered moneys in the General Reserve Fund, the unencumbered moneys in the Other Authority Projects Operating Fund, the unencumbered moneys in the Facilities Capital Improvement Fund, the unencumbered moneys in the Reserve Maintenance Fund, and, solely to the extent necessary to make any payments with respect to Bonds secured by the Senior Debt Service Reserve Fund, amounts in the Senior Debt Service Reserve Fund, and deposit to the Senior Debt Service Fund such amounts as will increase the amount in the Senior Debt Service Fund to an amount sufficient to make payment of interest on, and principal and Sinking Fund Installments of the Outstanding Bonds of such Series; provided, however, that with respect to any Series of Bonds not secured by amounts in the Senior Debt Service Reserve Fund pursuant to the related Supplemental Resolution, payments relating to any such Bonds shall be made pro rata with all other Bonds from amounts available from unencumbered moneys in the General Reserve Fund, the Other Authority Projects Operating Fund, the Facilities Capital Improvement Fund and the Reserve Maintenance Fund, but shall not be funded from any amounts in the Senior Debt Service Reserve Fund.

Investment income on amounts in the Senior Debt Service Fund, to the extent permitted in a Supplemental Resolution, shall be retained in such Fund or, upon the direction of an Authorized Officer, shall be transferred to the Rebate Fund, the Construction Fund or the Revenue Fund.

Senior Debt Service Reserve Fund

In addition to the moneys allocated from the Revenue Fund, the Trustee shall deposit into the Senior Debt Service Reserve Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed in the Supplemental Resolution or the Certificate of Determination for such Series, and any other moneys and investments which may be made available to the Trustee for the purposes of the Senior Debt Service Reserve Fund from any other source or sources in order to increase the amounts on deposit in the Senior Debt Service Reserve Fund to the Senior Debt Service Reserve Fund Requirement.

If necessary, moneys and Investment Obligations held for the credit of the Senior Debt Service Reserve Fund shall be withdrawn by the Trustee, deposited to the credit of the Senior Debt Service Fund and applied to the payment of interest, Principal Installments and Sinking Fund Installments of Bonds secured by the Senior Debt Service Reserve Fund at the times and in the amounts required to permit the Trustee to make timely payment of debt service due and payable on the Bonds.

Except as otherwise provided under this heading, investment income on amounts in the Senior Debt Service Reserve Fund shall be retained therein. If at any time moneys and Investment Obligations on deposit to the credit of the Senior Debt Service Reserve Fund exceed the Senior Debt Service Reserve Fund Requirement, the Trustee shall, to the extent permitted in a Supplemental Resolution, upon the direction of an Authorized Officer, withdraw therefrom and deposit such excess amount into the Senior Debt Service Fund, the Revenue Fund, the Rebate Fund or the Construction Fund.

In lieu of moneys or Investment Obligations, the Authority may, to the extent permitted by law, deposit or cause to be deposited to or substituted for deposit to the Senior Debt Service Reserve Fund a Reserve Credit Facility for the benefit of the Holders of the Bonds secured by the Senior Debt Service Reserve Fund for all or any part of the Senior Debt Service Reserve Fund Requirement. Each Reserve Credit Facility deposited to the Senior Debt Service Reserve Fund shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Senior Debt Service Reserve Fund and such withdrawal cannot be made without drawing upon such Reserve Credit Facility. In computing the amount on deposit in the Senior Debt Service Reserve Fund, a Reserve Credit Facility shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

In the event of the refunding of any Bonds, the Authority may withdraw from the Senior Debt Service Reserve Fund all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with the Trustee to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Bond Resolution, and (ii) the amount remaining in the Senior Debt Service Reserve Fund, after giving effect to any Reserve Credit Facility deposited in such Fund pursuant to the Bond Resolution, shall not be less than the Senior Debt Service Reserve Fund Requirement, and provided, further, that, at the time of such withdrawal, there shall exist no deficiency in the Senior Debt Service Fund.

The Authority may determine by Supplemental Resolution that a Series of Bonds shall not be secured by the Senior Debt Service Reserve Fund, in which case no amounts shall be required from the proceeds of such Series of Bonds for deposit in the Senior Debt Service Reserve Fund and no amounts shall be payable from the Senior Debt Service Reserve Fund to pay amounts due or payable with respect to such Bonds.

Reserve Maintenance Fund

Moneys held for the credit of the Reserve Maintenance Fund shall be disbursed only for the purpose of paying a cost relating to a Facility of:

(a) maintenance or repairs not recurring annually, and renewals and replacements,

(b) repairs or replacements resulting from an emergency or caused by some unusual or extraordinary occurrence, to the extent that the moneys in other available Funds, together with insurance proceeds, if any, available therefor are insufficient to meet such emergency,

(c) items of equipment, and

(d) engineering expenses incurred under the provisions of the Bond Resolution.

The Authority shall from time to time transfer any moneys from the Reserve Maintenance Fund to the credit of the Revenue Fund upon the receipt of a certificate of an Authorized Officer directing such transfer and certifying that the amount so to be transferred is no longer required for the purposes of the Reserve Maintenance Fund.

Investment income on amounts in the Reserve Maintenance Fund shall be deposited into the Revenue Fund.

In connection with the establishment of Authority Budgets for each fiscal year of the Authority, the Authority shall cause the Independent Consultant, at least once every three Authority fiscal years, to make an estimate or to evaluate the Authority's estimate of Reserve Maintenance Payments and to deliver a certificate or certificates setting forth the amount or amounts it has approved as an estimate of Reserve Maintenance Payments for each fiscal year of the Authority covered by such certificate. Any Independent Consultant's Certificate delivered in connection with the establishment of Reserve Maintenance Payments shall take into account any other moneys available for such purposes in determining the amount of such Reserve Maintenance Payments.

Junior Indebtedness Fund

The Authority may, at any time or from time to time, issue evidences of indebtedness payable out of, and which may be secured by a pledge of, such amounts in the Junior Indebtedness Fund as may from time to time be available for the purpose of payment thereof and of Revenues; provided, however, that any pledge of Revenues shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Bond Resolution with respect to the Bonds.

Subject to the terms of any pledge securing Junior Indebtedness, amounts in the Junior Indebtedness Fund may be applied to payment of the principal or redemption price of and interest on any Junior Indebtedness. Junior Indebtedness may be issued by the Authority to provide for any Facilities or Other Authority Projects constituting a lawful transportation or transportation-related (including related necessary or appropriate economic development activities) corporate purpose of the Authority.

The Authority shall have the right to covenant with the holders from time to time of Junior Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued; provided, however, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Junior Indebtedness shall not permit the holders of such obligations to declare the same or instruct such holders' trustee to declare the same to be immediately due and payable notwithstanding the occurrence of an event that would give rise to such a declaration unless all Outstanding Bonds shall have been declared immediately due and payable in accordance with the Bond Resolution.

Facilities Capital Improvement Fund

The Authority may, from time to time, disburse or transfer amounts in the Facilities Capital Improvement Fund for the purposes of providing for transfers to the Construction Fund, for Project Costs or, upon the determination of the Authority Board and after satisfying any deficiencies in the Senior Debt Service Fund, the Senior Debt Service Reserve Fund, the Reserve Maintenance Fund or the Junior Indebtedness Fund, transfer such amounts to any other Fund or account held under the Bond Resolution.

Other Authority Projects Operating Fund

The Authority may, from time to time, disburse or transfer amounts in the Other Authority Projects Operating Fund, free and clear of the lien and pledge created by the Bond Resolution, for the purpose of providing for operating costs of Other Authority Projects, or, upon the determination of the Authority Board, transfer such amounts to the General Reserve Fund.

General Reserve Fund

Amounts in the General Reserve Fund are to be transferred, in the following order, to the Senior Debt Service Fund, the Senior Debt Service Reserve Fund, the Reserve Maintenance Fund, the Junior Indebtedness Fund, the Facilities Capital Improvement Fund and the Other Authority Projects Operating Fund to make up deficiencies in or to set aside reserves for such Funds.

Subject to any lien or pledge securing Subordinated Indebtedness that has been determined by the Authority Board to be superior to such purposes, amounts in the General Reserve Fund not immediately required for the purposes specified in the preceding paragraph shall, pursuant to resolution of the Authority Board, be applied in the following order: (i) to the purchase, redemption or payment at maturity of Bonds or Junior Indebtedness, (ii) to pay the capital costs of Other Authority Projects or (iii) paid to the Authority, free and clear of the lien and pledge created by the Bond Resolution, for any lawful corporate purpose of the Authority, including but not limited to payment of amounts due with respect to Subordinated Indebtedness.

Upon any purchase or redemption, with moneys in the General Reserve Fund, of Bonds of any Series and maturity for which Sinking Fund Installments have been established, there shall be credited toward each such Sinking Fund Installment thereafter to become due (other than that next due), unless otherwise directed by the Authority, an amount bearing the same ratio to such Sinking Fund Installment as the total principal amount of such Bonds so purchased or redeemed bears to the total amount of all remaining Sinking Fund Installments for the Bonds of the same Series and maturity to be credited.

Subordinated Indebtedness

Subordinated Indebtedness may be issued to finance any lawful corporate purpose of the Authority. Subordinated Indebtedness may be secured by a pledge of such amounts in the Subordinated Indebtedness Fund as may from time to time be available for the payment thereof and of Revenues; provided, however, that any pledge of Revenues shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Bond Resolution with respect to the Bonds and any pledge of Revenues with respect to Junior Indebtedness.

The Authority shall have the right to covenant with the holders from time to time of Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds or Junior Indebtedness may be issued; provided, however, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such obligations to declare the same or instruct such holders' trustee to declare the same to be immediately due and give rise to such a declaration unless all Outstanding Bonds and Junior Indebtedness shall have been declared immediately due and payable in accordance with the Bond Resolution.

Rebate Fund

Moneys on deposit in the Rebate Fund shall be applied by the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Moneys which the Authority determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund.

Construction Fund

There shall be paid into the Construction Fund the amounts (if any) required to be so paid by the provisions of the Bond Resolution, and there may be paid into the Construction Fund, at the option of the Authority, any moneys received by the Authority for or in connection with any Facility or Other Authority Project, as appropriate, from any other source, unless required to be otherwise applied as provided by the Bond Resolution.

Amounts deposited in the Construction Fund (i) from proceeds of Bonds shall be applied by the Authority to Project Costs or Costs of Issuance, as appropriate; provided, however, that proceeds from Bonds issued to finance Other Authority Project Costs shall be applied by the Authority to finance such Other Authority Project Costs or, to the extent permitted by a Supplemental Resolution, Project Costs, and (ii) other amounts deposited in the Construction Fund shall be applied to the purpose or purposes specified in the Supplemental Resolutions authorizing Bonds to finance a Facility, or if no Bonds are so issued, to the purpose or purposes specified in a resolution of the Authority, a copy of which, certified by an Authorized Officer, shall be filed with the Trustee. Notwithstanding the foregoing, amounts in the Construction Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds when due (including payments when due under a Qualified Swap or Qualified Reverse Swap), and to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of Principal Installments and interest on the Bonds when due (including payments when due under a Qualified Swap or Qualified Reverse Swap).

Investment income on amounts in the Construction Fund from proceeds of a Series of Bonds, to the extent permitted in a Supplemental Resolution, may be retained by the Authority in such Fund or transferred to the Revenue Fund, the Senior Debt Service Fund or the Rebate Fund.

Application of Moneys in the Senior Debt Service Fund For Redemption of Bonds and Satisfaction of Sinking Fund Installments

Moneys in the Senior Debt Service Fund to be used for redemption of Bonds of a Series shall be applied by the Authority to the purchase of Outstanding Bonds of such Series at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Authority shall direct.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Authority may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption (except Bonds acquired by purchase or redemption pursuant to the preceding paragraph), of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds.

Extension of Payment of Bonds

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Bond Resolution to the benefit of the Bond Resolution or to any payment out of any assets of the Authority or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Bond Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and

Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Bond Resolution shall be deemed to limit the right of the Authority to issue Refunding Bonds as permitted thereby and by the Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

Particular Covenants of the Authority

The Authority shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof.

The Authority has and shall have good right and lawful authority to take jurisdiction over, construct, reconstruct, improve, maintain and operate the Original Project and any Additional Project or Other Authority Project and to fix and collect tolls, fees, rentals and other charges, if any, as provided in the Bond Resolution or applicable Supplemental Resolution.

The Authority shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, secured by an equal or prior pledge of all or any part of the Revenues or other moneys, securities or funds held or set aside by the Authority or by the Fiduciaries under the Bond Resolution, and shall not create or cause to be created any equal or prior lien or charge on the Revenues, or such moneys, securities or funds except as provided in the Bond Resolution; provided, however, that nothing contained in the Bond Resolution shall prevent the Authority from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Bond Resolution shall be discharged and satisfied as provided under "Defeasance", or (ii) Junior Indebtedness or Subordinated Indebtedness.

No part of the Facilities shall be sold, mortgaged, leased or otherwise disposed of or encumbered, provided that the Authority (i) may sell or exchange at any time and from time to time any property or facilities constituting part of the Facilities and not useful, in its opinion, in the operation thereof, but any proceeds of any such sale or exchange, not used to replace such property so sold or exchanged, shall, subject to the rights of other parties, including the State, be deposited to the Revenue Fund to be applied in the manner provided in the Bond Resolution or (ii) at any time or from time to time, in any manner deemed appropriate by the Authority Board, may dispose of any portion of the Facilities with respect to which it is forbidden by law to impose tolls or other charges and which, in its opinion, is not useful in the operation of the Facilities, but any proceeds of any such disposition, shall, subject to the rights of other parties, including the State, be deposited to the Revenue Fund to be applied in the manner provided in the Bond Resolution.

Notwithstanding the provisions of the preceding paragraph, the Authority may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Facilities, provided that any such lease, contract, license, easement or right does not, in the opinion of the Authority, impede or restrict the operation or maintenance by the Authority of the Facilities.

Operation and Maintenance of the Facilities

The Authority shall at all times operate or cause to be operated the Facilities properly and in a sound and economical manner and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Facilities may be properly and advantageously conducted.

Tolls, Fees and Charges

The Authority covenants that:

(a) it shall at all times, fix, charge and collect such tolls, fees and charges for the use of the Facilities as are required in order that, in each Authority fiscal year, Net Revenues shall at least equal the Net Revenue Requirement for such year.

(b) On or before the sixtieth day preceding the first day of each Authority fiscal year, the Authority shall review its financial condition in order to estimate and determine whether Net Revenues for such Authority fiscal year and for the following Authority fiscal year will be sufficient to comply with the revenue covenant described above; provided that, for purposes of determining the portion of the Net Revenue Requirement relating to Variable Interest Rate Bonds for any prospective period of time, such amounts shall be calculated for each Series or subseries of Bonds bearing interest at the same rate by multiplying the principal amount of such Variable Interest Rate Bonds to be Outstanding during such prospective period by the product of the average rate of interest borne by such Variable Interest Rate Bonds during the immediately preceding 12-month period by 1.25%; provided further that for any partial year such amounts shall be prorated by multiplying the foregoing product by the actual number of days of interest accrual to be determined, and by dividing that product by 365 or 366 days, as appropriate for the particular year. If the Authority determines that Net Revenues may be inadequate, it shall cause a study to be made by an Independent Consultant that shall recommend a schedule of tolls, fees and charges which will provide sufficient Net Revenues in the following Authority fiscal year to comply with the revenue covenant described above and which will provide additional Net Revenues to eliminate any deficiency in Funds and accounts held under the Bond Resolution at the earliest practicable time, and the Authority will place in effect as soon as practicable either (i) the recommended schedule of tolls, fees and charges, or, (ii) a different schedule of tolls, fees and charges developed by the Authority which will provide sufficient Net Revenues in the following Authority fiscal year to comply with the revenue covenant described above and which will provide additional Net Revenues in such following Authority fiscal year to eliminate any deficiency at the earliest practicable time, which conclusion is concurred in by an Independent Consultant’s Certificate delivered to the Authority and the Trustee.

The tolls, fees and charges to be established pursuant to paragraph (a) under this heading on the Original Project or on any Additional Project constituting a tolled road, bridge or tunnel, in the sole discretion of the Authority, shall be based on any reasonable vehicle classification, use or occupancy, and further, may consist either alone or in combination of (i) point-to-point tolls based on mileage rates, (ii) fixed or single-trip tolls or commutation rates for passage through a barrier station or bridge, including each Grand Island Bridge and a bridge for crossing the Hudson River via the Hudson section, (iii) a surcharge for crossing the Hudson River via the Berkshire section or, if determined to be necessary or appropriate by the Authority Board, a surcharge for any other location, (iv) congestion pricing, and (v) an annual, seasonal or periodic fee for a permit for the limited use of or access to all or any part of the Original Project or an Additional Project constituting a tolled road, bridge or tunnel.

The Authority covenants that tolls, fees or charges for the use of a Facility constituting a tolled road or bridge will be classified in a reasonable way to cover all traffic within any class regardless of the status or character of any person, firm or corporation participating in the traffic, and that no reduced rate of toll, fee or charge will be allowed within any such class except that provision may be made for the use of commutation or other tickets or privileges based upon frequency, volume, occupancy, congestion pricing or to facilitate implementation of electronic or other new toll collection technologies, or relating to incentives for use of newly tolled facilities which incentives last not longer than three years from the date of introduction of such incentives. The Authority further covenants that no free vehicular passage will be permitted over any portion of the Original Project that was subject to tolls on August 3, 1992 when the

Bond Resolution was adopted or any portion of an Additional Project constituting a tolled road or bridge except, to the extent determined necessary and appropriate from time to time in the sole discretion of the Authority, (i) to members, officers and employees of the Authority and the New York State Police, in each case to the extent assigned to any Facility actually in the performance of their duties or in the course of traveling to or from the place of the performance of such duties or as contractually provided, (ii) by means of passes or otherwise, to such vehicles owned by individuals, corporations or partnerships with which the Authority has entered into leases, concession contracts or service and maintenance contracts, as in its discretion may be deemed necessary for the operation of concessions and facilities upon the Facilities, for the maintenance of such concessions or facilities and for the prompt and economical furnishing of emergency services to patrons of the Facilities or any concession or facility thereof, (iii) in a manner and in amounts such that as a result thereof, based upon projections furnished in a report to the Authority and the Trustee by an Independent Consultant, the Authority projects that there will be no material decrease in Revenues, except to the extent offset by a corresponding decrease in Operating Expenses and/or the operating expenses of any Other Authority Projects; provided that for purposes of its report, the Independent Consultant shall take into account implemented or approved toll adjustments and other contemporaneous or prospective changes in the operations of the Original Project and any portion of any Additional Project constituting a tolled road or bridge that shall have been approved by the Authority or any Other Authority Projects, and (iv) otherwise in de minimis amounts.

Insurance

The Authority covenants that it shall maintain with responsible insurers all insurance required and reasonably obtainable, in the judgment of the Authority, to provide against loss of or damage to the Facilities and loss of revenues, to the extent necessary to protect the interests of the Authority and the Bondholders.

Accounts and Reports

The Authority shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds established by the Bond Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than five per cent (5%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The Authority shall annually, within 120 days after the close of each calendar year, file with the Trustee a copy of an annual report for such year, accompanied by a certificate of an Authorized Officer, including statements in reasonable detail of: financial condition as of the end of such year and income and expenses for such year, all to the extent relating to the Facilities; a statement of all classifications of income for such year; and a summary of statement with respect to each Fund and account established under the Bond Resolution.

Tax Covenants

The Authority shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

The Authority shall not permit at any time any of the proceeds of the Bonds or any other funds of the Authority to be used directly or indirectly to acquire any investment property, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of the Code.

The Authority shall not permit at any time any proceeds of any Bonds or any other funds of the Authority to be used, directly or indirectly, in a manner which would result in the classification of any Bond as a "private activity bond" within the meaning of Section 141 of the Code.

Notwithstanding the foregoing, the Authority reserves the right to elect to issue obligations the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such obligations, and the covenants contained under this heading shall not apply to such obligations.

Notice as to Event of Default

The Authority shall notify each issuer of a Credit Facility and the Trustee in writing that an "Event of Default" has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof; provided, however, that the Authority shall provide the issuer of a Credit Facility with immediate notice of any payment default after the Authority has obtained actual knowledge thereof. See "Events of Default" hereinafter.

Covenants with Credit Facility Providers

The Authority may make such covenants as it may in its sole discretion determine to be appropriate with any provider of a Credit Facility or Reserve Credit Facility that shall agree to provide a Credit Facility or Reserve Credit Facility for Bonds of any one or more Series that shall enhance the security or the value of such Bonds and thereby reduce the principal and interest requirements on such Bonds. Such covenants may be set forth in or provided for by the applicable Supplemental Resolution and shall be binding on the Authority, the Trustee, the Paying Agents, and all the owners of Bonds the same as if such covenants were set forth in full in the Bond Resolution.

Additional Projects

The Authority may designate an Other Authority Project to be an Additional Project if and only if there has been submitted to the Trustee with respect to such Other Authority Project at or prior to the date of such designation:

1. A certificate of an Authorized Officer to the effect that the Other Authority Project has been in operation (whether or not by the Authority) for a period of at least twelve (12) months prior to the date of such designation, and that for the 12-month period ending on the last day of a month no more than 90 days preceding the date of designation as an Additional Project the revenues derived from the operation of such Project exceeded the operating expenses for such Other Authority Project;

2. A Counsel's Opinion to the effect that the Authority has good right and lawful authority to acquire, design, construct, maintain, operate, finance, improve, reconstruct, rehabilitate or otherwise undertake such Other Authority Project and to establish, levy, maintain and collect, during the term of the Bonds, tolls, rentals, rates, fees or other charges in connection therewith, which establishment, levy, maintenance or collection shall not then require or be subject to (a) in the case of any Additional Project constituting a tolled road, bridge or tunnel, any governmental approval not applicable to the Original Project, or (b) in the case of any Additional Project not constituting a tolled road, bridge or tunnel, any direct governmental approval;

3. A Counsel's Opinion stating whether or not the Authority is required by law to have a license, order or other authority from any federal, State or other governmental agency or regulatory body having lawful jurisdiction in connection with such Facility and, if so required, that such license, order or other authority has been obtained;

4. A certificate of an Authorized Officer setting forth (A) the Revenues and Operating Expenses of the Authority for the 12-month period set forth in subparagraph (1) above, including revenues and operating expenses relating to the Other Authority Project being designated an Additional Project; provided that if (a) any previously designated Additional Project had not been an Additional Project for any part of the 12-month period, such Additional Project Revenues and Operating Expenses shall be respectively increased by the revenues and operating expenses of such Additional Project for such 12-month period calculated as if the respective definitions of Additional Project Revenues and Operating Expenses had been applicable thereto for the entire 12-month period, and (b) if on the date of such designation by the Authority the amount of the tolls, fees or charges for any Facility shall be less than it was during any part of the period covered by such certificate, the Revenues for such part of such period shall be decreased as if such tolls, fees or charges had been in effect for all of such period, and (B) that for such 12-month period the Net Revenues as calculated pursuant to clause (A) of this subparagraph (4), are at least equal to the Net Revenue Requirement;

5. An Independent Consultant's Certificate setting forth (A) the estimated Net Revenues for all Facilities, together with estimated Reserve Maintenance Payments, excluding the proposed Additional Project, for each of the Authority fiscal years in the Test Period, and (B) the estimated Net Revenues for all Facilities, together with estimated Reserve Maintenance Payments, including the proposed Additional Project, for each of the Authority fiscal years in the Test Period;

6. A certificate of an Authorized Officer to the effect that the amount of the estimated Net Revenues less Reserve Maintenance Payments determined pursuant to subsection (5)(B) above in each of the Authority fiscal years in the Test Period is not less than 100% of the estimated Net Revenues less estimated Reserve Maintenance Payments for each of the same years in subsection (5)(A) above; and

7. A copy of the Supplemental Resolution designating such Other Authority Project as an Additional Project certified by an Authorized Officer.

Additional Project Revenues

The Authority shall not designate a project as an Additional Project, unless the Authority has jurisdiction and control of such project and the Supplemental Resolution designating the same provides that all tolls, rentals and other charges and other earned income or receipts, if any, derived by the Authority from such Project are and shall be deemed to be Additional Project Revenues.

Authority Budgets

The Authority shall prepare an Authority Budget on an annual basis, or on such other periodic basis as the Authority Board shall determine, but in no event on a less frequent basis than biennially, which shall include amounts for all anticipated Operating Expenses and reserves therefor, Reserve Maintenance Payments and provision for anticipated deposits into each Fund under the Bond Resolution for the period of such budget. Such Authority Budget may set forth such additional material as the Authority may determine. On or before the first day of each fiscal year or for such applicable period for the Authority Budget as aforesaid, the Authority shall finally adopt the Authority Budget for such period and shall mail such Authority Budget to the Trustee. The Authority may at any time adopt an amended Authority Budget for the remainder of the then current fiscal year or other applicable period.

Inspection of Facilities; Duties of Independent Consultants

The Authority shall make, or cause the Independent Consultant to make, an inspection of the Facilities at least once every three Authority fiscal years, and, on or before the first day of the first Authority fiscal year in such period to report as to proper maintenance, repair and operation together with an estimate of the moneys necessary for such purposes during each such Authority fiscal year. In any event, the Authority shall cause an Independent Consultant to deliver an Independent Consultant's Certificate either concurring in and approving or making such determinations, as appropriate.

Proposed New Interchanges and New Extensions

The Authority may construct, acquire or accept any additional tolled roadway or any extension to or expansion of any Facility constituting a tolled roadway or any interchange on any Facility constituting a tolled roadway if and only if there has been submitted to the Trustee with respect to such proposed New Interchange or such proposed New Extension at or prior to the date of undertaking the construction, acquisition or acceptance thereof the following:

1. A Counsel's Opinion stating whether or not the Authority is required by law to have a license, order or other authority from any federal, State or other governmental agency or regulatory body having lawful jurisdiction in connection with such New Interchange or New Extension, as applicable, and, if so required, that such license, order or other authority has been obtained;

2. A Counsel's Opinion to the effect that the Authority has good right and lawful authority to acquire, design, construct, maintain, operate, finance, improve, reconstruct, rehabilitate or otherwise undertake such New Interchange or New Extension, and to establish, levy, maintain, collect and adjust, during the term of the Bonds, tolls, rentals, rates, fees or other charges in connection therewith, which establishment, levy, maintenance, collection or adjustment shall not then require or be subject to any governmental approval not applicable to the Original Project;

3. An Independent Consultant's Certificate setting forth (A) the estimated Net Revenues for all Facilities, together with estimated Reserve Maintenance Payments, <u>excluding</u> the proposed New Interchange or New Extension, for each of the successive five complete Authority fiscal years following the later of (i) two complete Authority fiscal years following its estimated Date of Completion and (ii) the date of its acquisition or acceptance by the Authority, and (B) the estimated Net Revenues for all Facilities, together with estimated Reserve Maintenance Payments, <u>including</u> the proposed New Interchange or New Extension for each of the same five complete Authority fiscal years; and

4. A certificate of an Authorized Officer to the effect that the amount of the estimated Net Revenues less estimated Reserve Maintenance Payments determined pursuant to subparagraph 3(B) above in each of the five Authority fiscal years is not less than 100% of the estimated Net Revenues less estimated Reserve Maintenance Payments for each of the same five years determined pursuant to subparagraph 3(A) above.

5. Solely with respect to New Interchanges, the Independent Consultant shall include in its estimate of Net Revenues for each year calculated for purposes of subsection 3(B) above, the amount of any payments to be received in cash upon undertaking such New Interchange together with any payment obligations that have or would have a long-term rating of "A" or better (if so determined by the Authority, such cash payments to be allocated pro rata for each of the years of the test period, whether such payments are in fact applied for capital or operating expenses of such New Interchange); provided, however, that if the Authority Board determines that a period longer than five years will be necessary for the New Interchange to meet the test in paragraph 4 without the benefit of such cash payments or payment obligations, the test period shall be expanded accordingly; provided further that no such cash payments or payment obligations may be included for purposes of Subsection 3(B) above in estimating Net Revenues for a New Extension.

6. A copy of the Supplemental Resolution designating such project to be an Additional Project certified by an Authorized Officer.

The foregoing requirements do not apply to an interchange or an extension that meets the requirements under the Bond Resolution for a "Facility Capital Improvement" (See the definition hereinabove) or an "Additional Project" (see "Additional Projects" hereinabove).

Limitation on Certain Acquisitions

Except for amounts released from the lien of the Bond Resolution pursuant to the provisions relating to the General Reserve Fund, the Authority covenants that no Revenues, Bond proceeds, or proceeds of Junior Indebtedness shall be applied to the purchase or acquisition of any existing facility not, in the opinion of the Authority Board, necessary for the proper operation of an existing Facility or an existing Other Authority Project, except to the extent necessary to pay, in due course or through refunding, any outstanding bonds, notes or other evidences of indebtedness of a public corporation transferring such facility.

Investment of Funds

Amounts in the Funds and accounts established by the Bond Resolution may be invested only in Investment Obligations. Investment Obligations on deposit in the Funds and accounts held under the Bond Resolution shall have maturity dates, or shall be subject to redemption or tender at the option of the Authority or the Trustee on the respective dates specified by an Authorized Officer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are payable for the purposes of such Funds and accounts; provided that in no event shall the remaining term to maturity or redemption upon the demand of the holder thereof of any Investment Obligation credited to the Senior Debt Service Reserve Fund be greater than seven (7) years from the date such Investment Obligation is credited to such Fund. The Authority, or the Trustee, upon the instructions of an Authorized Officer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation.

Trustee

The Trustee may at any time resign and be discharged of its duties and obligations under the Bond Resolution by giving not less than sixty (60) days' written notice to the Authority, specifying the date when such resignation shall take effect; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

The Authority may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

Any Trustee appointed in succession to the original Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Capital Funds of at least $100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Bond Resolution.

Supplemental Resolutions

The Authority may adopt, for, among other things, any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

1. To modify any of the provisions of the Bond Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

2. To insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

3. To authorize Bonds of a Series;

4. To designate or confirm the designation of any project as an Other Authority Project or to designate an Other Authority Project, New Interchange or New Extension as an Additional Project under the Bond Resolution;

5. To modify, amend, insert or delete such provisions of the Bond Resolution as, in Counsel's Opinion, shall be necessary or desirable to ensure the continued federal tax exemption of the interest on any Series of Bonds Outstanding under the Bond Resolution, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

6. To modify, amend or supplement the Bond Resolution in any manner in order to provide for a Credit Facility or a Reserve Credit Facility for any Series of Bonds, under the Bond Resolution, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

7. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution, under the Bond Resolution, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

8. To provide for the application of the proceeds of any sale, exchange, lease or other disposition of any Facility permitted by the Bond Resolution;

9. To provide for additional investments that may be delivered in lieu of Government Obligations in order to cause Bonds of a Series then or thereafter being initially issued and delivered to be deemed paid by the Bond Resolution;

10. To the extent authorized by law and to the extent the Authority shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of holders of

Bonds for federal income tax purposes for any Bonds issued on a tax-exempt basis, to provide for the delivery of Bonds that are not in registered form;

11. To the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of holders of Bonds for federal income tax purposes for any Bonds issued on a tax-exempt basis, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options.

In addition, the Authority may adopt a Supplemental Resolution amending any provision of the Bond Resolution, effective upon filing with the Authority of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

Powers of Amendment

Any modification or amendment of the Bond Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given, and not revoked, as provided in the Bond Resolution, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. A Series shall be deemed to be affected by a modification or amendment of the Bond Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Authority may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Bond Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Authority shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof.

Events of Default

The occurrence of one or more of the following events shall constitute an "Event of Default":

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of five (5) days; or

(b) failure by the Authority to observe any of the covenants, agreements or conditions on its part contained in the Bond Resolution or in the Bonds contained, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Trustee or to the Authority and the Trustee by the

Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within such period and is diligently pursued until the default is corrected; or

(c) if the Authority (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver of the whole or any substantial part of the Facilities, or (v) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Authority or of the whole or any substantial part of the Facilities.

Remedies

Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Bond Resolution;

(b) bring suit upon such Bonds;

(c) by action or suit in equity, require the Authority to account as if it were the trustee of an express trust for the Holders of such Bonds;

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds;

(e) declare all such Bonds due and payable, and if all defaults shall be made good then with the consent of the Holders of not less than a majority in aggregate principal amount of such Bonds then outstanding, annul such declaration and its consequences.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Bond Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Bond Resolution or existing at law or in equity or by statute on or after the date of adoption of the Bond Resolution, except that the Bondholders shall not have the statutory rights afforded by Section 368 of the Act as in effect on August 3, 1992 respecting the appointment of a trustee subsequent to a payment default on the Bonds.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Bond Resolution, or any other remedy thereunder or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Bond Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted under the Bond Resolution, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Bond Resolution, or to enforce any right thereunder or under the Bonds, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the provisions of the Bond Resolution regarding the extension of payment for the Bonds. Nothing in the Bond Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Bond Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Bond Resolution.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Bond Resolution to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

No Cross-Default

Except as provided in the Bond Resolution, a Supplemental Resolution or a Certificate of Determination, no default under the Act or any resolution, agreement, or other instrument shall constitute or give rise to a default under the Bond Resolution.

Priority of Payments After Default

In the event that the funds held by the Authority, the Trustee or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price and interest then due on the Bonds, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any Fund or account under the Bond Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes and subject to the provisions governing the application of any separate account in the Senior Debt Service Reserve Fund for a particular Series of Bonds established in the Supplemental Resolution authorizing such Series of Bonds) and any other moneys received or collected by the Trustee or any Paying Agents, or a trustee appointed pursuant to the terms of the Bond Resolution and in accordance with the Act, after making provision for the payment of any expenses necessary in the opinion of the Authority to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and after making provision for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the Bond Resolution, shall be applied as follows:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments of such interest.

SECOND: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds which shall have become due whether at maturity or by call for redemption.

If the principal of all of the Bonds shall have become or have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority.

Defeasance

Any Bonds of any Series shall prior to the maturity or Redemption Date thereof be deemed to have been paid within the meaning and with the effect expressed in the Bond Resolution if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have published or caused to be published notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Authority either moneys in an amount which shall be sufficient, or Government Obligations or other investments authorized for such purpose ("Other Authorized Investments") the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Authority at the same time, shall be sufficient, to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall (i) publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (b) above has been made and that said Bonds are deemed to have been paid in accordance with the Bond Resolution and stating such maturity date or Redemption Date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, on said Bonds. The Authority shall select which Bonds of a Series and which maturity thereof shall be paid in accordance with the Bond Resolution. Neither Government Obligations, Other Authorized Investments or moneys deposited pursuant to this heading nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Government Obligations or Other Authorized Investments so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations or Other Authorized Investments maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Bond Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Authority, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Bond Resolution.

Payments due on Saturdays, Sundays and Holidays

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

No Additional Restaurant Concession Bonds

The Authority covenants that it shall not further amend or supplement the Restaurant Concession Bonds resolution, or take any other action, to allow the authentication and delivery of additional indebtedness under such resolution

Reserve Credit Facilities in the Senior Debt Service Reserve Fund

Pursuant to Supplemental Resolutions adopted in 1995 and 2004, the Authority Board authorized the deposit or substitution of Reserve Credit Facilities for cash and Investment Obligations that would otherwise have been required to be on deposit to the credit of the Senior Debt Service Reserve Fund. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Senior Debt Service Reserve Fund" in the forepart of this Official Statement. The Authority has entered into agreements with the municipal bond insurance companies (collectively, the "Providers") providing such Reserve Credit Facilities ("Reserve Fund Policies") that, together with such Supplemental Resolutions (collectively, the "SDSRF Contracts"), provide in effect that in the event that the Trustee shall be required to draw on the Senior Debt Service Reserve Fund to pay principal or interest due and payable on any Bonds, the Trustee shall first exhaust any cash and Investment Obligations to the credit of such Fund and then to the extent necessary and subject to the respective maximum amounts of the Reserve Fund Policies, after giving the required notice, demand payment on such Policies *pro rata*. The SDSRF Contracts obligate the Authority to reimburse the Providers the amounts of such payments, with interest, within 12 months of such payments. Reimbursement of the Providers in accordance with the SDSRF Contracts will reinstate the amounts that can be drawn on the Reserve Fund Policies. Under the SDSRF Contracts and the Bond Resolution, the obligation of the Authority to reimburse the Providers with interest for any payments on the Reserve Fund Policies ranks on a parity with the Authority's obligation to maintain the Senior Debt Service Reserve Fund at the Senior Debt Service Reserve Fund Requirement.

BOOK-ENTRY ONLY SYSTEM

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Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series I Bonds. The Series I Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series I Bond certificate will be issued for each stated maturity of the Series I Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES I BONDS, AS PARTNERSHIP NOMINEE FOR DTC, REFERENCES HEREIN TO BONDHOLDERS OR OWNERS OF THE SERIES I BONDS (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES I BONDS.

DTC 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"). 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 Series I Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series I Bonds on DTC's records. The ownership interest of each actual purchaser of each Series I Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series I 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 Series I Bonds, except in the event that use of the book-entry system for the Series I Bonds is discontinued.

To facilitate subsequent transfers, all Series I Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series I Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series I Bonds;

DTC's records reflect only the identity of the Direct Participants to whose accounts such Series I Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series I Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series I Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series I Bonds may wish to ascertain that the nominee holding the Series I Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series I Bonds within a stated maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series I 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 Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series I Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, redemption premium, if any, and interest payments on the Series I Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Paying Agent 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 Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption 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 Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

NEITHER THE AUTHORITY NOR THE UNDERWRITERS (IN SUCH CAPACITY) WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF

ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR INDIRECT PARTICIPANT; (ii) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES I BONDS; (iii) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES I BONDHOLDERS; (iv) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES I BONDHOLDER; OR (v) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES I BONDS.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC or other sources that the Authority believes to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy thereof.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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Upon delivery of the Series I Bonds in definitive form, Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, proposes to render its final opinion in substantially the following form:

[Date of Closing]

New York State Thruway Authority
200 Southern Boulevard
Albany, New York 12209

Ladies and Gentlemen:

As bond counsel to New York State Thruway Authority (herein called the "Authority"), we have examined a record of proceedings relating to the issuance of $1,122,560,000 aggregate principal amount of General Revenue Bonds, Series I (herein called the "Series I Bonds"), by the Authority, a body corporate and politic constituting a public corporation of the State of New York (herein sometimes called the "State"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions set forth below.

Capitalized terms used herein and not otherwise defined have the meanings set forth in the Resolution (hereinafter defined).

The Series I Bonds are to be issued under and pursuant to the New York State Thruway Authority Act, Title 9 of Article 2 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended (herein called the "Act"), and the General Revenue Bond Resolution of the Authority, adopted by the Authority on August 3, 1992 and amended January 5, 2007 (herein called the "General Resolution"), as supplemented, including as supplemented by the Thirteenth Supplemental Revenue Bond Resolution Authorizing General Revenue Bonds, Series I adopted by the Authority on June 25, 2009, as amended May 18, 2011 and May 30, 2012 (the "Series I Bond Resolution"; the General Resolution as so supplemented and amended is herein called the "Resolution"). The Series I Bonds are being issued for the purposes set forth in the Series I Bond Resolution.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series I Bonds in order that interest on the Series I Bonds be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Authority, dated the date hereof (the "Arbitrage and Use of Proceeds Certificate"), in which the Authority has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the Federal tax status of interest on the Series I Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series I Bonds and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the Authority to take certain actions necessary to cause interest on the Series I Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code could cause interest on the Series I Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. The Authority has covenanted in the Resolution to maintain the exclusion of the interest on the Series I Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 5 hereof, we have relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion of interest on the Series I Bonds from gross income for Federal income tax purposes under Section 103 of the Code and compliance by the Authority with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

The Authority reserves the right to issue additional Bonds under the General Resolution on the terms and conditions, and for the purposes, stated in the General Resolution. Under the General Resolution, all such Bonds will rank equally as to security and payment with the Series I Bonds, except as otherwise provided for a Series of Bonds in a Supplemental Resolution with respect to the Senior Debt Service Reserve Fund.

We are of the opinion that:

1. The Authority is duly created and validly existing under the provisions of the Act.

2. The Authority has the right and power under the Act to adopt the Resolution and issue the Series I Bonds thereunder, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required.

3. The Resolution creates the valid pledge which it purports to create of the proceeds of sale of the Series I Bonds, the Revenues, and the Funds and accounts established by the General Resolution (other than the Rebate Fund, the Junior Indebtedness Fund and, to the extent any Series of Bonds is not secured by the Senior Debt Service Reserve Fund, the Senior Debt Service Reserve Fund) and certain investment income referred to therein subject to the application thereof to the purposes and on the terms and conditions permitted by the Resolution.

4. The Series I Bonds are valid, binding, direct and general obligations of the Authority payable as provided in the Resolution and the full faith and credit of the Authority are pledged to the payment thereof. The Series I Bonds are enforceable against the Authority in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Act and of the Resolution, and such Series I Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Act, and in accordance with the Resolution.

5. Under existing statutes and court decisions (i) interest on the Series I Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series I Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

"Original issue discount" ("OID") is the excess of the sum of all of all amounts payable at the stated maturity of a Series I Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. We are further of the opinion that, for any Series I Bonds having OID (a "Discount Bond"), OID that has accrued and is property allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series I Bonds.

6. Under existing statutes, the interest on the Series I Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers.

We have examined a fully executed Series I Bond and, in our opinion, the form of said Series I Bond and its execution are regular and proper.

Except as stated in paragraphs 5 and 6 above, we express no opinion as to any Federal, state or local tax consequences arising with respect to the Series I Bonds or ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Series I Bonds, or under state and local tax law.

The foregoing opinions are qualified only to the extent that the enforceability of the Resolution and the Series I Bonds may be limited by bankruptcy, moratorium, insolvency, reorganization or other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series I Bonds.

This opinion is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

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