



**\$750,000,000**  
**METROPOLITAN TRANSPORTATION AUTHORITY**  
**Transportation Revenue Bonds, Series 2005B**

**DATED: Date of Delivery**

**DUE: November 15, as shown on the inside cover**

The Series 2005B Bonds are being issued to finance transit and commuter projects.

The Series 2005B Bonds—

- are MTA's special, not general, obligations, payable solely from the revenues of the transit and commuter systems and other sources pledged to bondholders as described in this official statement, and
- are not a debt of the State or The City of New York or any other local government unit.

MTA has no taxing power.

*In the opinion of Nixon Peabody LLP, Bond Counsel to MTA, under existing law and relying on certain representations by MTA and assuming the compliance by MTA with certain covenants, interest on the Series 2005B Bonds is*

- *excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986,*
- *not a preference item for a bondholder under the federal alternative minimum tax, and*
- *included in the adjusted current earnings of certain corporations under the federal corporate alternative minimum tax.*

Also, in Bond Counsel's opinion, under existing law, interest on the Series 2005B Bonds is exempt from personal income taxes of New York State or any political subdivisions of the State, including The City of New York.

The Series 2005B Bonds are subject to redemption prior to maturity as described herein.

The Series 2005B Bonds are offered when, as, and if issued, subject to certain conditions, and are expected to be delivered through DTC's facilities, on or about July 1, 2005.

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The payment of the principal of and interest on certain maturities of the Series 2005B Bonds, as shown on the inside cover, when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2005B Bonds.

***Ambac***

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The payment of the principal of and interest on certain maturities of the Series 2005B Bonds, as shown on the inside cover, when due will be insured by a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2005B Bonds by MBIA Insurance Corporation.

***MBIA***

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This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2005B Bonds. Investors are advised to read the entire official statement, including all portions hereof included by specific cross-reference, to obtain information essential to making an informed decision.

**Lehman Brothers**  
**Bear, Stearns & Co. Inc.**  
**Merrill Lynch & Co.**

**Citigroup**  
**Morgan Stanley**

**First Albany Capital Inc.**  
**JPMorgan**  
**UBS Financial Services Inc.**

**ABN AMRO Financial Services, Inc.**  
**CIBC World Markets**  
**Ramirez & Co., Inc.**  
**Roosevelt & Cross, Inc.**

**Advest, Inc./Lebenthal & Co.**  
**Commerce Capital Markets**  
**Raymond James & Associates, Inc.**  
**Siebert Brandford Shank & Co., LLC**

**Banc of America Securities LLC**  
**Jackson Securities**  
**RBC Dain Rauscher Inc.**  
**Wachovia Bank, N.A.**

**\$750,000,000**  
**Metropolitan Transportation Authority**  
**Transportation Revenue Bonds, Series 2005B**

**\$436,115,000 Serial Bonds**

<u>Maturity</u> <u>(November 15)</u>	<u>Insurer</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP Number</u> <u>(59259R)<sup>(1)</sup></u>
2006	--	\$12,140,000	3.00%	2.65%	VN1
2007	--	8,155,000	3.00	2.85	VP6
2007	--	4,350,000	4.00	2.85	VQ4
2008	--	12,920,000	3.00	100	VR2
2009	--	6,310,000	3.50	3.20	VS0
2009	--	7,000,000	5.00	3.20	VT8
2010	--	6,880,000	3.25	3.32	VU5
2010	--	7,000,000	5.00	3.32	VV3
2011	Ambac	5,095,000	3.25	3.29	VW1
2011	Ambac	9,360,000	5.00	3.29	VX9
2012	Ambac	5,090,000	3.375	3.43	VY7
2012	Ambac	10,000,000	5.00	3.43	VZ4
2013	Ambac	5,760,000	3.50	3.53	WA8
2013	Ambac	10,000,000	5.00	3.53	WB6
2014	Ambac	1,565,000	3.50	3.61	WC4
2014	Ambac	14,895,000	5.00	3.61	WD2
2015	Ambac	1,900,000	3.625	3.69	WE0
2015	Ambac	15,360,000	5.00	3.69	WF7
2016	Ambac	18,095,000	5.00	3.77 <sup>(3)</sup>	WG5
2017	MBIA	19,000,000	5.00	3.83 <sup>(3)</sup>	WH3
2018 <sup>(2)</sup>	MBIA	19,950,000	5.25	3.89	WJ9
2019 <sup>(2)</sup>	MBIA	21,000,000	5.25	3.93	WK6
2020 <sup>(2)</sup>	MBIA	22,100,000	5.25	3.95	WL4
2021 <sup>(2)</sup>	MBIA	23,260,000	5.25	4.01	WM2
2022 <sup>(2)</sup>	Ambac	24,485,000	5.25	4.04	WN0
2023 <sup>(2)</sup>	Ambac	25,770,000	5.25	4.07	WP5
2024 <sup>(2)</sup>	Ambac	27,120,000	5.25	4.09	WQ3
2025	Ambac	925,000	4.125	4.25	WR1
2025	Ambac	27,620,000	5.00	4.16 <sup>(3)</sup>	WS9
2026	Ambac	29,965,000	5.00	4.18 <sup>(3)</sup>	WT7
2027	Ambac	31,465,000	5.00	4.20 <sup>(3)</sup>	WU4
2035	MBIA	1,580,000	4.375	4.45	WX8

**\$313,885,000 Term Bonds**

\$72,390,000 (Ambac) 5.00% Series 2005B Term Bonds Due November 15, 2030 Priced to Yield 4.24%<sup>(3)</sup> CUSIP Number 59259RWV2<sup>(1)</sup>

\$70,000,000 5.00% Series 2005B Term Bonds Due November 15, 2031 Priced to Yield 4.37%<sup>(3)</sup> CUSIP Number 59259RWW0<sup>(1)</sup>

\$171,495,000 (MBIA) 5.00% Series 2005B Term Bonds Due November 15, 2035 Priced to Yield 4.28%<sup>(3)</sup> CUSIP Number 59259RWY6<sup>(1)</sup>

***The Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Series 2005B Bonds at a level above that which might otherwise prevail in the open market. The Underwriters are not obligated to do this and are free to discontinue it at any time.***

<sup>(1)</sup> CUSIP numbers have been assigned by an organization not affiliated with MTA and are included solely for the convenience of the holders of the Series 2005B Bonds. MTA is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2005B Bonds or as indicated above.

<sup>(2)</sup> Not subject to redemption prior to maturity.

<sup>(3)</sup> Priced at the stated yield to the November 15, 2015 optional redemption date at a redemption price of 100%.

**Metropolitan Transportation Authority**  
**347 Madison Avenue**  
**New York, New York 10017**  
**(212) 878-7000**  
**Website: www.mta.info**

Peter S. Kalikow .....	Chairman
David S. Mack .....	Vice-Chairman
Edward B. Dunn .....	Vice-Chairman
Andrew B. Albert .....	Non-Voting Member
John H. Banks.....	Member
James F. Blair .....	Non-Voting Member
Nancy Shevell Blakeman .....	Member
Anthony J. Bottalico.....	Non-Voting Member
Michael J. Canino.....	Non-Voting Member
Barry L. Feinstein.....	Member
Lawrence W. Gamache .....	Member
James H. Harding, Jr. ....	Member
Susan L. Kupferman.....	Member
Mark D. Lebow .....	Member
James L. McGovern.....	Non-Voting Member
Mark Page .....	Member
Mitchell H. Pally .....	Member
Francis H. Powers.....	Member
Andrew M. Saul .....	Member
James L. Sedore, Jr.....	Member
Edward A. Vrooman.....	Member
Ed Watt.....	Non-Voting Member
Carl V. Wortendyke.....	Member

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Katherine N. Lapp .....	Executive Director
Gary M. Lanigan .....	Director, Budgets and Financial Management
Catherine A. Rinaldi, Esq. ....	Deputy Executive Director and General Counsel
Patrick J. McCoy .....	Director of Finance

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**NIXON PEABODY LLP**  
New York, New York  
*Bond Counsel*

**GOLDMAN, SACHS & CO.**  
New York, New York  
*Financial Advisor*

## SUMMARY OF TERMS

MTA has prepared this Summary of Terms to describe the specific terms of the Series 2005B Bonds. The information in this official statement, including the materials filed with the repositories and included by specific cross-reference as described herein, provides a more detailed description of matters relating to MTA and to the Transportation Revenue Bonds. Investors should carefully review that detailed information in its entirety before making a decision to purchase any of the bonds being offered.

Issuer.....	Metropolitan Transportation Authority, a public benefit corporation of the State of New York.		
Bonds Being Offered .....	Transportation Revenue Bonds, Series 2005B.		
Purpose of Issue.....	To finance transit and commuter projects operated by MTA’s affiliates and subsidiaries.		
Maturities and Rates .....	See inside cover.		
Denominations.....	\$5,000 and integral multiples of \$5,000.		
Interest Payment Dates .....	May 15 and November 15, commencing November 15, 2005.		
Redemption.....	See “DESCRIPTION OF SERIES 2005B BONDS – Redemption Prior to Maturity” in Part I.		
Sources of Payment and Security .....	MTA’s pledged transportation revenues from Transit and Commuter System operations, TBTA operating surplus, subsidies from governmental entities and certain other sources, all as described in Part II.		
Credit Enhancement.....	<p>It is expected that payment of the principal of and interest on certain maturities of the Series 2005B Bonds, as shown on the inside cover, when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2005B Bonds.</p> <p>It is expected that payment of the principal of and interest on certain other maturities of the Series 2005B Bonds, as shown on the inside cover, when due will be insured by a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2005B Bonds by MBIA Insurance Corporation.</p> <p>It is expected that payment of the principal of and interest on certain maturities of the Series 2005B Bonds will not be insured.</p>		
Registration of the Bonds .....	DTC Book-Entry-Only System. No physical certificates evidencing ownership of a bond will be delivered, except to DTC.		
Trustee .....	JPMorgan Chase Bank, N.A., New York, New York.		
Bond Counsel .....	Nixon Peabody LLP, New York, New York.		
Tax Status .....	See “TAX MATTERS” in Part III.		
Expected Ratings .....	<i>Rating Agency</i>	<i>Uninsured Ratings</i>	<i>Insured Ratings</i>
	Moody’s:	A2	Aaa
	Standard & Poor’s:	A	AAA
	Fitch:	A	AAA
	See “RATINGS” in Part III.		
Financial Advisor .....	Goldman, Sachs & Co.		
Underwriters .....	See cover page. Lehman Brothers Inc. is the representative of the Underwriters for the Series 2005B Bonds.		
Underwriters’ Discount .....	See “UNDERWRITING” in Part III.		
Counsel to the Underwriters .....	Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York.		

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- ***No Unauthorized Offer.*** This official statement is not an offer to sell, or the solicitation of an offer to buy, the Series 2005B Bonds in any jurisdiction where that would be unlawful. MTA has not authorized any dealer, salesperson or any other person to give any information or make any representation in connection with the offering of the Series 2005B Bonds, except as set forth in this official statement. No other information or representations should be relied upon.
  - ***No Contract or Investment Advice.*** This official statement is not a contract and does not provide investment advice. Investors should consult their financial advisors and legal counsel with questions about this official statement and the Series 2005B Bonds being offered, or anything else related to this bond issue.
  - ***Information Subject to Change.*** Information and expressions of opinion are subject to change without notice and it should not be inferred that there have been no changes since the date of this document. Neither the delivery of, nor any sale made under, this official statement shall under any circumstances create any implication that there has been no change in MTA's affairs or in any other matters described herein.
  - ***Forward-Looking Statements.*** Many statements contained in this official statement, including the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on MTA's beliefs, as well as assumptions made by, and information currently available to, the management and staff of MTA. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to 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.
  - ***Projections.*** The projections set forth in this official statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of MTA's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of MTA. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this official statement are cautioned not to place undue reliance on the prospective financial information. Neither MTA's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.
  - ***No Guarantee of Information by Underwriters.*** 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.
  - ***Bond Insurer Information.*** Other than with respect to information concerning the Bond Insurers contained under the caption "DESCRIPTION OF SERIES 2005B BONDS—Bond Insurance" and in Attachments 4 and 5 herein, none of the information in this official statement has been supplied or verified by the Bond Insurers and no Bond Insurer makes any representation or warranty, express or implied, as to
    - the accuracy or completeness of information it has neither supplied nor verified,
    - the validity of the Series 2005B Bonds, or
    - the tax-exempt status of the interest on the Series 2005B Bonds.

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- Attachment 2** – Continuing Disclosure Under SEC Rule 15c2-12
- Attachment 3** – Form of Opinion of Bond Counsel
- Attachment 4** – Information Relating to Ambac Assurance Corporation
- Attachment 5** – Information Relating to MBIA Insurance Corporation

***Information Included by Specific Cross-reference.*** The following portions of MTA’s 2005 Combined Continuing Disclosure Filings, dated April 29, 2005, and filed with the repositories identified in the “INTRODUCTION” to this official statement, are included by specific cross-reference in this official statement, along with material that updates this official statement and that is either filed with those repositories or, in the case of official statements, filed with the Municipal Securities Rulemaking Board (MSRB) prior to the delivery date of the Series 2005B Bonds, together with any supplements or amendments thereto:

- **Appendix A** – The Related Entities
- **Appendix B** – Audited Combined Financial Statements of Metropolitan Transportation Authority for the Years Ended December 31, 2004 and 2003
- **Appendix C** – Audited Consolidated Financial Statements of the New York City Transit Authority for the Years Ended December 31, 2004 and 2003

The following documents have also been filed with the repositories identified in the “INTRODUCTION” and are included by specific cross-reference in this official statement:

- Summary of Certain Provisions of the Transportation Resolution
- Definitions and Summary of Certain Provisions of the Standard Resolution Provisions
- Form of the Interagency Agreement

## INTRODUCTION

### MTA, TBTA and Other Related Entities

The Metropolitan Transportation Authority (MTA) was created by special New York State legislation in 1965, as a public benefit corporation, which means that it is a corporate entity separate and apart from the State, without any power of taxation – frequently called a “public authority.” MTA is governed by board members appointed by the Governor, with the advice and consent of the State Senate.

MTA has responsibility for developing and implementing a single, integrated mass transportation policy for New York City and the seven New York metropolitan-area counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester. It carries out some of those responsibilities by operating the Transit and Commuter Systems through its subsidiary and affiliate entities: the New York City Transit Authority (the Transit Authority) and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA); the Staten Island Rapid Transit Operating Authority (SIRTOA); The Long Island Rail Road Company (LIRR); the Metro-North Commuter Railroad Company (MNCRC); the Metropolitan Suburban Bus Authority (MSBA); the MTA Bus Company (MTA Bus); and MTA Capital Construction Company (MTA Capital Construction). MTA issues debt obligations to finance a substantial portion of the capital costs of these systems, other than MSBA. It is expected that, at some time after the delivery of the Series 2005B Bonds, MTA Bus will pledge its operating revenues to the Trustee under the Transportation Resolution (as hereinafter defined) and become a signatory to the Interagency Agreement securing the Bonds and that, thereafter, all or a portion of MTA Bus’ capital needs may be financed from the proceeds of the Bonds.

Another affiliate of MTA, Triborough Bridge and Tunnel Authority, or TBTA, is a public benefit corporation empowered to construct and operate toll bridges and tunnels and other public facilities in New York City. TBTA issues debt obligations to finance the capital costs of its facilities and the Transit and Commuter Systems. TBTA’s surplus amounts are used to fund certain transit and commuter operations and capital projects.

The board members of MTA serve as the board members of the MTA’s affiliates and subsidiaries.

MTA, TBTA and the other Related Entities are described in detail in **Appendix A** to MTA’s 2005 Combined Continuing Disclosure Filings, which is included by specific cross-reference in this official statement.

Capitalized terms used herein and not otherwise defined have the meanings provided by **Appendix A**.

### Recent Developments

**Interim 2005 Capital Program.** In the event that the proposed 2005-2009 Transit and Commuter Capital Program submitted to the Review Board has not been approved by June 29, 2005, it is expected that the MTA Board will consider for approval a third quarter 2005 interim Capital Program in the amount of \$323.2 million on that date. The majority of these projects continue the large annual in-house programs that provide for the basic maintenance of the transit and commuter systems’ infrastructure (track, signals, power and structures) and bridges. Most of the in-house cyclical maintenance projects are funded according to their quarterly need but contracts with third-parties for work that may extend beyond the quarter are funded at their full value.

The breakdown of the proposed third quarter interim Capital Program by agency is as follows:

- Transit Authority - \$245.1 million in expenditures, funded by \$202.9 million in Federal funds, \$25.0 million in City funds and \$17.2 million in cash.
- LIRR - \$39.9 million in expenditures, funded by \$33.3 million in Federal funds and \$6.6 million in cash.
- MNCRC - \$29.9 million in expenditures, funded by \$24.0 million in Federal funds and \$5.9 million in cash.

- TBTA - \$3.6 million in expenditures, funded by cash.
- MTA Capital Construction - \$2.5 million in expenditures, funded by cash.
- MTA Police - \$2.3 million in expenditures, funded by cash.

## Where to Find Information

**Information in this Official Statement.** This official statement is organized as follows:

- **Part I** provides specific information about the Series 2005B Bonds.
- **Part II** describes the sources of payment and security for all Bonds, including the Series 2005B Bonds.
- **Part III** provides miscellaneous information relating to the Series 2005B Bonds.
- **Attachment 1** sets forth certain provisions applicable to the book-entry-only system of registration to be used for the Series 2005B Bonds.
- **Attachment 2** sets forth a summary of certain provisions of a continuing disclosure agreement relating to the Series 2005B Bonds.
- **Attachment 3** is the form of opinion of Bond Counsel in connection with the Series 2005B Bonds.
- **Attachment 4** sets forth certain information relating to Ambac Assurance Corporation.
- **Attachment 5** sets forth certain information relating to MBIA Insurance Corporation.
- **Information Included by Specific Cross-reference** in this official statement and identified in the Table of Contents may be obtained, as described below, from the repositories or the MSRB and from MTA.

**Information from Repositories.** MTA files annual and other information with each Nationally Recognized Municipal Securities Information Repository (NRMSIRs). Documents filed by MTA should be available from those repositories designated as such at the time of the filing. The repositories may charge a fee for access to those documents. The current repositories are as follows:

***Bloomberg Municipal Repository***

100 Business Park Drive  
Skillman, NJ 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
Email: [munis@bloomberg.com](mailto:munis@bloomberg.com)

***FT Interactive Data***

Attn: NRMSIR  
100 William Street, 15<sup>th</sup> Floor  
New York, NY 10038  
Phone: (212) 771-6999; (800) 689-8466  
Fax: (212) 771-7390  
Email: [NRMSIR@interactivedata.com](mailto:NRMSIR@interactivedata.com)

***DPC Data Inc.***

One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

***Standard & Poor's Securities Evaluations, Inc.***

55 Water Street  
45<sup>th</sup> Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

**Information Included by Specific Cross-reference.** The information listed under the caption "Information Included by Specific Cross-reference" in the Table of Contents, as filed with the repositories to date, is "included by specific cross-reference" in this official statement. This means that important information is disclosed by referring to those documents and that the specified portions of those documents are considered to be part of this official statement. **This official statement, which includes the specified portions of those filings, should be read in its entirety in order to obtain essential information for making an informed decision in connection with the Series 2005B Bonds.**

**Information Available at No Cost.** Information filed with the repositories is also available, at no cost, on MTA's website or by contacting MTA, Attn.: Finance Department, at the address on page (i). For important information about MTA's website, see "FURTHER INFORMATION" in Part III.

## PART I. SERIES 2005B BONDS

*Part I* of this official statement, together with the Summary of Terms, provides specific information about the Series 2005B Bonds.

### APPLICATION OF PROCEEDS

MTA anticipates that the net proceeds of the Series 2005B Bonds (the principal amount thereof plus net original issue premium of \$60,206,187.25 and less certain financing, bond insurance, legal, hedge termination and miscellaneous expenses of \$42,504,877.84), in the amount of \$767,701,309.41 will be deposited into the Series 2005B Proceeds Account to finance transit and commuter projects.

On September 17, 2004, in an effort to provide budget certainty, through a competitive bidding process, MTA entered into two forward hedges in the aggregate notional amount of \$500 million, 60% of which was with Lehman Brothers Special Financing Inc. and 40% with AIG Financial Products Corp. (the "Counterparties") with an effective date of July 1, 2005. On June 21, 2005, MTA terminated the hedges with the Counterparties and will pay aggregate termination payments of \$22,865,000 from the Series 2005B Proceeds Account. Consistent with its expectation at the time it executed the forward hedge agreements, MTA realized significant budgetary savings as compared with the July 2004 MTA Wide Financial Plan.

### DESCRIPTION OF SERIES 2005B BONDS

#### General

***Book-Entry-Only System.*** The Series 2005B Bonds will be issued as registered bonds, registered in the name of The Depository Trust Company or its nominee (together, DTC), New York, New York, which will act as securities depository for the Series 2005B Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. So long as DTC is the registered owner of the Series 2005B Bonds, all payments on the Series 2005B Bonds will be made directly to DTC. DTC is responsible for disbursement of those payments to its participants, and DTC participants and indirect participants are responsible for making those payments to beneficial owners. See **Attachment 1**—"Book-Entry-Only System."

***Interest Payments.*** The Series 2005B Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the **inside cover** of this official statement. Interest will be paid on each May 15 and November 15, beginning November 15, 2005. So long as DTC is the sole registered owner of all of the Series 2005B Bonds, all interest payments will be paid to DTC by wire transfer of immediately available funds, and payment of interest to beneficial owners will occur through the DTC Book-Entry-Only System.

***Transfers and Exchanges.*** So long as DTC is the securities depository for the Series 2005B Bonds, it will be the sole registered owner of the Series 2005B Bonds, and transfers of ownership interests in the Series 2005B Bonds will occur through the DTC Book-Entry-Only System.

***Trustee and Paying Agent.*** JPMorgan Chase Bank, N.A. is Trustee and Paying Agent with respect to the Transportation Revenue Bonds.

#### Redemption Prior to Maturity

***Mandatory Sinking Fund Redemption.*** The term bonds shown below are subject to mandatory sinking fund redemption, in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) on any November 15 on and after the first sinking fund installment date shown below at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof from mandatory Sinking Fund Installments that are required to be made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2005B Bonds shown below:

<u>2030 Term Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2028	\$33,035,000
	2029	34,690,000
final maturity	2030	4,665,000
average life 23.980 years		

<u>2031 Term Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2030	\$31,755,000
final maturity	2031	38,245,000
average life 25.919 years		

<u>2035 Term Bond</u>		
	<u>Sinking Fund Redemption Date (November 15)</u>	<u>Sinking Fund Installment</u>
first payment	2032	\$40,155,000
	2033	42,165,000
	2034	44,270,000
final maturity	2035	44,905,000
average life 28.920 years		

***Credit Toward Mandatory Sinking Fund Redemption.*** MTA may take credit toward mandatory Sinking Fund Installment requirements as follows, and if taken, thereafter reduce the amount of term Series 2005B Bonds of the same maturity and interest rate otherwise subject to mandatory Sinking Fund Installments on the date for which credit is taken:

- If MTA directs the Trustee to purchase term Series 2005B Bonds with money in the Debt Service Fund (at a price not greater than par plus accrued interest to the date of purchase), then a credit of 100% of the principal amount of bonds purchased will be made against the next Sinking Fund Installment due.
- If MTA purchases or redeems term Series 2005B Bonds with other available moneys, then the principal amount of those bonds will be credited against future Sinking Fund Installment requirements in any order, and in any annual amount, that MTA may direct.

***Optional Redemption.*** The Series 2005B Bonds maturing on and after November 15, 2016, except the Series 2005B Bonds maturing on November 15, 2018 through November 15, 2024, inclusive, are subject to redemption prior to maturity on any date on and after November 15, 2015, at the option of MTA, in whole or in part on any date (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise by lot in such manner as the Trustee in its discretion deems proper) at 100% of the principal amount thereof, together with accrued interest thereon up to but not including the redemption date. The Series 2005B Bonds maturing on November 15, 2018 through November 15, 2024, inclusive, are not subject to optional redemption prior to maturity.

***State and City Redemption.*** Pursuant to the MTA Act, the State, upon providing sufficient funds, may require MTA to redeem the Series 2005B Bonds, prior to maturity, as a whole, on any interest payment date not less than twenty years after the date of issue of the Series 2005B Bonds, at 105% of their face value and accrued interest or at such lower redemption price provided for the Series 2005B Bonds in the case of redemption as a whole on the redemption date. The MTA Act further provides that the City, upon furnishing sufficient funds, may require MTA to

redeem the Series 2005B Bonds, as a whole, but only in accordance with the terms upon which the Series 2005B Bonds are otherwise redeemable.

**Redemption Notices.** So long as DTC is the securities depository for the Series 2005B Bonds, the Trustee must mail redemption notices to DTC at least 30 days before the redemption date. If the Series 2005B Bonds are *not* held in book-entry-only form, then the Trustee must mail redemption notices directly to bondholders within the same time frame. A redemption of the Series 2005B Bonds is valid and effective even if DTC's procedures for notice should fail. Beneficial owners should consider arranging to receive redemption notices or other communications to DTC affecting them, including notice of interest payments through DTC participants. Any notice of optional redemption may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before the payment of the Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. **Please note that all redemptions are final - even if beneficial owners did not receive their notice, and even if that notice had a defect.**

**Effect of Call for Redemption.** If the Trustee gives an unconditional notice of redemption, then on the redemption date the Series 2005B Bonds called for redemption will become due and payable. If the Trustee gives a conditional notice of redemption and holds money to pay the redemption price of the affected Series 2005B Bonds, then on the redemption date the Series 2005B Bonds called for redemption will become due and payable. In either case, if on the redemption date the Trustee holds money to pay the Series 2005B Bonds called for redemption, thereafter no interest will accrue on those Series 2005B Bonds, and a bondholder's only right will be to receive payment of the redemption price upon surrender of those Series 2005B Bonds.

#### **Bond Insurance**

Concurrently with the issuance of the Series 2005B Bonds, Ambac Assurance Corporation (Ambac) will issue its financial guaranty insurance policy (the Ambac Insurance Policy) for those Series 2005B Bonds identified as being insured by Ambac on the inside cover hereof (collectively, the Ambac Insured Bonds). The Ambac Insurance Policy insures the scheduled payment of principal of and interest on the Ambac Insured Bonds when due as set forth in the form of the Ambac Insurance Policy included as **Attachment 4** to this official statement. Reference is made to **Attachment 4** for information regarding the Ambac Insured Bonds, Ambac and a specimen of the Ambac Insurance Policy.

Concurrently with the issuance of the Series 2005B Bonds, MBIA Insurance Corporation (MBIA) will issue its financial guaranty insurance policy (the MBIA Insurance Policy) for those Series 2005B Bonds identified as being insured by MBIA on the inside cover hereof (collectively, the MBIA Insured Bonds). The MBIA Insurance Policy guarantees the scheduled payment of principal of and interest on the MBIA Insured Bonds when due as set forth in the form of the MBIA Insurance Policy included as **Attachment 5** to this official statement. Reference is made to **Attachment 5** for information regarding the MBIA Insured Bonds, MBIA and a specimen of the MBIA Insurance Policy.

MTA has granted each of the bond insurers certain rights authorized under Section A-202 of the Transportation Resolution (as hereinafter defined), including the right to be deemed the sole Owner of the Series 2005B Bonds it insures whenever the approval, consent or action of the Owners is required. See "Definitions and Summary of Certain Provisions of the Standard Resolution Provisions" included by specific cross-reference herein.

#### **Debt Service on the Bonds**

**Table 1** on the following page sets forth, on a cash basis, (1) estimated debt service on the outstanding Bonds, (2) debt service on the Series 2005B Bonds, and (3) estimated debt service, on an aggregate basis, on all Bonds after the issuance of the Series 2005B Bonds.

**Table 1**  
**Aggregate Debt Service**  
**(in thousands)<sup>(1)</sup>**

Year Ending November 15	Outstanding Bonds <sup>(2)</sup>	Series 2005B Bonds			Aggregate Debt Service
		Principal	Interest	Total	
2005	\$ 455,555	-	\$ 13,646	\$ 13,646	\$ 469,201
2006	472,132	\$ 12,140	36,661	48,801	520,933
2007	472,132	12,505	36,296	48,801	520,933
2008	472,098	12,920	35,878	48,798	520,895
2009	472,146	13,310	35,490	48,800	520,946
2010	472,146	13,880	34,919	48,799	520,945
2011	472,164	14,455	34,346	48,801	520,964
2012	472,122	15,090	33,712	48,802	520,924
2013	472,234	15,760	33,040	48,800	521,035
2014	472,233	16,460	32,339	48,799	521,032
2015	472,237	17,260	31,539	48,799	521,037
2016	472,199	18,095	30,702	48,797	520,997
2017	472,223	19,000	29,797	48,797	521,021
2018	472,227	19,950	28,847	48,797	521,025
2019	472,232	21,000	27,800	48,800	521,032
2020	472,208	22,100	26,698	48,798	521,006
2021	472,235	23,260	25,537	48,797	521,032
2022	472,237	24,485	24,316	48,801	521,038
2023	480,831	25,770	23,031	48,801	529,631
2024	480,825	27,120	21,678	48,798	529,623
2025	480,832	28,545	20,254	48,799	529,631
2026	480,825	29,965	18,835	48,800	529,625
2027	480,828	31,465	17,337	48,802	529,630
2028	480,832	33,035	15,763	48,798	529,630
2029	480,839	34,690	14,112	48,802	529,640
2030	480,834	36,420	12,377	48,797	529,631
2031	480,822	38,245	10,556	48,801	529,623
2032	430,225	40,155	8,644	48,799	479,024
2033	76,072	42,165	6,636	48,801	124,873
2034	76,071	44,270	4,528	48,798	124,869
2035	47,161	46,485	2,314	48,799	95,960
<b>Total</b>	<b>\$13,439,757</b>	<b>\$750,000</b>	<b>\$727,628</b>	<b>\$1,477,628</b>	<b>\$14,917,385</b>

<sup>(1)</sup> Totals may not add due to rounding.

<sup>(2)</sup> Includes the following variable rate assumptions for debt service: Series 2002D Bonds at an assumed variable interest rate of 4% per annum and including net payments made by MTA under the swap agreement relating thereto; Series 2002C Bonds at an assumed taxable variable interest rate of 4.5% per annum; and Series 2002B Bonds, Series 2002G Bonds and Series 2004A Bonds at an assumed variable interest rate of 4% per annum.

## PART II. SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

*Part II* of this official statement describes the sources of payment and security structure for all MTA Transportation Revenue Bonds, including the Series 2005B Bonds.

### SOURCES OF PAYMENT

#### Pledged Transportation Revenues

Under New York law, the Transportation Revenue Bonds are MTA's special obligations, which means that they are payable solely from the money pledged for payment under the "General Resolution Authorizing Transportation Revenue Obligations", adopted March 26, 2002 (referred to herein as the "Transportation Resolution"). They are not MTA's general obligations. Summaries of certain provisions of the Transportation Resolution and the form of the Interagency Agreement have been filed with the repositories listed under "INTRODUCTION – Where to Find Information."

MTA receives "transportation revenues," directly and through certain subsidiaries (currently, LIRR and MNCRC) and affiliates (currently, the Transit Authority and MaBSTOA), and its receipts from many of these sources are pledged for the payment of Transportation Revenue Bonds. The Transportation Resolution provides that bondholders are to be paid from pledged revenues prior to the payment of operating or other expenses, and as described in more detail below. MTA has covenanted to impose fares and other charges so that pledged revenues, together with other available moneys, will be sufficient to cover all debt service and operating and capital costs of the systems. See "FACTORS AFFECTING REVENUES – Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses" below.

Certain transit fares increased on February 27, 2005, certain commuter fares increased on March 1, 2005, and the crossing charges on TBTA's bridges and tunnels increased on March 13, 2005. See **Appendix A – "REVENUES OF THE RELATED ENTITIES – Fares and Tolls."**

**Table 2** sets forth the following for the 5 years ended December 31, 2004 on a cash basis:

- by general category, the amount of pledged revenues (calculated in accordance with the Transportation Resolution). A general description of the pledged revenues in the general categories referenced in **Table 2** follows the table, and a more detailed description is set forth in **Appendix A** under the caption "REVENUES OF THE RELATED ENTITIES,"
- the amount of debt service on the farebox bonds that were refunded by Transportation Revenue Bonds during MTA's debt restructuring in 2002 and the amount of debt service on the Bonds beginning in 2002, and
- the amount of transit and commuter operating expenses.

**Table 2** is based on the historical audited financial statements of MTA and its subsidiaries, LIRR and MNCRC, and the Transit Authority and its subsidiary MaBSTOA. The audited financial statements for MTA and the Transit Authority for the last two years covered by **Table 2** are included herein by specific cross-reference and should be read in connection with this information. The information in **Table 2** may not be indicative of future results of operations and financial condition.

For the years 2000 through 2002, **Table 2** is a pro forma presentation that gives effect to the combined revenues of the Transit System and Commuter System as if the Transportation Resolution had been in place before the debt restructuring. The pro forma information contained in the table has been prepared by MTA management based upon the historical financial statements and notes.

**Table 2**  
**Summary of Pledged Revenues (Calculated in Accordance with the Transportation Resolution)**  
**and Expenses**  
**Historical Cash Basis (in millions)**

	Years Ended December 31,				
	2000	2001	2002	2003	2004
<b>Revenues from Systems Operations</b>					
Fares from Transit System	\$2,116	\$2,141	\$2,156	\$2,420	\$2,567
Fares from Commuter System	688	698	689	772	819
Other Income <sup>(1)</sup>	121	138	157	109	245
<b>Subtotal – Operating Revenues</b>	<b>2,925</b>	<b>2,977</b>	<b>3,002</b>	<b>3,301</b>	<b>3,631</b>
<b>Revenues from TBTA Surplus</b>	<b>360</b>	<b>311</b>	<b>251</b>	<b>395</b>	<b>377</b>
<b>TBTA – Refund of Excess Debt Service Payments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>164</b>	<b>0</b>
<b>Revenues from Governmental Sources</b>					
State and Local General Operating Subsidies	404	424	423	380	377
Special Tax-Supported Operating Subsidies					
DTF Excess <sup>(2)</sup>	205	256	333	322	411
MMTOA Receipts	785	778	1,107	731	736
Urban Tax	180	216	171	177	344
Excess Mortgage Recording Taxes	0	0	0	278	163
Subtotal Special Tax-Supported Operating Subsidies	1,170	1,250	1,612	1,458	1,654
<b>Station Maintenance and Service Reimbursements</b>	<b>270</b>	<b>278</b>	<b>291</b>	<b>307</b>	<b>311</b>
<b>Revenues from Investment of Capital Program Funds<sup>(3)</sup></b>	<b>155</b>	<b>137</b>	<b>27</b>	<b>14</b>	<b>26</b>
<b>Subtotal – Non-Operating Revenues<sup>(4)</sup></b>	<b>2,359</b>	<b>2,400</b>	<b>2,604</b>	<b>2,718</b>	<b>2,745</b>
<b>Total Pro Forma Transportation Resolution Pledged Revenues</b>	<b>\$5,284</b>	<b>\$5,377</b>	<b>\$5,606</b>	<b>\$6,019</b>	<b>\$6,376</b>
<b>Debt Service<sup>(5)</sup></b>	<b>\$380</b>	<b>\$378</b>	<b>\$106</b>	<b>\$257</b>	<b>\$389</b>
Transit Operating Expenses	\$3,521	\$3,589	\$3,843	\$4,161	\$4,198
Commuter Operating Expenses	1,346	1,347	1,426	1,512	1,609
<b>Total Operating Expenses</b>	<b>\$4,867</b>	<b>\$4,936</b>	<b>\$5,269</b>	<b>\$5,673</b>	<b>\$5,807</b>
<b>Total Operating Expenses and Debt Service</b>	<b>\$5,247</b>	<b>\$5,314</b>	<b>\$5,375</b>	<b>\$5,930</b>	<b>\$6,196</b>

- 
- (1) Other income in the case of the Transit System includes advertising revenue, interest income on certain operating funds, station concessions, Transit Adjudication Bureau collections, rental income and miscellaneous. Other income in the case of the Commuter System includes advertising revenues, interest income on certain operating funds, concession revenues (excluding Grand Central Terminal and Pennsylvania Station concessions), rental income and miscellaneous.
- (2) Calculated by subtracting the debt service payments on the Dedicated Tax Fund Bonds from the MTF Receipts described in **Appendix A** under the caption “DEDICATED TAX FUND BONDS.”
- (3) Represents investment income on Capital Program funds held by MTA for the benefit of the Transit and Commuter Capital Program on an accrual basis.
- (4) Sum of Revenues from TBTA Surplus, Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), Station Maintenance and Service Reimbursements, and Revenues from Investment of Capital Program Funds.
- (5) Actuals for the years 2000-2002 based upon payments to bondholders made on July 1 of the current year and January 1 of the following year on the bonds defeased in connection with the debt restructuring before, and debt service on the Transportation Revenue Bonds after, the completion of the debt restructuring.

The following should be noted in Table 2:

- Revenues from Systems Operations – the level of fares increased on May 4, 2003 for the Transit System and May 1, 2003 for the Commuter System.
- Other Income in 2004 includes World Trade Center and other insurance settlement moneys.
- The level of TBTA Surplus available to the Transit and Commuter Systems declined in 2002 due primarily to the fact that certain TBTA bonds outstanding prior to the debt restructuring were secured in the first instance by certain mortgage recording tax revenues and then, to the extent of any deficiency, by TBTA net revenues. The bonds secured by the mortgage recording taxes were defeased in full and replaced by bonds secured by TBTA net revenues. The mortgage recording taxes that are no longer pledged under the bond resolutions are paid to MTA for headquarters purposes, including transit and commuter purposes. Beginning in 2003, TBTA Surplus increased based upon the toll increases that became effective on May 18, 2003.
- TBTA – Refund of Excess Debt Service Payments – for 2003, approximately \$164 million in non-recurring excess debt service payments resulting from the debt restructuring that were on deposit with the TBTA bond trustees were applied for the benefit of the Transit and Commuter System.
- The increased amount of MMTOA Receipts in 2002 reflects the advance of the payment of MMTOA Receipts from the first quarter of 2003 into the fourth quarter of 2002 (approximately \$230 million). Beginning in 2003, MTA receives annually four quarters of MMTOA Receipts, with the first quarter of each succeeding year's receipts similarly advanced. MTA will monitor the effect of not having MMTOA Receipts available during the first quarter of the calendar year on its cash flow needs to determine if future working capital borrowings may be necessary.
- The "Urban Tax" collection reflects the activity level of certain residential and commercial real estate transactions in the City. Mortgage recording tax and urban tax proceeds in 2004 reflect the very high level of real estate sale and refinancing activity during the year.
- As noted in the third bullet point above, beginning in 2003, mortgage recording taxes (\$228 million in 2003 and \$163 million in 2004), including those no longer needed to pay debt service on the defeased TBTA mortgage recording tax bonds, were available for Transit and Commuter System purposes after the payment of MTA headquarters expenses.
- Revenues from Investment of Capital Program Funds – Substantially all of the investment income is generated from bond proceeds, such as reserve funds and funds held in anticipation of expenditure on project costs. Since substantially all of the debt service reserve funds were eliminated in the debt restructuring, "Revenues from Investment of Capital Program Funds" declined sharply in 2002 (reflecting a partial year when the reserve funds remained in place) and declined further beginning in 2003.

The following **Table 3** sets forth budgeted information for 2005 comparable to that set forth in **Table 2** with respect to the years 2000-2004.

**Table 3**  
**Summary of Pledged Revenues**  
**(Calculated in Accordance with the Transportation Resolution) and Expenses**  
**Budgeted 2005 on a Cash Basis (in millions)**

	2005 Budgeted <sup>(1)</sup>
<b>Revenues from Systems Operations</b>	
Fares from Transit System	\$2,718
Fares from Commuter System	908
Other Income <sup>(2)</sup>	142
<b>Subtotal – Operating Revenues</b>	<b>3,768</b>
<b>Revenues from TBTA Surplus</b>	<b>393</b>
<b>TBTA – Refund of Excess Debt Service Payments</b>	<b>0</b>
<b>Revenues from Governmental Sources</b>	
State and Local General Operating Subsidies	375
Special Tax-Supported Operating Subsidies	
DTF Excess <sup>(3)</sup>	339
MMTOA Receipts	834
Urban Tax	231
Excess Mortgage Recording Taxes	128
Subtotal Special Tax-Supported Operating Subsidies	1,533
<b>Station Maintenance and Service Reimbursements</b>	<b>339</b>
<b>Subtotal – Non-Operating Revenues<sup>(4)</sup></b>	<b>2,640</b>
<b>Total Pro Forma Transportation Resolution Pledged Revenues</b>	<b>\$6,408</b>
<b>Budgeted Debt Service<sup>(5)</sup></b>	<b>\$518</b>
Transit Operating Expenses	\$4,562
Commuter Operating Expenses	1,722
<b>Total Operating Expenses</b>	<b>\$6,284</b>
<b>Total Operating Expenses and Debt Service</b>	<b>\$6,802<sup>(6)</sup></b>

(1) Based on the 2005 MTA Adopted Budget, February Financial Plan 2005-2008.

(2) Other income in the case of the Transit System includes advertising revenue, interest income on certain operating funds, station concessions, Transit Adjudication Bureau collections, rental income and miscellaneous. Other income in the case of the Commuter System includes advertising revenues, interest income on certain operating funds, concession revenues (excluding Grand Central Terminal and Pennsylvania Station concessions), rental income and miscellaneous.

(3) Calculated by subtracting the debt service payments on the Dedicated Tax Fund Bonds from the MTF Receipts described in **Appendix A** under the caption “DEDICATED TAX FUND BONDS.” For 2005, this includes the subtraction of estimated debt service on approximately \$837 million of Dedicated Tax Fund Bonds expected to be issued during 2005.

(4) Sum of Revenues from TBTA Surplus, Governmental Sources (including State and Local General Operating Subsidies and Special Tax-Supported Operating Subsidies), and Station Maintenance and Service Reimbursements.

(5) 2005 budgeted debt service includes (i) estimated debt service on approximately \$1.9 billion of Transportation Revenue Bonds expected to be issued during 2005 and (ii) tax-exempt variable rate debt service at 4% and taxable variable rate debt service at 4.5%.

(6) 2005 Budgeted Total Operating Expenses and Debt Service are higher than Total Pro Forma Transportation Resolution Pledged Revenues; however, the drawdown of a portion of the 2004 year end available cash balances, together with the additional State assistance generally described under “Description of Pledged Revenues – Revenues from Governmental Sources – *Special Tax-Supported Operating Subsidies*” below is expected to result in a cash balance at the end of 2005. The July 2005 update of the 2005-2008 Financial Plan is expected to show that the budgets of the Related Entities will be substantially in balance through 2007. See “Factors Affecting Revenues – *Operating Results and Projections*” below.

## Description of Pledged Revenues

Each of the following revenues is described in more detail in **Appendix A** under the caption “REVENUES OF THE RELATED ENTITIES.”

### *Revenues from Systems Operations.*

- **Fares from the Transit and Commuter Systems** – For *transit*, while the basic fare was raised in 2003 to \$2.00 per trip on its subway and buses, a variety of discounted fare arrangements has lowered the average fare to substantially less than that (excluding students and elderly/disabled reduced fare instruments, the average was \$1.27 in 2004); and for *commuter*, fares are set in accordance with formulae that vary in relation to the distance traveled on a specific trip, with discounts for off-peak hours, for purchasers of weekly or monthly tickets (with additional discounts for joint tickets including 30-day MetroCards), and for senior citizens and the handicapped.

On February 27, 2005, the Transit Authority increased the cost of a 30-day unlimited ride MetroCard from \$70 to \$76, the cost of a 7-day unlimited ride MetroCard from \$21 to \$24, and express bus fares from \$4 to \$5 without increasing the \$2.00 base fare.

On March 1, 2005, the average fare increased by 7.6% on LIRR and by 6.2% on MNCRC for service between points in New York State, which resulted in an approximately 5% increase in commuter fare revenues. Connecticut fares on MNCRC increased an average of 5.5% as of January 1, 2005.

- **Other Income** – MTA receives revenues from concessions to vendors and from advertising and other space it rents in subway and commuter rail cars, buses, stations and other facilities. Concession revenues from Grand Central Terminal (the main station for MNCRC) and Pennsylvania Station (the main station for LIRR), however, are not included within these amounts pledged.

**Revenues from TBTA Surplus.** TBTA is required by law to transfer its annual operating surpluses (generally, tolls and other operating revenues from bridges and tunnels after payment of operating expenses and debt service costs) to MTA, and a statutory formula determines how MTA allocates that money between the Transit and Commuter Systems. The crossing charges on TBTA’s bridges and tunnels increased on March 13, 2005.

### *Revenues from Governmental Sources.*

- General operating subsidies from the State and local governments – Under the State’s Section 18-b program, MTA receives –
  - o subsidies for transit from the State and matching subsidies from New York City, and
  - o subsidies for commuter from the State and matching subsidies from New York City and the seven counties in the MTA district.
- **Special tax-supported operating subsidies** – MTA receives subsidies from a number of sources including –
  - o portions of the following dedicated taxes pledged but not ultimately needed to pay debt service on MTA’s Dedicated Tax Fund bonds—
    - the state-wide business privilege tax imposed on petroleum businesses in the State, referred to as the PBT,
    - the motor fuel tax on gasoline and diesel fuel, and
    - certain motor vehicle fees, including both registration and non-registration fees; and

- o portions of the following mass transportation operating assistance or MTOA taxes, which state law requires first be used to pay debt service on MTA's Dedicated Tax Fund bonds if the dedicated taxes described above are insufficient—
  - the regional PBT (in addition to the state-wide portion described above), which is referred to as the MTOA PBT,
  - the sales and compensating use tax within the MTA transportation district,
  - two franchise taxes imposed on certain transportation and transmission companies, and
  - a temporary surcharge on a portion of the franchise tax imposed on certain corporations, banks, insurance, utility and transportation companies attributable to business activities within the transportation district; and
- o a portion of the amounts collected by the City for the benefit of the Transit System from certain mortgage transfer and recording taxes.

As part of the State's enacted 2005-06 Budget, the State enacted legislation that provides the Related Entities with the following three major additional revenue sources:

- Additional 1/8th of one percent regional sales tax throughout the Transportation District effective June 1, 2005 that is expected to generate approximately \$110 million in 2005, approximately \$202 million in 2006 and approximately \$230 million annually thereafter.
- Increase in the MRT-1 Tax effective June 1, 2005 from 25 cents per \$100 of recorded mortgage to 30 cents per \$100 of recorded mortgage that is expected to generate approximately \$29 million in 2005 and approximately \$50 million annually thereafter.
- 34% of an increase in certain motor vehicle fees effective January 1, 2006 that is expected to generate approximately \$61 million annually each year.
- **Station maintenance and service reimbursements** – MTA is reimbursed by the City and the seven counties in the MTA district with respect to commuter stations located in each respective jurisdiction, for the cost of staffing the stations, maintaining the stations and appurtenant land and buildings, and insurance. In addition, the City provides for the policing of the Transit System and contributes to support the Transit Authority's paratransit, senior-citizen and school-children programs. Also, MNCRC receives certain payments from the Connecticut Department of Transportation for its share of the operating deficits of the New Haven rail line.

**Revenues from Investment Income and Miscellaneous.** MTA earns income, as do its subsidiaries and affiliates, from the temporary investment of money held in those of MTA's various funds and accounts that are pledged to holders of Transportation Revenue Obligations.

### **Factors Affecting Revenues**

**Ridership.** The level of fare revenues depends to a large extent on MTA's ability to maintain and/or increase ridership levels on the Transit and Commuter Systems. Those ridership levels are affected by safety and the quality and efficiency of systems operations, as well as by financial and economic conditions in the New York metropolitan area.

**Fare Policy.** MTA determines the rate or rates of fares charged to users of the Commuter System, and the Transit Authority and MaBSTOA, together with MTA, do the same for the Transit System. After adopting operating expense budgets and assessing the availability of governmental subsidies, each makes a determination of fares necessary to operate on a self-sustaining cash basis in compliance with State law and covenants in the Transportation Resolution. Considering the impact of increased fares on riders and on the regional economy, MTA's

policy is to attempt to reduce costs or obtain additional revenues from other sources, mainly governmental sources, before increasing fares. As a result, even though MTA does not generally need other governmental approvals before setting fares, the amount and timing of fare increases may be affected by the Federal, State and local government financial conditions, as well as by budgetary and legislative processes. MTA's obligation to obtain approval of fare increases on the New Haven line from CDOT can also affect the amount and timing of fare increases.

***Ability to Comply with Rate Covenant and Pay Operating and Maintenance Expenses.*** The Transit and Commuter Systems have depended, and are expected to continue to depend, upon government subsidies to meet capital and operating needs. Thus, even though MTA is legally obligated by the rate covenant to raise fares sufficiently to cover all capital and operating costs, there can be no assurance that there is any level at which Transit and Commuter Systems fares would produce revenues sufficient to comply with the rate covenant, particularly if the current level (or the assumed level in the budgets prepared in connection with 2005 and the forecasts prepared in connection with 2006, 2007 and 2008) of collection of dedicated taxes, operating subsidies, and expense reimbursements were to be discontinued or substantially reduced.

***Operating Results and Projections.*** Based upon the adoption of the 2005-2008 Financial Plan in December 2004, MTA projected that the budgets for the Transit System and the Commuter System would be balanced on a cash basis for calendar year 2005, but that there would be substantial gaps thereafter. The additional State assistance enacted as part of the State's 2005-06 Budget (generally described above under "Description of Pledged Revenues – Revenues from Governmental Sources – *Special Tax-Supported Operating Subsidies*") will be reflected in the July 2005 update of the 2005-2008 Financial Plan and is expected to show that the budgets of the Related Entities will be substantially in balance through 2007. Either or both systems may be forced to institute additional cost reductions (which, in certain circumstances, could affect service which, in turn, could adversely affect revenues) or take other actions to close projected budget gaps, which could include raising fares.

***2005-2008 Financial Plan.*** The 2005-2008 Financial Plan, the 2000-2004 Capital Program and future Capital Programs are interrelated, and any failure fully to achieve the various components of these plans could have an adverse impact on one or more of the other proposals contained in the 2005-2008 Financial Plan, the 2000-2004 Capital Program and future Capital Programs, as well as on pledged revenues. See **Appendix A** under the caption "FINANCIAL PLANS AND CAPITAL PROGRAMS."

***TBTA Operating Surplus.*** The amount of TBTA operating surplus to be used for the Transit and Commuter Systems is affected by a number of factors, including traffic volume, the timing and amount of toll increases, the operating and capital costs of TBTA Facilities, and the amount of debt service payable from its operating revenues, including debt service on obligations issued for the benefit of MTA's affiliates and subsidiaries and for TBTA's own capital needs.

***Government Assistance.*** The level of government assistance to MTA may be affected by several different factors, such as:

- Subsidy payments by the State may be made only if and to the extent that appropriations have been made by the Legislature, and money is available to fund those appropriations.
- The Legislature may not bind or obligate itself to appropriate revenues during a future legislative session, and appropriations approved during a particular legislative session generally have no force or effect after the close of the State fiscal year for which the appropriations are made.
- The State is not bound or obligated to continue to pay operating subsidies to the Transit or Commuter Systems or to continue to impose any of the taxes currently funding those subsidies.
- The financial condition of the States of New York and Connecticut, and the City and counties in MTA's district, could affect the ability or willingness of the States and local governments to continue to provide general operating subsidies, the City and local governments to continue to provide reimbursements and station maintenance payments, and the State to continue to make special appropriations.

- Successful court challenges to the State taxes that are the sources of various State and City operating subsidies to MTA could adversely affect the amount of pledged revenues generated by such State taxes.

***Information Relating to the State of New York.*** Information relating to the State of New York, including the Annual Information Statement of the State, as amended or supplemented, is not a part of this official statement. Such information is on file with each Nationally Recognized Municipal Securities Information Repository with which the State was required to file, and the State has committed to update that information to the holders of its general obligation bonds, in the manner specified in SEC Rule 15c2-12. Prospective purchasers of the Transportation Revenue Bonds wishing to obtain that information may refer to those filings regarding currently available information about the State. The State has not obligated itself to provide continuing disclosure in connection with the offering of the Transportation Revenue Bonds. MTA makes no representations about State information or its continued availability.

## SECURITY

### General

The Transportation Revenue Bonds, including the Series 2005B Bonds, are MTA's special obligations payable as to principal (including sinking fund installments), redemption premium, if any, and interest from the security, sources of payment, and funds specified in the Transportation Resolution.

- The payment of principal (including sinking fund installments, if any), redemption premium, if any, and interest on Transportation Revenue Bonds is secured by, among other sources described below, the *transportation revenues* discussed in the preceding section "SOURCES OF PAYMENT," which are, together with certain other revenues, referred to as "pledged revenues."
- Holders of Transportation Revenue Bonds are to be paid prior to the payment, from pledged revenues, of operating or other expenses of MTA, the Transit Authority, MaBSTOA, LIRR and MNCRC. However, MTA's ability to generate major portions of the pledged revenues depends upon its payment of operating and other expenses.
- Transportation Revenue Bonds are not a debt of the State or the City, or any other local governmental unit.
- MTA has no taxing power.

Summaries of certain provisions of the Transportation Resolution and the form of the Interagency Agreement have been filed with the repositories listed under "INTRODUCTION – Information from Repositories."

### Pledge Effected by the Resolution

The Transportation Resolution provides that there are pledged to the payment of principal and redemption premium of, interest on, and sinking fund installments for, the Transportation Revenue Bonds and Parity Debt, in accordance with their terms and the provisions of the Transportation Resolution the following, referred to as the "trust estate":

- all pledged revenues as described above;
- the net proceeds of certain agreements pledged by MTA to the payment of transit and commuter capital projects;
- the proceeds from the sale of Transportation Revenue Bonds, until those proceeds are paid out for an authorized purpose;
- all funds, accounts and subaccounts established by the Transportation Resolution (except those established by a supplemental obligation resolution for variable interest rate obligations, put obligations, parity debt, subordinated contract obligations or subordinated debt); and
- the Interagency Agreement dated as of April 9, 2002, among MTA, LIRR, MNCRC, the Transit Authority and MaBSTOA.

The Trustee may directly enforce an undertaking to operate the Transit System and the Commuter System to ensure compliance with the Transportation Resolution.

Under the Transportation Resolution, the operators of the Transit and Commuter Systems are obligated to transfer to the Trustee for deposit into the Revenue Fund virtually all pledged revenues as soon as practicable following receipt, or with respect to revenues in the form of cash and coin, immediately after being counted and verified. The pledge of money located in the State of Connecticut may not be effective until that money is deposited under the Transportation Resolution.

### **Flow of Revenues**

The Transportation Resolution creates the following funds and accounts:

- Revenue Fund (held by the Trustee)
- Debt Service Fund (held by the Trustee), and
- Proceeds Fund (held by MTA).

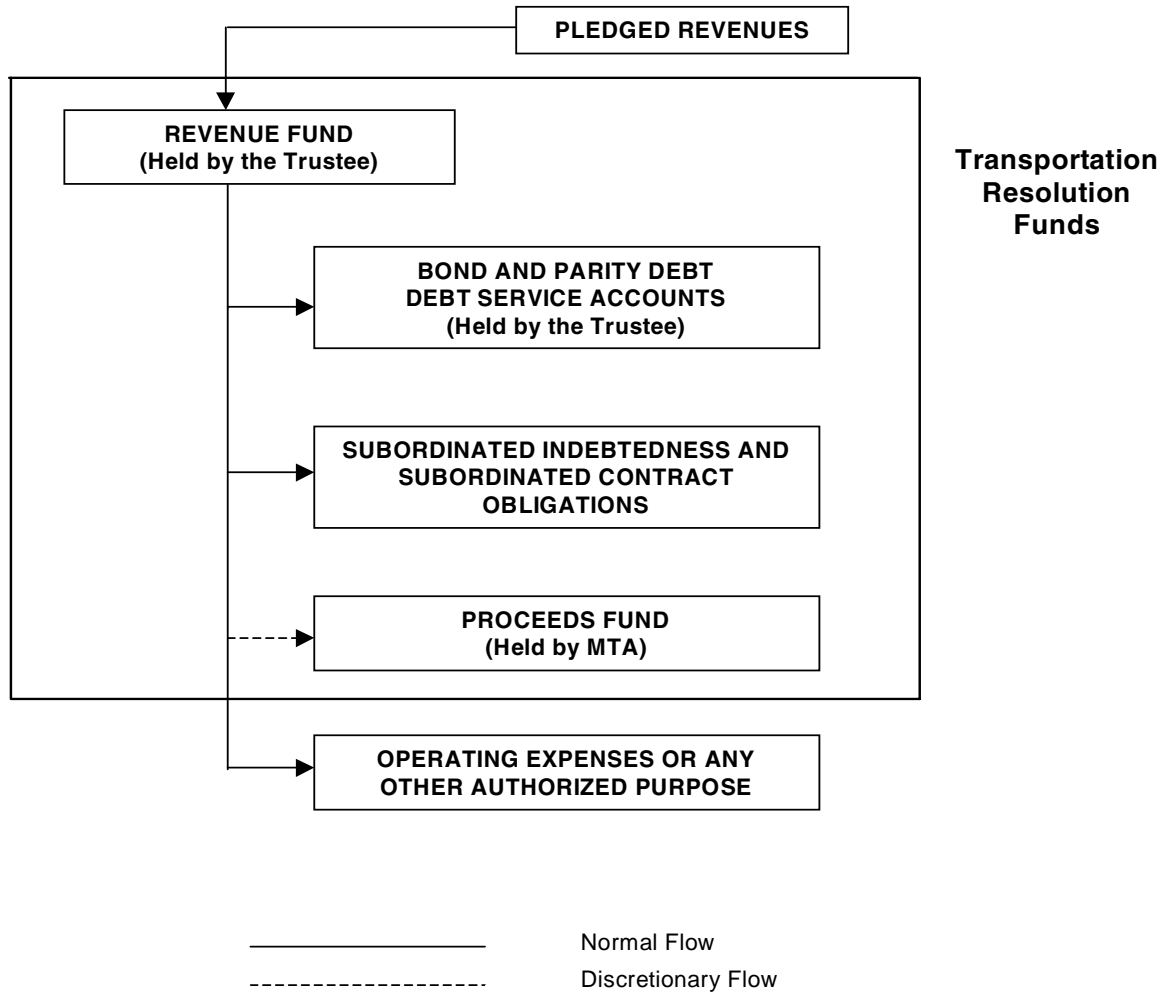
The Transportation Resolution requires the Trustee promptly upon receipt of the pledged revenues in the Revenue Fund, to deposit the revenues into the following funds and accounts, in the amounts and in the order of priority, as follows:

- to the debt service accounts, the net amount, if any, required to make the amount in the debt service accounts equal to the accrued debt service for Transportation Revenue Bonds and Parity Debt to the last day of the current calendar month;
- to pay, or accrue to pay, principal of and interest on any Subordinated Indebtedness or for payment of amounts due under any Subordinated Contract Obligation;
- to MTA for deposit in the Proceeds Fund, as directed by one of MTA's authorized officers, to fund Capital Costs of the Transit and Commuter Systems; and
- to accounts held by MTA or any of the Related Transportation Entities for payment of operating expenses or any other authorized purpose.

All amounts paid out by MTA or the Trustee either for an authorized purpose (excluding transfers to any other pledged fund or account) or under the last bullet point above are free and clear of the lien and pledge created by the Transportation Resolution.

The following chart illustrates the basic elements of the flow of revenues described above:

### TRANSPORTATION REVENUE OBLIGATIONS - FLOW OF PLEDGED REVENUES



## Covenants

**Rate Covenants.** MTA must fix the transit and commuter fares and other charges and fees to be sufficient, together with other money legally available or expected to be available, including from government subsidies –

- to pay the debt service on all the Transportation Revenue Bonds;
- to pay any Parity Debt;
- to pay any Subordinated Indebtedness and amounts due on any Subordinated Contract Obligations; and
- to pay, when due, all operating and maintenance expenses and other obligations of its transit and commuter affiliates and subsidiaries.

See “SOURCES OF PAYMENT - Factors Affecting Revenues” above.

### ***Operating and Maintenance Covenants.***

- MTA, MaBSTOA, Transit Authority, MNCRC and LIRR are required at all times to operate, or cause to be operated, the systems properly and in a sound and economical manner and maintain, preserve, reconstruct and keep the same or cause the same to be maintained, preserved, reconstructed and kept in good repair, working order and condition.
- Nothing in the Transportation Resolution prevents MTA from ceasing to operate or maintain, or from leasing or disposing of, all or any portion of the systems if, in MTA’s judgment it is advisable to do so, but only if the operation is not essential to the maintenance and continued operation of the rest of the systems and this arrangement does not materially interfere with MTA’s ability to comply with MTA’s rate covenants.

**Additional Bonds.** The Transportation Resolution permits MTA to issue additional Transportation Revenue Bonds and to issue or enter into Parity Debt, from time to time to pay or provide for the payment of qualifying costs, without meeting any specific debt-service-coverage level, as long as MTA certifies to meeting the rate covenant described above for the year in which the additional debt is being issued. Under the Transportation Resolution, MTA may only issue additional Transportation Revenue Bonds if those bonds are issued to fund projects pursuant to an approved Capital Program.

There is no covenant with bondholders limiting the aggregate principal amount of additional Transportation Revenue Bonds or Parity Debt that MTA may issue. There is a limit under current New York law that covers the Transportation Revenue Bonds and certain other securities. See **Appendix A** under the caption “Financing of Capital Projects and Statutory Ceiling” for a description of the current statutory cap.

**Refunding Bonds.** MTA may issue Transportation Revenue Bonds to refund all or any portion of the Transportation Revenue Bonds or Parity Debt. Transportation Revenue Bonds may also be issued to refund any pre-existing indebtedness of any Related Entity.

**Non-Impairment.** Under New York law, the State has pledged to MTA that it will not limit or change MTA’s powers or rights in such a way that would impair the fulfillment of MTA’s promises to holders of the Transportation Revenue Bonds.

**No Bankruptcy.** New York law specifically prohibits MTA or its Transit System affiliates or Commuter System subsidiaries from filing a bankruptcy petition under Chapter 9 of the U.S. Federal Bankruptcy Code. As long as any Transportation Revenue Bonds are outstanding, the State has covenanted not to change the law to permit MTA or its affiliates or subsidiaries to file such a petition.

### **PART III. OTHER INFORMATION ABOUT THE SERIES 2005B BONDS**

*Part III* of this official statement provides miscellaneous additional information relating to the Series 2005B Bonds.

#### **TAX MATTERS**

##### **General**

Nixon Peabody LLP is Bond Counsel for the Series 2005B Bonds. Their opinion under existing law, relying on certain statements by MTA and assuming compliance by MTA with certain covenants, is that interest on the Series 2005B Bonds is:

- excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986,
- not a preference item for a bondholder under the federal alternative minimum tax, and
- included in the adjusted current earnings of certain corporations under the federal corporate alternative minimum tax.

Their opinion is also that under existing law interest on the Series 2005B Bonds is exempt from personal income taxes of New York State and any political subdivisions of the State, including The City of New York. See **Attachment 3** to this official statement for the form of the opinion that Bond Counsel expects to deliver when the Series 2005B Bonds are delivered.

The Internal Revenue Code imposes requirements on the Series 2005B Bonds that MTA must continue to meet after the Series 2005B Bonds are issued. These requirements generally involve the way that Series 2005B Bond proceeds must be used and invested. If MTA does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2005B Bonds in its federal gross income on a retroactive basis to the date of issue. MTA has covenanted to do everything necessary to meet the requirements of the Internal Revenue Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2005B Bonds. This is possible if a bondholder is

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Series 2005B Bonds.

Prospective investors, particularly those in any of these categories, should consult their tax advisors.

Bond Counsel is not responsible for updating its opinion in the future. Although not possible to predict, it is possible that something may happen in the future that could change the tax treatment of the interest on the Series 2005B Bonds or affect the market price of the Series 2005B Bonds. For example, the Internal Revenue Code could be changed.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2005B Bonds or under State, local or foreign tax law.

##### **Original Issue Discount**

Each maturity of the Series 2005B Bonds will have "original issue discount" if the price first paid by the bondholders for a substantial amount of the Series 2005B Bonds is less than the principal amount of these Series 2005B Bonds. Bond Counsel's opinion is that the original issue discount on these Series 2005B Bonds as it

accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Series 2005B Bonds will be increased. Bond Counsel's opinion is also that the original issue discount on these Series 2005B Bonds as it accrues is exempt from personal income taxes of New York State and its political subdivisions. If a bondholder owns one of these Series 2005B Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

### **Bond Premium**

If a bondholder purchases a Series 2005B Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Series 2005B Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Series 2005B Bond will be reduced. The holder of a Series 2005B Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2005B Bond with bond premium, even though the Series 2005B Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Series 2005B Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

### **LEGALITY FOR INVESTMENT**

The MTA Act provides that the Series 2005B Bonds are securities in which the following investors may properly and legally invest funds, including capital in their control or belonging to them:

- all public officers and bodies of the State and all municipalities and political subdivisions in the State,
- all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings 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 who may hereafter be authorized to invest in the obligations of the State.

Certain of those investors, however, may be subject to separate restrictions that limit or prevent their investment in the Series 2005B Bonds.

### **LITIGATION**

There is no pending litigation concerning the bonds being offered.

MTA is the defendant in numerous claims and actions, as are its affiliates and subsidiaries, including the Transit Authority, LIRR, MNCRC and TBTA. Certain of these claims and actions, either individually or in the aggregate, are potentially material to holders of the obligations. A summary of certain of these potentially material claims and actions is set forth in **Appendix A** under the caption "LITIGATION," as that filing may be amended or supplemented to date.

### **FINANCIAL ADVISOR**

Goldman, Sachs & Co. is MTA's financial advisor for the Series 2005B Bonds and has also provided services in connection with the hedge described under "APPLICATION OF PROCEEDS". The financial advisor has provided MTA advice on the plan of financing and reviewed the pricing of the Series 2005B Bonds. The financial advisor has not independently verified the information contained in this official statement and does not assume responsibility for the accuracy, completeness or fairness of such information. The financial advisor's fees for serving as financial advisor are contingent upon the issuance of the Series 2005B Bonds.

## UNDERWRITING

The Underwriters for the Series 2005B Bonds, acting through Lehman Brothers Inc., as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from MTA the Series 2005B Bonds described on the **inside cover** of this official statement at an aggregate purchase price of \$806,206,814.62, reflecting a net original issue premium of \$60,206,187.25 and an Underwriters' discount of \$3,999,372.63, and to reoffer such Series 2005B Bonds at the public offering prices or yields set forth on the **inside cover**.

The Series 2005B Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2005B Bonds into investment trusts) at prices lower or yields higher than such public offering prices or yields and prices or yields may be changed, from time to time, by the Underwriters. The Underwriters' obligations to purchase the Series 2005B Bonds are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2005B Bonds if any Series 2005B Bonds are purchased.

## RATINGS

The Summary of Terms identifies the ratings of the credit rating agencies expected to be assigned to the Series 2005B Bonds. Those expected ratings reflect only the views of the organizations assigning them. An explanation of the significance of the ratings from each identified agency may be obtained as follows:

Fitch Ratings	Moody's Investors Service, Inc.	Standard & Poor's Ratings Services
One State Street Plaza	99 Church Street	55 Water Street
New York, New York 10004	New York, New York 10007	New York, New York 10041
(212) 908-0500	(212) 553-0300	(212) 438-2000

MTA has furnished to each rating agency rating the bonds being offered information, including information not included in this official statement, about MTA and the bonds. Generally, rating agencies base their ratings on that information and on independent investigations, studies and assumptions made by each rating agency. There can be no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by a rating agency if, in the judgment of that rating agency, circumstances warrant the revision or withdrawal. Those circumstances may include, among other things, changes in or unavailability of information relating to MTA or the bonds. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the bonds.

The expected ratings on the insured bonds identified on the **inside cover** reflect the ratings of the insurer providing credit enhancement for such insured bonds.

## LEGAL MATTERS

All legal proceedings in connection with the issuance of the bonds being offered are subject to the approval of the nationally-recognized bond counsel firm identified on the cover page and in the Summary of Terms. The form of the opinion of Bond Counsel is **Attachment 3** to this official statement.

Certain legal matters regarding MTA, the Transit Authority, LIRR and MNCRC will be passed upon by their respective General Counsels. In addition, certain legal matters will be passed upon by counsel to the Underwriters as indicated in the Summary of Terms.

## CONTINUING DISCLOSURE

As more fully stated in **Attachment 2**, MTA has agreed to provide certain financial information and operating data by no later than 120 days following the end of each fiscal year. That information is to include, among other things, information concerning MTA annual audited financial statements prepared in accordance with generally accepted accounting principles, or if unavailable, unaudited financial statements will be delivered until audited statements become available. MTA has undertaken to file such above information with each Nationally Recognized Municipal Securities Repository and a New York State Information Depository (the SID), if and when one is established.



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## ATTACHMENT 1

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company (DTC), New York, NY, will act as securities depository for the Series 2005B Bonds. The Series 2005B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2005B Bond will be issued for each maturity of the Series 2005B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity of the Series 2005B Bonds exceeds \$500 million, one Bond of such maturity will be issued with respect to each \$500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such maturity.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Series 2005B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005B 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 2005B 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 2005B Bonds, except in the event that use of the book-entry system for the Series 2005B Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2005B 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 2005B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005B 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.

5. 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 2005B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2005B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2005B Bond documents. For example, Beneficial Owners of the Series 2005B Bonds may wish to ascertain that the nominee holding the Series 2005B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2005B Bonds of any maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2005B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to MTA 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 2005B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds and principal and interest payments on the Series 2005B 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 detailed information from MTA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or MTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of MTA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2005B Bonds at any time by giving reasonable notice to MTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2005B Bonds are required to be printed and delivered.

10. MTA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, certificates for the Series 2005B Bonds will be printed and delivered

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT MTA BELIEVES TO BE RELIABLE, BUT MTA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

## ATTACHMENT 2

### CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (Rule 15c2-12), MTA and the Trustee will enter into a written agreement (the Disclosure Agreement) for the benefit of holders of the Series 2005B Bonds to provide continuing disclosure. MTA will undertake to provide certain financial information and operating data relating to the Related Transportation Entities (currently, MTA and its subsidiaries LIRR, MNCRC and MTA Bus, and the Transit Authority and its subsidiary MaBSTOA) by no later than 120 days after the end of each MTA fiscal year, commencing with the fiscal year ending December 31, 2005 (the Annual Information), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Information will be filed by or on behalf of MTA with each Nationally Recognized Municipal Securities Information Repository (the NRMSIRs) and with the state information depository for the State, if and to the extent it shall have been established and shall be in existence and operating as a state information depository within the meaning of Rule 15c2-12 (the State Depository). Notices of material events will be filed by or on behalf of MTA with NRMSIRs or the Municipal Securities Rulemaking Board (the MSRB) and with the State Depository. The nature of the information to be provided in the Annual Information and the notices of material events is set forth below.

Pursuant to Rule 15c2-12 MTA will undertake for the benefit of holders of Series 2005B Bonds to provide or cause to be provided either directly or through the Trustee, audited consolidated financial statements of the Transit Authority and the audited combined financial statements of MTA by no later than 120 days after the end of each fiscal year commencing with the fiscal year ending December 31, 2005, when and if such audited financial statements become available and, if such audited financial statements of either the Transit Authority or MTA are not available on the date which is 120 days after the end of a fiscal year, the unaudited financial statements of the Transit Authority or MTA for such fiscal year. The Transit Authority's and MTA's annual financial statements will be filed by or on behalf of such parties by MTA with each NRMSIR and the State Depository. In the event that such audited financial statements of the Transit Authority cease to be separately published, the obligation of the MTA hereunder to provide such financial statements shall cease.

The required Annual Information shall consist of at least the following:

1. a description of the systems operated by the Related Transportation Entities and their operations,
2. a description of changes to the fares or fare structures charged to users of the systems operated by the Related Transportation Entities,
3. operating data of the Related Transportation Entities, including data of the type included in **Appendix A** under the following captions:
  - a. "TRANSIT SYSTEM,"
  - b. "RIDERSHIP AND FACILITIES USE – Transit System Ridership,"
  - c. "EMPLOYEES, LABOR RELATIONS AND PENSION OBLIGATIONS – Transit System,"
  - d. "COMMUTER SYSTEM,"
  - e. "RIDERSHIP AND FACILITIES USE – Commuter System Ridership," and
  - f. "EMPLOYEES, LABOR RELATIONS AND PENSION OBLIGATIONS – Commuter System,"
4. information regarding the Capital Programs of the Related Transportation Entities, including information of the type included in **Appendix A** under the caption "FINANCIAL PLANS AND CAPITAL PROGRAMS,"

5. a presentation of the financial results of the Related Transportation Entities prepared in accordance with GAAP for the most recent year for which that information is then currently available (currently, the Transit Authority prepares consolidated financial statements and MTA prepares combined financial statements),
6. a presentation of changes to indebtedness issued by MTA under the Transportation Resolution, as well as information concerning changes to MTA's debt service requirements on such indebtedness payable from pledged revenues,
7. information concerning the amounts, sources, material changes in and material factors affecting pledged revenues and debt service incurred under the Transportation Resolution,
8. financial information of the type included in this Official Statement in Table 2 under the caption "SOURCES OF PAYMENT—Pledged Transportation Revenues" and included in **Appendix A** under the caption "REVENUES OF THE RELATED ENTITIES,"
9. material litigation related to any of the foregoing, and
10. such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the Related Entities.

All or any portion of the Annual Information as well as required audited financial statements may be incorporated therein by specific cross-reference to any other documents which have been filed with (a) the NRMSIRs and the State Depository or (b) the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been filed with the MSRB and need not have been filed elsewhere. Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent feasible, such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent to each NRMSIR or to the MSRB, and to the State Depository.

MTA will undertake, for the benefit of holders of the Series 2005B Bonds, to provide or cause to be provided:

1. to each NRMSIR or to the MSRB and to the State Depository, in a timely manner, notice of any of the events listed under the caption "CONTINUING DISCLOSURE" in this Official Statement with respect to the Series 2005B Bonds, if material, and
2. to each NRMSIR or to the MSRB, and to the State Depository, in a timely manner, notice of a failure to provide any Annual Information required by such undertaking or any required audited financial statements of any of the Related Transportation Entities.

The Disclosure Agreement provides that if any party to the Disclosure Agreement fails to comply with any provisions of its undertaking described herein, then any holder of the Series 2005B Bonds (which will include beneficial owners during any period that DTC acts as securities depository for, and DTC or its nominee is the registered owner of, the Series 2005B Bonds) may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the undertaking against such party and any of its officers, agents and employees, and may compel such party or any of its officers, agents or employees to perform and carry out their duties thereunder; provided that the sole and exclusive remedy for breach under the

undertaking is an action to compel specific performance, and no person or entity, including any holder of Series 2005B Bonds, may recover monetary damages thereunder under any circumstances, and provided further that any challenge to the adequacy of any information under the undertaking may be brought only by the Trustee or the holders of 25 percent in aggregate principal amount of the Series 2005B Bonds at the time Outstanding which are affected thereby. Each of the MTA and the Trustee reserve the right, but shall not be obligated to, enforce the obligations of the others. Failure to comply with any provisions of the undertaking shall not constitute a default under the Transportation Resolution nor give right to the Trustee or any Bondholder to exercise any remedies under the Transportation 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 undertaking 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 is 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 MTA's 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. MTA does not anticipate that it often will be necessary to amend the undertaking. The undertaking, however, may be amended or modified under certain circumstances set forth therein and the undertaking will continue until the earlier of the date the Series 2005B Bonds have been paid in full or legally defeased pursuant to the Transportation Resolution or the date the undertaking is no longer required by law. Copies of the undertaking when executed by the parties will be on file at the office of MTA.

MTA may satisfy its obligations to file any notice, document or information with a NRMSIR or SID (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the MAC) as provided at <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, or (ii) by filing the same with any dissemination agent, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such NRMSIR or SID, to the extent permitted or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC if and to the extent the agent has received a "no action" letter, which has not been revoked, from the SEC to the effect that enforcement action would not be recommended on account of using the agent, and not such NRMSIR or SID, as the source of information in determining compliance with the Rule.

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**ATTACHMENT 3**

**FORM OF OPINION OF BOND COUNSEL**

**Upon delivery of the Series 2005B Bonds in definitive form, Nixon Peabody LLP, New York, New York, Bond Counsel to MTA, proposes to render its final approving opinion in substantially the following form:**

[Date of Delivery]

Metropolitan Transportation Authority  
347 Madison Avenue  
New York, New York 10017

Ladies and Gentlemen:

We have examined a certified record of proceedings of the Metropolitan Transportation Authority (the "MTA") and other proofs submitted to us relative to the issuance of \$750,000,000 aggregate principal amount of Metropolitan Transportation Authority Transportation Revenue Bonds, Series 2005B Bonds (collectively, the "Series 2005B Bonds").

All terms defined in the Resolution (hereinafter defined) and used herein shall have the meanings assigned in the Resolution, except where the context hereof requires otherwise.

The Series 2005B Bonds are issued under and pursuant to the Constitution and statutes of the State (the "State"), including the Metropolitan Transportation Authority Act, being Title 11 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended to the date of this opinion letter (herein called the "Issuer Act"), and under and pursuant to proceedings of MTA duly taken, including a resolution adopted by the members of MTA on March 26, 2002 entitled "General Resolution Authorizing Transportation Revenue Obligations," as supplemented by a resolution of said members adopted on July 29, 2004, as amended and restated in its entirety on January 27, 2005 (collectively, the "Resolution").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2005B Bonds in order that interest on the Series 2005B Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986 of the MTA, dated the date hereof (the "Tax Certificate"), in which the MTA 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 2005B Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2005B Bonds and the investment of certain funds. The Tax Certificate obligates the MTA to take certain actions necessary to cause interest on the Series 2005B Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code may cause interest on the Series 2005B 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 MTA has covenanted in the Resolution to maintain the exclusion of the interest on the Series 2005B Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 6 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Tax Certificate with respect to matters affecting the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on the Series 2005B Bonds, and (ii) compliance by the MTA with procedures and covenants set forth in the Tax Certificate as to such tax matters.

We have also examined one of said Series 2005B Bonds as executed and, in our opinion, the form of said Series 2005B Bond and its execution are regular and proper.

We are of the opinion that:

1. MTA is duly created and validly existing under the laws of the State, including the Constitution of the State and the Issuer Act.

2. MTA has the right and power under the Issuer Act to adopt the Resolution. The Resolution has been duly and lawfully adopted by MTA, is in full force and effect, is valid and binding upon MTA, and is enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution creates the valid pledge which it purports to create of the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. We express no opinion as to the effectiveness of the pledge of moneys located in the State of Connecticut until such moneys are deposited in the Revenue Fund.

3. The Series 2005B Bonds have been duly and validly authorized and issued in accordance with the laws of the State, including the Constitution of the State and the Issuer Act, and in accordance with the Resolution, and are valid and binding special obligations of MTA, enforceable in accordance with their terms and the terms of the Resolution, payable solely from the Trust Estate as provided in the Resolution, and are entitled to the benefits of the Issuer Act and the Resolution. MTA has no taxing power and the Series 2005B Bonds are not debts of the State or of any other political subdivision thereof. MTA reserves the right to issue additional Obligations and to incur Parity Debt on the terms and conditions, and for the purposes, provided in the Resolution, on a parity as to security and payment with the Series 2005B Bonds.

4. The MTA, the holders of the Series 2005B Bonds, or the holders of any evidence of indebtedness of the MTA do not and will not have a pledge of or lien on (i) the dedicated mass transportation trust fund established by Section 89-c of the State Finance Law, (ii) the metropolitan mass transportation operating assistance account established in the mass transportation operating assistance fund pursuant to Section 88-a of the State Finance Law, or (iii) the taxes or moneys deposited therein.

5. The Series 2005B Bonds are securities in which all public officers and bodies of the State and all municipalities and political subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings 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 who are or may 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 to the extent that the legality of such investment is governed by the laws of the State; and which may be deposited with and shall be received by all public officers and bodies of the State and all municipalities and political subdivisions for any purpose for which the deposit of bonds or other obligations of the State is or may be authorized.

6. Under existing statutes and court decisions (i) interest on the Series 2005B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2005B 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.

7. Under existing statutes, interest on the Series 2005B Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

The opinions expressed in paragraphs 2 and 3 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as stated in paragraphs 6 and 7, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2005B Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2005B Bonds, or under state, local and foreign tax law.

We express no opinion as to the accuracy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2005B Bonds.

This opinion letter 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 letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion letter to reflect any future actions, 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 reason whatsoever.

Very truly yours,

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## ATTACHMENT 4

### INFORMATION RELATING TO AMBAC ASSURANCE CORPORATION

#### General

There follows in this **Attachment 4** certain information concerning Ambac Assurance Corporation (Ambac) and Ambac's policy (the Ambac Insurance Policy) which has been supplied by Ambac for use in this official statement. Ambac has also supplied the specimen of the Ambac Insurance Policy attached to this official statement in this **Attachment 4**. No representation is made by MTA, the Underwriters or any of their counsel as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof. Neither MTA, the Underwriters or any of their counsel has made any independent investigation of Ambac or the Ambac Insurance Policy, and reference should be made to the information set forth below.

#### Payment Pursuant to Ambac Insurance Policy

Ambac has made a commitment to issue the Ambac Insurance Policy relating to the Ambac Insured Bonds (designated on the inside cover) effective as of the date of issuance of the Ambac Insured Bonds. Under the terms of the Ambac Insurance Policy, Ambac will pay to The Bank of New York, in New York, New York or any successor thereto (the Insurance Trustee) that portion of the principal of and interest on the Ambac Insured Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Ambac Insurance Policy). Ambac will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Ambac Insured Bonds and, once issued, cannot be canceled by Ambac.

The Ambac Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Ambac Insured Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Ambac Insured Bonds, Ambac will remain obligated to pay principal of and interest on outstanding Ambac Insured Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Ambac Insured Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on an Ambac Insured Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

The Ambac Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Ambac Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Ambac Insurance Policy, payment of principal requires surrender of the Ambac Insured Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Ambac Insured Bonds to be registered in the name of Ambac to the extent of the payment under the Ambac Insurance Policy. Payment of interest pursuant to the Ambac Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to Ambac.

Upon payment of the insurance benefits, Ambac will become the owner of the Obligation, appurtenant coupon, if any, or right to payment of principal or interest on such Ambac Insured Bond and will be fully subrogated to the surrendering holder's rights to payment.

The insurance provided by the Ambac Insurance Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

### **Ambac Assurance Corporation**

Ambac is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,585,000,000 (unaudited) and statutory capital of approximately \$5,251,000,000 (unaudited) as of March 31, 2005. Statutory capital consists of Ambac's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac.

Ambac has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an Ambac Insured Bond by Ambac will not affect the treatment for federal income tax purposes of interest on such Ambac Insured Bond and that insurance proceeds representing maturing interest paid by Ambac under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Ambac Insured Bonds.

Ambac makes no representation regarding the Ambac Insured Bonds or the advisability of investing in the Ambac Insured Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac and presented under the caption "Bond Insurance" and in this **Attachment 4**.

### **Available Information**

The parent company of Ambac, Ambac Financial Group, Inc. (the Company), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the NYSE), 20 Broad Street, New York, New York 10005.

Copies of Ambac's financial statements prepared in accordance with statutory accounting standards are available from Ambac. The address of Ambac's administrative offices and its telephone number are One State Street Plaza, 19<sup>th</sup> Floor, New York, New York 10004 and (212) 668-0340.

### **Incorporation of Certain Documents by Reference**

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;
2. The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;
3. The Company's Current Report on Form 8-K dated and filed on April 20, 2005;
4. The Company's Current Report on Form 8-K dated May 3, 2005 and filed on May 5, 2005; and
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005;

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in **"Available Information"**.



# Financial Guaranty Insurance Policy

Ambac Assurance Corporation  
One State Street Plaza, 15th Floor  
New York, New York 10004  
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

## Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

The insurance provided by this Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

**In Witness Whereof**, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

### Ambac Assurance Corporation



President



Secretary

Authorized Representative

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## ATTACHMENT 5

### INFORMATION RELATING TO MBIA INSURANCE CORPORATION

#### General

There follows in this **Attachment 5** certain information concerning MBIA Insurance Corporation (MBIA) and MBIA's policy (the MBIA Insurance Policy) which has been supplied by MBIA for use in this official statement. MBIA has also supplied the specimen of the MBIA Insurance Policy attached to this official statement in this **Attachment 5**. No representation is made by MTA, the Underwriters or any of their counsel as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof. Neither MTA, the Underwriters or any of their counsel has made any independent investigation of MBIA or the MBIA Insurance Policy, and reference should be made to the information set forth below.

#### MBIA Insurance Corporation Insurance Policy

The MBIA Insurance Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of MTA to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the MBIA Insured Bonds (set forth on the inside cover) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the MBIA Insured Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a Preference).

The MBIA Insurance Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any MBIA Insured Bond. The MBIA Insurance Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; or (iii) any Preference relating to (i) and (ii) above. The MBIA Insurance Policy also does not insure against nonpayment of principal of or interest on the MBIA Insured Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the MBIA Insured Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of an MBIA Insured Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such MBIA Insured Bonds or presentment of such other proof of ownership of the MBIA Insured Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the MBIA Insured Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the MBIA Insured Bonds in any legal proceeding related to payment of insured amounts on the MBIA Insured Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such MBIA Insured Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

## **MBIA**

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the Company). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

## **Regulation**

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The MBIA Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

## **MBIA Information**

As of December 31, 2004, MBIA has admitted assets of \$10.4 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2005 MBIA had admitted assets of \$10.6 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.6 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2005 and for the three month periods ended March 31, 2005 and March 31, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2005, which are hereby incorporated by reference into this official statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

## **Incorporation of Certain Documents by Reference**

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this official statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2004; and

- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the MBIA Insured Bonds offered hereby shall be deemed to be incorporated by reference in this official statement and to be a part hereof from the respective dates of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this official statement, shall be deemed to be modified or superseded for purposes of this official statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this official statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2005), are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

#### **Financial Strength Ratings of MBIA**

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the MBIA Insured Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the MBIA Insured Bonds. MBIA does not guaranty the market price of the MBIA Insured Bonds nor does it guaranty that the ratings on the MBIA Insured Bonds will not be revised or withdrawn.

**FINANCIAL GUARANTY INSURANCE POLICY**  
**MBIA Insurance Corporation**  
**Armonk, New York 10504**

[NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to

or its successor (the "Paying Agent ") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]**  
**[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

This policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Assistant Secretary

STD-R-NY-7  
01/05





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